ABSTRACT
The theory of agency, the information is a commodity that, like any commodity has a cost can be traded, can be forged, especially if the contract between the principal and the agent is a results-based contract. Accounting measures of agency capacity to create value for shareholders is the net profit achieved in a year. Funding is provided when a firm hope of future cash flows discounted capital is high and is likely to being guaranteed by the quality of economic activity of the company. The possibility of reliable estimates of future cash flows that could be generated by an economic entity is subject to fairly the historical financial statements published. The retouched this image is, the estimate made by users of cash flows will be removed from the actual capacity of the entity to generate cash flows. Investor decision taken based on information published by a firm through financial statements is a result of rational thought, intuition investor, based on non-financial criteria (including “histoires des”) considered in a decision to invest / disinvestment is not “raw material” for an audit engagement (Albouy, 2005).

KEY WORDS: auditing, accounting information, stock investor, contract
JEL: M41

1. INTRODUCTION
Utility contract account information
The theory of agency, the information is a commodity that, like any commodity has a cost can be traded, can be forged, especially if the contract between the principal and the agent is a results-based contract. Over-stock of the company, characterized by the inability to achieve the performance evaluation to justify equity ratio determined by supply/demand financial market is a consequence of information asymmetry, asymmetry reduced by effective mechanisms of corporate governance (Jensen, (2002)).

Accepting the hypothesis of rationality stock investors, individual or institutional, overstatement of net assets of the entity as a result of misinformation market by historical financial statements or forward-looking information is directly influenced by the payments in the form of options packages. Most efficient solution proposed by the author of the study is the monitoring of financial communication, monitoring costs as “investments in integrity management” (Jensen, (2002)).

The increase in financial communication quality of an entity is perceived as being higher, the reduction of information asymmetry between privileged third parties,
holders of agency information obtained from private sources, and users who rely solely on information published by the Agency will reduce the capital cost of the agency. This trend is explained by the reduction of current and potential investors to request and trade information (Brown and Hillegeist, (2007)).

Cost information and the temporary nature of abnormal gains (as a result of economic performance are not achieved by the issuers securities) is obtained from privileged investors also trading practices impediments to information. Regulation of financial communication in terms of information content of financial statements of individuals or groups of companies (consolidated financial statements) and in terms of their shape, publishing information considered significant management decision-making by external users, improving information flow by using the modern means of communication (Internet) practical ways to reduce information asymmetry between different categories of external users.

Direct relationship between the quantity and quality of financial communication of an economic entity and stakeholders, on the one hand and volume of transactions (Akerlof, (1970)), the share capital held by institutional investors, market capitalization (Chang, 2008, Bushee and Miller, (2007)) and cost of credit (Vernier, (2005)), on the other hand, it is empirically proven. Describing an external auditor as “guardian of the trust” (Shapiro, (1983)) that managers may be granted by shareholders, auditor's contribution in reducing the risk assumed by shareholders is as Charreaux (2006), in securing financial investment.

2. FINANCIAL ACCOUNTING INFORMATION AND QUALITY AUDITOR

Responsible for the quality of economic and financial information, external financial auditor's reputation is generating long-term gains audit offices. Certifying the sincerity and regularity (compliance with the applicable financial reporting) accounts, communication, by issuing an opinion or refused to express an opinion of irregularities detected, the guarantor of the reliability of accounting information, external auditors reputation is a very important in the precision of estimates of future cash flows generated by a particular economic entity.

“Limitation of management accounting opportunism” (Bessière, (2009)) can affect short-term gain of uncompromising audit firms due to increased risk of losing customers, long term, however, built a reputation as investor confidence wins. Stock market reaction to an auditor expresses an opinion devoted to negative stock market reaction manifested in lowering the value of those entities, is actually found in research conducted in different countries. Although it is difficult to isolate the power of opinion expressed by the auditor in determining a company's stock value fluctuation of other information about the entity, the stock market reaction to significant negative expression of an opinion unanticipated by investors, compared with expected negative opinions is put into evidence (Fleak and Wilson, (1994)).

How negative opinion of the auditor, based on evidence of continuing operation of its “cost” the auditors concerned both researchers (Carey and al, (2008)) and managers of audit firms, their conclusion is that, demonstrating their competence and independence, lost a risky customer, acquiring at the same time, the ability to win (it is true, longer-term) or certificate of customers interested in “big names” of the audit services market.

According to Sylvain (1982) audit, broadly, is the critical study of documents and other evidence to determine the regularity, the sincerity of a document or assertion, or to assess compliance of the line of conduct or contractual provisions.
Sincerity, “good faith application of the rules and procedures based on the knowledge that those responsible for preparing financial statements should normally be to have the reality and importance of operations, events and situations” (F. Lefebre) requires reasonable assessment risk and depreciation (Herrbach, 2000).

Answer audit work, the IAASB, the conflict of interest as a result of agency relationships is the need to maintain an attitude of professional skepticism throughout the external financial audit mission. This approach requires the auditor and the critical evaluation of management representations, statements can not substitute for required evidence the opinion formation. Thus, the audit becomes limiting “cases of doubt, conflict, mistrust and danger” (Power, (1997), p. 1).

Outcome management accounting (Leuz and., (2003)) is an upward trend for entities whose managers are paid based on performance of organizations, or prior to important events in changing the financial structure of the entity, for example, by issuing new capital actions, resorting to bank loans. Reporting below the real economic results for tax or before replacing the management team, smoothing the result-as far as reducing the risk of fluctuating external users perceived return on investment are determinants of inherent risk. Implications amounts of funds invested are much lower than for the management of business risk result. Indeed, if the first three cases is the failure to yield loss investors hoped for contribution amounts, if distortion of financial statements to investors disguising business risk damage can extend up to the advanced funds.

Regarding the relationship between the likelihood of distortion of financial statements and branch of activity to which they belong entities in financial difficulty, empirical studies show a direct and positive correlation for entities where most assets are intangible (Gerety and Lehn, (1997)) and branches with a high degree of volatility of results. Distortion management situations revenue accounts by sector-specific technological entities, and distortion is practiced mainly by assets of financial entities (Beasley and., 2000). Lack of financial resources and preparation, after a year of financial statement fraud is highlighted by studies by Dechow et al. (1996).

In order to check the dependence of the cause: high level of indebtedness and effect: fraudulent financial statements, studies are considered Sennett and Turner (2001), Dechow et al. (1996). Although, according to agency theory (Jensen, (1983)), resorting to bank loans is one way to reduce the discretion of management, by reducing free cash flow, leverage role in increasing risk of bankruptcy is also evident.

Practice, much less common after the adoption of management accounting result Sarbanes-Oxley Act (U.S., 2003) was highlighted by studies (Cohen and al, (2007); Bartov and Cohen, (2008)). If Sarbanes-Oxley Act, by prohibiting the provision by the same auditor and audit advisory services resulted in increased reliability of the information provided by economic entities, specifically continental economy, the risk of attention of state regulatory body. Thus, the IFAC Code of Ethics (adopted by the Chamber of Financial Auditors of Romania) is prohibited audit firms providing services to express an opinion on financial statements prepared by clients who are at the same time, customer accounting services to draw.

3. EXPECTED UTILITY ACCOUNT INFORMATION

Fundamental analysis of financial statements is particularly useful in estimating future cash flows that can generate an economic entity with shares as the price does not incorporate any information about that entity (Fama and Jensen, (1983)). Or, inefficient markets necessitate fundamental analysis in decision making by investors.
Moreover, even assuming efficient markets hypothesis, the time lag between changes in the entity's ability to achieve expected yields for investors and assimilation in the price of securities of such information requires the use of financial statements and accounting to achieve forecasts.

4. CONCLUSIONS

The reliability of data provided by the audited entity and depends on the quality expected by users. Although forecasting by extrapolation of historical data depends on other factors such as time horizon taken into account, specific macroeconomic conditions triggered suddenly (for example, unanticipated economic crisis), political factors, even natural factors-quality information is the basis for the forecast the departure of a forecast as close to reality.

Given the importance of accounting information by investors in evaluating the quality of management, according to Principal-Agent model, the distortion of financial statements is supposed to be possible, especially for complex operations, unusual, whose evaluation requires a large dose of subjectivity (Châtelneau and Trébucq, (2003)).

REFERENCES

Fleak SK, Wilson ER, “The Incremental Information Content of Going-Concern Audit Opinion the” Journal of Accounting, Auditing & Finance (Winter): 149-166
Herrbach O., (2000) “Le travail des comportement collaborateurs have the cabinets d’audit Financier: une approche psychologique seem to contract”, PhD in Management Sciences
A SURVEY STUDY REGARDING RISK PERCEPTION AND FINANCIAL RISK MANAGEMENT PRACTICES ADOPTED BY THE SMALL AND MEDIUM ENTERPRISES WITHIN THE NORD-EAST REGION OF ROMANIA

Sorin Gabriel ANTON

ABSTRACT

The importance of risk management is well recognized among the European SMEs. The current financial crisis has highlighted the need for improved risk management procedures for small and medium enterprises (SMEs) from emerging economies.

The aim of the paper is to analyze the risk management practices of Romanian SMEs before and after the onset of current financial crisis. Using a data sample of 115 SMEs from North – East region of Romania, we found that Romanian SMEs recognize the main risks that their business is facing: payment delays or client defaults, foreign exchange risk, the impact of the financial crisis on national and global demand, credit crunch and the rising cost of capital and funding. We highlighted that these risks are similar for the European SMEs. Another important finding is that the perception that risks have increased dramatically as a result of the crisis is widespread. Nevertheless, small and medium enterprises have proved to be reluctant to fully implement and adhere to sufficient risk management policies.

Among the factors which prevent the entrepreneurs to manage risks are: lack of risk management expertise, in terms of risk evaluation, management capabilities and efficient risk management tools.

KEY WORDS: risk perception, risk management, small and medium enterprises, financial crisis, Romania.

JEL: G30, G32

1. INTRODUCTION

The financial risk management has attracted much attention in the last years, becoming an important topic for economists. However, there are relatively few papers that discuss the risk management practices adopted by the small and medium enterprises.

In the financial literature, the term “Small and medium-sized enterprise” (SME) is defined differently from one country to another and between financial institutions. The European Union defines SMEs as companies with less than 250 employees and with a turnover smaller than 50 million euro.

The importance of SMEs for the economy is well recognized in the literature. SMEs represent an important source of job creation, economic growth, entrepreneurship and innovation, competitiveness, dynamism and flexibility in advanced industrialized countries, as well as in emerging and developing economies.

SMEs represent the dominant form of business organization, accounting for over 95% and up to 99% of enterprises depending on the country (OECD (2006)). In the European Union, nearly 99% of the companies are SMEs, while 90% of them are micro

1 Lecturer, PhD, „A.I. Cuza” University of Iași, Faculty of Economics and Business Administration, Business Administration Department, sorin.anton@uaic.ro
enterprises. At the same time, the SMEs account for approximately 67% of the overall employment in the European Union. In economic terms, SMEs generate around 60% of the value added to the European economy.

Risk management is described in the financial literature as being concerned with identifying and managing a firm’s exposure to financial risk; financial risk is defined as the variability in cash flows and market values caused by unpredictable changes in the commodity prices, interest rates, and exchange rates (Kaen (2005)).

In the last twenty years, the financial risk management has gained an important role for the companies and financial institutions. Financial risk management has become a booming industry as a result of the increasing volatility of financial markets, financial innovations (financial derivatives) and the growing role played by the financial products in the process of financial intermediation. Some risk management practices in recent years appear to have been driven by the need to meet regulatory expectations set by such initiatives as BASEL II, KonTraG (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich) in Germany, and Sarbanes-Oxley in the United States. Forward contracts, futures, options, swaps, and other, more complex financial instruments allow today firms to transfer risks to other economic agents who are able or more willing, to bear them.

Risk management is nowadays considered as a key activity for all companies, no matter their size or sector of activity. Many of the disastrous losses of the 1990s, such as those at Orange County in 1994 and Barings bank in 1995, would have been avoided if good risk management practices have been in place (Hull (2007)).

There are two approaches of the risk management process: the traditional one and the ERM (Anton (2009)). The traditional approach, a segmented and compartmentalized one, consists in the following: different risks are delegated to different specialized persons who use different instruments to tackle these risks. For example, the property and liability risks are the responsibility of the risk manager. In the same time, the treasurer is responsible to manage financial risks (such as exchange rate, interest rate, and credit risk) using different types of derivatives contracts (options, forwards, futures, and swaps).

In the second approach, called Integrated Risk Management (IRM) or Enterprise Risk Management (ERM), all the risks are assembled in a strategic and coordinated framework. Enterprise risk management requires an entity to take a portfolio view of the risk. Corporate Risk Management is subsequently motivated by market imperfections, such as asymmetric information, transactions costs, non-neutral taxes and limited access to external financing.

Some authors suggest that the companies adopting the Enterprise Risk Management (ERM) have a long-term competitive advantage comparing with companies that are hedging each risk separately (Nocco & Stulz (2006)).

The main reasons for using risk management, as there are presented in the financial literature, are:

- risk management can be used to reduce the expected tax burden; because the risk management enables a company to use more debt, it represents a way of reducing taxes by letting a firm to borrow more money and to obtain interest expense tax shields;
- risk management can reduce the costs of financial distress and bankruptcy;
- risk management can be used to encourage and protect firm specific investments;
- risk management can lead to transaction cost savings;
- risk management can be used to align the interests of management with those of the owners of the company;
- risk management can be used to design management compensation plans that hold management accountable only for the factors under their control;
- risk management can be used to assist firms in developing financial plans and funding programs;
- risk management can be used to stabilize cash dividends;
- risk management can help the companies to cope with capital market imperfections.

Shareholder Value Creation with Corporate Risk Management

Figure 1 - Economic Motives for Corporate Risk Management
(Source: Hommel, p. 458)

The ability to manage risks is a source of competitive advantage and a way to increase the shareholder value for non-financial and financial corporations. A survey of finance professors’ views on derivatives conducted by the International Swaps and Derivatives Association (ISDA) in March 2004 revealed that ninety-eight percent of respondents agreed that managing financial risk more effectively is a way for companies to build shareholder value. The flexibility that derivatives offer in customizing a
company’s risk profile was commonly cited as a benefit for the firms. Many participants also noted that derivatives allow companies to assume only the risks that add value and enable them to focus on their primary business or core competence instead of worrying about fluctuations in financial markets.

Studies undertaken on the financial crisis show that in the case of small and medium enterprises the bankruptcy costs are proportionally higher, which suggests that SME’s should use more derivatives in order to manage financial risks. Smith and Stulz (1985) argued that risk management has as main effect the reduction of the default probability of the firm.

2. RISK MANAGEMENT PRACTICES ADOPTED BY THE ROMANIAN SMES

We consider that for the most Romanian small and medium enterprises, the establishment of a risk management system is important for their survival, since it affects their ability to continue the business and to receive credit from banks.

The questionnaire objective is to assess how SMEs in the North East of Romania perceive the risks they face in carrying out their work, and insofar they implement a risk management process.

From the analysis of the collected data, it can be seen that before the financial crisis, main risk factors/threats to SMEs in the North East region of Romania were, in order of appointment frequency: increased price of raw materials, delayed payments from customers or partners, fiscal instability, decreased demand for company’s products or services, and exchange rate instability. Difficult access to bank loans or difficult access to other sources of funding did not constitute a source of risk for Romanian SMEs.

At the end of 2010, it can be observed that the main risk factors were in order of appointment frequency: reduced demand for company’s products or services, delayed payments from customers or partners, commodity price growth, fiscal instability, and exchange rate instability. Romanian SMEs perception has changed considerably in terms of two major risk factors: lower demand for company’s products or services and delayed payments from their customers or partners. At the same time, we see that Romanian entrepreneurs perceive the access to different sources of financing to be more restrictive in December 2010 as the period before the offset the current financial crisis. These responses are similar to the ones given by the European SMEs.

The main risks faced by Romanian SMEs in 2010 are the commodity price risk, currency risk, and interest rate risk. Although Romanian SMEs identify the main risks that affect their operations, only 22% of them have implemented or are under the process of implementing a risk management process. Also, 66.19% of SMEs in the last year have not implemented a risk management process (see figure 2).
The main reasons that hindered SMEs to implement a risk management process are: hedging costs outweigh the potential benefits of risk management, lack of information/knowledge related to risk management, managers consider that estimating price developments on financial markets is not part of the company's area of expertise and shareholders should manage individual risks, and the company is unable to use quantitative methods to measure exposure (see table 1).

**Table 1**

Reason not for implementing a risk management process

<table>
<thead>
<tr>
<th>ANSWER</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of information / knowledge related to risk management</td>
<td>33.8%</td>
</tr>
<tr>
<td>Company is unable to use quantitative methods to measure exposure</td>
<td>9.85%</td>
</tr>
<tr>
<td>The company is intimidated by the complexity of the derivatives used in financial risk management</td>
<td>4.22%</td>
</tr>
<tr>
<td>Managers consider that estimating price developments on financial markets is not part of the company's area of expertise and shareholders should manage individual risks</td>
<td>16.90%</td>
</tr>
<tr>
<td>Hedging costs outweigh the potential benefits of risk management</td>
<td>35.21%</td>
</tr>
</tbody>
</table>

(Source: author’s data)

The costs of implementing risk management projects are quite high for the Romanian companies. The costs include the personnel education/qualification and the implementation of internal control system needed for participating on the derivatives markets. The required margins and the minimum capital required are, on the same time, costs included by the use of derivatives. Smith and Stulz (1985) showed that small and
medium enterprises have problems regarding the personnel needed for an efficient risk management program.

The most commonly used financial instruments for risk management is insurance contracts, followed by distant by financial derivatives.

Even though most SMEs have not implemented a risk management process, they know the potential benefits of this process. Based on the responses received, the following financial risk management benefits for SMEs in the North East region of Romania are:
- better coordination with suppliers, customers and partners;
- reduce total cost;
- increase in revenues;
- attracting potential customers;
- improving the predictability of cash flows.

Another revealed aspect of the study is that Romanian SMEs need advice on risk management process. Thus, 15.19% of the analyzed companies believe that they need outside expertise, while 53.52% of the companies analyzed admit that they need additional knowledge in this field.

3. CONCLUSIONS

The ability to manage risks is a source of competitive advantage and a way to increase the shareholder value for small and medium enterprises. The financial crisis of recent years has highlighted the need for improved enterprise wide risk management procedures.

The paper has analyzed the risk perception and risk management practices of Romanian SMEs before and after the onset of current financial crisis. This investigation is a first step of a larger empirical approach to risk management practices in Romanian SMEs.

Using a data sample of 115 SMEs North – East region of Romania, we found that Romanian SMEs recognize the main source of risks that their business is facing: payment delays or client defaults, foreign exchange risk, the impact of the financial crisis on national and global demand, credit crunch and the rising cost of capital and funding. The main risks faced by Romanian SMEs in 2010 are the commodity price risk, currency risk, and interest rate risk.

In Romania, many SMEs are still lacking risk management knowledge, although the perception that risks have increased dramatically as a result of the crisis is widespread. According to the survey, less than 22% of the Romanian SMEs from North East region declared themselves well-equipped in terms of risk evaluation, management capabilities, and efficient risk management tools.

REFERENCES


AN OVERVIEW OF ROMANIA’S ROAD TO EURO.
CHALLENGES AND OPPORTUNITIES

Andreea AVADANEI

ABSTRACT
The scope of this paper is to highlight the Romanian strategy towards the euro adoption. We structured our article on sections that cover four main research directions. The first one illustrates some general academic remarks about the implications of Romania’s accession to European and Monetary Union; the second underlines the interdependence between nominal and real convergence; the third one offers an analysis of the Maastricht criteria fulfillment present stage and the fourth points out the possible scenarios ex post single currency’s introduction. We conclude by saying that the decision to join the Eurozone should not be taken only in terms of the ability to achieve the nominal convergence criteria, but also in relation to the progress of real convergence phenomenon. In their absence, the economy will become peripheral, less flexible and unable to manage and eliminate the shocks affecting it.

KEY WORDS: economic and monetary union, convergence criteria, optimum currency area, catching-up process, structural reforms, financial system.
JEL: E42, E44, F15, F36, F44

1. INTRODUCTION

Romania's integration in the European Union (EU) was undoubtedly a significant step, but reducing the existing gaps in relation to the developed countries will still continue for a long time. Joining the euro area is a second major step in this process. Moreover, if the phenomenon of Economic and Monetary Union (EMU) accession is a key objective, the time of implementing this decision will be weighed carefully in order to see what are the advantages and limitations that this approach entitles. According to the European Commission Report published in May 2010, Romania currently meets only one of the four nominal convergence criteria (public debt), with fiscal stability being the main obstacle towards the single currency’s adoption.

Although accession to the third stage of EMU involves as mandatory only the fulfillment of nominal convergence criteria, the sustainability of the process depends very much on real convergence degree, as the essence of integration. Because of the problems affecting the implementation of structural reforms (especially privatization and price liberalization) in Romania, real convergence has had a delayed start.

2. LITERATURE REVIEW

In the case of Romania, the euro adoption should mark the end point of a complex macroeconomic convergence process and not its debut; in essence, the single currency does not eliminate the Member States imbalances but rather may worsen them. Unilateral adoption is neither feasible, nor constitutes a viable solution (Popa (2009a)).

1 PhD. Candidate, Faculty of Economics and Business Administration, Doctoral School of Economics, “Alexandru Ioan Cuza” University of Iasi, Romania, andreea_avadanei@yahoo.com
The recent national discussions of the business arena-and not only- are considering the possibility of early euro adoption against the original schedule. According to governor Isărescu (2007, 2009) and Andreescu (2010) early euro adoption, before a strong convergence with the EU, is problematic and can not replace the policy adjustment efforts.

To accelerate the single currency introduction means giving up the monetary policy prior to ensuring a sustainable convergence (before the elimination of the national economy imbalances). Popa (2009b) argues that the application of a policy designed by the ECB can possibly be inadequate to country-specific problems.

In terms of real convergence, the low correlation between the national and the Eurozone economic cycle and the differences regarding the economic structures represent strong arguments against the accelerate euro introduction (Ionescu (2007), Dumitru (2009)). This background leads to an increased probability of asymmetric shocks occurrence, the rigidity of domestic labor market making it impossible to accommodate to such events.

A comparative analysis of the pros (Toma and Nicula (2007)) and cons (Hurduzeu and Constantin (2007), Dăianu (2010)) of accelerating single currency adoption shows that maintaining the current timetable for euro area entry (January 2015) is the optimal solution, while speeding up the accession to Economic and Monetary Union involves major disadvantages.

### 3. THE TRADE-OFF BETWEEN NOMINAL AND REAL CONVERGENCE

Convergence process calibration relates to two essential elements:

- **Nominal convergence**;
- **Real convergence or the catching-up process**.

The analysis of these aspects opens a new perspective to practical actions in the areas of economic reform, the *acquis communautaire* and the integration process.

**Nominal convergence criteria** have a strong economic motivation, related to financial stability and anchoring the performances to those recorded in the states with the best indicators, considered as benchmarks in the evaluation process. Since the Maastricht criteria imply a lower temporal perspective, we believe that in relation to the phenomenon of real convergence, nominal convergence is a privileged process.

Obtaining EMU membership is strictly subject to compliance benchmarks imposed on inflation, long-term interest rates, deficit and public debt, and nominal exchange rate stability.

Unlike the nominal convergence criteria stipulated in the Treaty of European Union, the *real convergence criteria* are not provided in any international treaty, although they represent an essential precondition for a country to fully benefit from the advantages of a common currency. Moreover, there are no formal criteria and no full agreement regarding the variables that should be taken into account (the Maastricht Treaty states only the need for social cohesion and reducing economic disparities between countries and regions).

Academic literature offers many opinions that consider real convergence criteria synonymous with the properties of *optimal currency areas-OCAs* (degree of openness of the economy, the synchronization of business cycles, labor mobility, wage and price flexibility, the level of financial development). Developments driven by nominal criteria have influenced the real economic variables, highlighting the complementary nature of both phenomena.
Although it is possible for nominal convergence to initially draw a performance dilution, the complete fulfillment of the Maastricht criteria ensures greater macroeconomic stability, resulting in significantly higher growth rates. The more flexible is the national economy, the easier it is to adapt to a new scheme, reducing the intensity of the initial impact.

For the Central and Eastern Europe (CEE) states, and hence to Romania, the priority is *beta convergence* or, reformulating, catching-up to the most powerful EU countries.

Successful completion of this effort primarily involves high rates of saving and investment, refining educational standards and labor force, as well as improving competitiveness. In order to highlight the speed of convergence, we divided the analyzed interval into two sub-periods, as shown in table 1.

### Table 1
Convergence of CEE states to the EU-27

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per capita in EU-27 (PPP, EU-27=100)</th>
<th>The speed of convergence (reducing the gap to EU-27 average, %)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>73</td>
<td>68</td>
</tr>
<tr>
<td>Estonia</td>
<td>36</td>
<td>45</td>
</tr>
<tr>
<td>Lithuania</td>
<td>36</td>
<td>39</td>
</tr>
<tr>
<td>Latvia</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>Poland</td>
<td>43</td>
<td>48</td>
</tr>
<tr>
<td>Romania</td>
<td>n.a.</td>
<td>26</td>
</tr>
<tr>
<td>Slovenia</td>
<td>74</td>
<td>80</td>
</tr>
<tr>
<td>Slovakia</td>
<td>48</td>
<td>50</td>
</tr>
</tbody>
</table>
Hungary | 52 | 55 | 63 | 63 | 11 | 0

(Source: Eurostat, 2010)

Note: *: authorial calculations; n.a.: not available; ¹: the range is between 2000 and 2004.

Obviously, integration positively influences the process of real convergence. Ex ante EU accession, Estonia, Latvia and Lithuania recorded the best results in terms of reducing the gap with the EU 27 average. Slovenia and Hungary form the next cluster, managing a lag decrease by 12% and 11%, followed by Slovakia and Romania (8%). Ex post EU accession, our country ranks second, performing a gap decrease from the average by 11%.

Achieving nominal convergence criteria is a double-faceted phenomenon, involving both positive (as a consequence of reducing the inflation rate) and negative effects (in the area of public finances) on the real convergence process. In turn, real convergence also affects nominal variables, both favorable and unfavorable.

Academic literature examines the relationship between nominal and real convergence based on Balassa-Samuelson effect. Achieving a rapid real convergence based on inflationary pressures automatically generates the adoption of restrictive monetary policies. As a result, one of the most common negative implications in this direction is the emergence of the above-mentioned effect.

Sustaining the catching-up process of an economy lies in the compatibility of the two types of phenomena, the nominal and real convergence. In comparison with the values of Maastricht criteria, Romania presents a slow convergence of monetary variables (inflation and interest rate). The evolution of public finances meets the standard required, but betrays a low level of economic modernization. Choosing an appropriate mix of economic policies could support the development of real convergence, in spite of the negative effects of disinflation caused by the absence of flexible offerings.

The existence of a modern, developed financial system is another prerequisite that facilitates this process. From OCA theory perspective, financial integration represents an extremely important factor, as it improves the transmission of single monetary policy, the resources allocation to areas with high investment potential, stimulates the economic growth and has the potential to mitigate idiosyncratic shocks.

Since the EU accession, the national financial market has become increasingly integrated in European structures. Romania has transposed the Financial Services Action Plan (FSAP) directives, recording considerable progress in the post-FSAP provisions adoption too. As recently EU integrated state, Romania has a good score in implementing the Internal Market directives, the transposition deficit hovering well below the 1% set value.

So far, the financial system faced well the international crisis pressures, with the central government not interfering in the banking sector through the implementation of supportive measures. The ninth largest foreign banks with branches in Romania, member of the European Bank Coordination Initiative Group (EBCIG) have fulfilled their recapitalization obligations, in line with the stress test performed by the National Bank of Romania (NBR).

The integration index (which provides a quantitative synthesis of the progressive stages of institutional integration) developed and applied for the first time by Marelli
and Signorelli (2010), emphasizes the positive effects of real convergence on nominal and institutional convergence phenomena.

Analyzing the structural parameters of institutional convergence, Romania must recover a significant gap, given that the polls conducted and centralized by the World Bank indicate an unfavorable EU placement for most of the addressed criteria (political stability and absence of violence, government effectiveness, regulatory quality, confidence in the legal system, corruption control).

We believe that there isn’t and that it will never be a situation of perfect alignment of all states in relation to an absolute convergence process. Economic and social reality verifies and confirms a dynamic group convergence based on the influencing factors acting in the economic system.

4. AN ANALYSIS OF CONVERGENCE CRITERIA FULFILLMENT: THE ACTUAL STAGE

The global financial crisis has highlighted the significant benefits of a monetary union membership with a strong single currency. The exchange rates of non-EZ countries have recorded a very high volatility, with particular emphasis on this trend in the case of a superior euroisation level of national economy and a potential effect of financial instability (Dumitru (2009), p. 3).

It is essential that major reforms (restructuring, privatization, wage policy, labor mobility, fiscal policy, the review without delay of the pension system and health insurance) to be addressed before, and not after the exchange rate mechanism 2 (ERM2) participation or the euro area entry. In a monetary union, the necessary structural reforms are carried out with a considerably higher support, but the costs of any potential failure are exponentially multiplied.

A. Nominal convergence - price stability criterion

Since the EU accession date, the average annual inflation rate used to assess the convergence degree always stood above the reference value. Considering the April 2009-March 2010 period, the harmonized consumer price index registered a value of 5%, far exceeding the standard of 1% associated with price stability criterion (average figures in Portugal, Estonia and Belgium, plus 1.5 percentage points).

The risks of higher inflation are quite diluted, related mainly to external factors, following the recent recovery in international energy prices and future growth of administered prices. For the subsequent periods there are not expected fluctuations in indirect taxes, although we can not exclude the adjustments applied in the context of fiscal consolidation efforts.

B. Nominal convergence - public finances criteria

Together with five other countries, Romania is currently under the EU Council decision regarding the existence of an excessive deficit. To correct this situation, firm dates have been set as follows: 2012 for Romania, Latvia, Lithuania and Poland, 2011 for Hungary and 2013 for the Czech Republic. The widening of the budget deficit in 2005-2008, when the real GDP growth rate recorded a value of 6.4% was caused by the structural deficit deterioration (to 7.7% of GDP in 2008).

Analyzing the figures of 2009, there is a deficit of 8.3% of GDP, well above the reference value (3%), public debt criterion being the only one fulfilled (23.75
percentage hovering well below the 60% standard). The worsening of the account deficit reflects the international crisis consequences on the national public finances.

The global economic stress hit Romania hard, so that in March 2009 the authorities requested multilateral financial assistance. Signing the agreement was conditioned by the implementation of fiscal consolidation measures aimed at reducing the 2009 deficit at 5.1%. This observation is also true for Latvia and Hungary, countries that have benefited by similar financial assistance, offered, *inter alia*, by the EU and the International Monetary Fund (IMF).

Therefore, the supportive measures of the business sector have been extremely limited, totaling only 0.2% of GDP. They cover reinvested profits tax exemption, temporary waiver to pay social contributions for technical unemployed and the extension of "Rabla" program in order to withdraw from circulation any obsolete vehicles. The worsening of the economic climate beyond forecasts in the first half of 2009 accelerated the fiscal positions deterioration. To some extent, this trend is explained by the setting of the budget deficit target to 7.8%, allowing the partial operation of automatic stabilizers. Despite all efforts, the goal was not achieved.

**C. Nominal convergence: exchange rate criterion**

In the 2000s, the Romanian leu exchange rate had experienced large fluctuations. Between 2004 and 2007, the currency strongly appreciated under the impact of capital inflows triggered by the economic catching-up process and the prospects of EU accession (facilitated by the capital account liberalization in the fall of 2006). After registering in 2007 of the highest value in the past five years, the exchange rate fell sharply, consequence of the global crisis emergence. Country-specific factors have also an important role in increasing investor uncertainties with regard to the worsening of the national economy imbalances.

Romania has been downgraded by most rating agencies, credit default swaps spreads have increased dramatically, and money market rates have registered abnormal developments. Financial assistance programs run by the EU and the IMF contributed, in March 2009 to an ease of the national currency pressures. In the past two years, the exchange rate volatility gradually reduced, but the short-term interest rate differentials against the three-month EURIBOR maintained a high level. In March 2010, the real exchange rate rose above the RON past ten years average, both in bilateral and effective terms.

The fluctuations of the exchange rates have reflected the effectiveness of banking sector liquidity management, government foreign exchange operations and the changes in the investor’s perspective. In the two-year reference period, the currency did not participate in the ERM 2 (the estimated entry date is 2012), being traded under a flexible regime. According to the "impossible trinity" dilemma, (Romanian case) there can not simultaneously exist an *independent monetary policy, a fixed rate and a free movement of capital flows*. Currently, national monetary policy has an independent character, the liberalization of capital flows is fully completed, and the exchange rate is flexible. Based on an increase of monetary policy effectiveness, this last feature allows the central bank to ensure domestic price stability.

We believe that both the period before ERM 2, and the effective participation in this mechanism are important milestones for the national economy convergence, which will resume once the end of economic contraction.
D. Nominal convergence: long-term interest rate criteria

The importance of long-term interest rate levels is underlined by the explicit reference to "the convergence sustainability", included in the Maastricht Treaty. Since Romania's accession to the EU, average interest rates have always exceeded the long-term reference. Differences against the euro area increased in the second half of 2007 and in 2008, following the global financial crisis and domestic economic difficulties. Considering March 2009- March 2010 period, the recorded value was 9.4%, with 6% above the EU reference. Given that the long-term interest is linked to inflation, it is clear that the success of Romania's euro adoption depends essentially on a single factor, namely the inflation reduction.

E. Real convergence: gross domestic product per capita

From 2001 to 2008, real GDP growth rate has surpassed the Eurozone associated pointer, as evidence of the national economy catching-up process. However, considering the GDP per capita level of the eight EMU candidates, in 2008 Romania placed on the penultimate position (before Bulgaria) with a value of 48% of EU 27 average. The gap of 32 percent against the Czech Republic on the top is significant.

The differences between Romania and the other CEE countries are driven by the significant foreign investment that they have enjoyed since the early '90s. Our country had a late start on this chapter, recording higher flows only in the recent years, after a series of important events, such as joining NATO (2004), full capital account liberalization (2006) and the EU accession (2007). However, Romania has a significant advantage: compared to 1999, the year of euro introduction, it has achieved the fastest recovery pace in relation to the EU average.

F. Real convergence: Degree of openness

Trade integration is one of the main business cycles linking mechanisms (Frankel and Rose (1998)). Analyzing recent years, the openness degree of national economy was relatively stable; although, compared with other countries of similar size, this indicator (measured by the share of import and export of goods and services in GDP) is lower. It is also unfavorable that Romania’s economic openness relies on a smaller proportion on exports than in other CEE countries, which display almost balanced weights of the two components.

The evolution of trade has been strongly influenced by the prospects of European integration. In 2004-2008, the rate of intra-EU trade in goods was more than double compared to the value recorded in services. Three quarters of Romania's trade flows are directed towards the EU 27, Germany, France and Italy accounting for almost 40% of total imports and exports of goods. Outside Europe, the biggest counterparties of export are Turkey and Russia (10%). Although the EU is Romania's main counterparty, the opening of the latter is far below the New Member States (NMS).

F. Real convergence: economic structure by sector

Although currently there is a growing trend in the share of services and a reducing one in the share of agriculture in gross value added towards the EZ figures, the differences in terms of economic structure and labor force between Romania and the euro area remain large. In addition, to streamline the very low agriculture productivity (only 10% of GDP, given that 30% of the workforce is trained in this area) considerable
Investments are needed. Similarly, a convergence phenomenon is visible in the share of industry.

National labor market displays a low degree of flexibility; if that is evident at the regional level, the mobility across borders is very high. Generally, NMS present low labor force mobility, due to a very high percentage of households that own the property on which they live (Egert (2004), p. 19).

Efforts undertaken to adopt the single currency require continuity; in order to improve performance and overall national competitiveness, reforms in various fields are essential.

5. POSSIBLE SCENARIOS FOR THE ROMANIAN POST-EURO ECONOMY

Ex post euro adoption, two fundamental questions raise, related to the national economy behavior under the new framework and the single currency evolution and with it, the one of the entire financial and monetary system.

We believe that the present global financial crisis constitutes a huge opportunity for euro in order to consolidate its statute as international currency, highlighting the advantages of states that benefit from the protective umbrella of one of the strongest currencies in the world.

With the collapse of communism, Romanian banking system has begun a new stage; the last twenty years have been marked by a series of mergers, acquisitions and bankruptcies that finally reshaped and strengthened the entire banking sector. Based on previous analysis of the EZ banking sector, we conclude that the national system has experienced a similar evolution. The European mergers and acquisitions brought together powerful entities creating large international groups present in most EU countries.

In this context, the question arising is whether the achievement of these groups is affected by activation in several states. We believe that in order to reveal patterns and trends in the EMU banking systems, the most relevant way is to apply a cluster analysis technique. The main research on this subject is attributed to Sorensen and Gutierrez (2006); following the division of foreign capital (table 2), their conclusions are not entirely applicable in the case of Romanian banking system.

<table>
<thead>
<tr>
<th>Foreign capital classified by country of origin (September 2009)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% in total foreign capital</td>
</tr>
<tr>
<td>---------------------------</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
</tr>
<tr>
<td><strong>Austria</strong></td>
</tr>
<tr>
<td><strong>Netherlands</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Hungary</td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Portugal</td>
</tr>
<tr>
<td>Cyprus</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>Other EU Member States</td>
</tr>
<tr>
<td>Total UE</td>
</tr>
<tr>
<td>Israel</td>
</tr>
<tr>
<td>USA</td>
</tr>
<tr>
<td>Other countries</td>
</tr>
<tr>
<td>EBRD</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

(Source: National Bank of Romania 2010)

Analyzing table 2, the three clusters (Germany, France, Belgium, Austria and Ireland, Spain and Portugal and Finland and Greece) are unevenly distributed. The first cluster with the German leader holding a percentage of 50.3% is advanced by the most active country-Austria. In light of the fact that in 2000 Austria became increasingly present in Eastern Europe, participating in the largest national procurement (Petrom and BCR), this is not a surprising situation.

The cluster represented by Spain and Portugal is not included in the Romanian banking system, accounting for only 2.4% of total foreign capital. This is explained by the geographical position of the two countries and the inexistent tradition in terms of relative economic cooperation with Romania.
In the case of the third cluster, we note the 35.3% share of Greece, associated with its leadership placement on this segment. Because of the economic crisis affecting this country, its position was seen somewhat disadvantageous, in terms of the possibility of capital withdrawing in order to use it for national lending. Despite unresolved domestic issues, Greece maintained its role, though not as active as in previous periods.

Because Romania is not yet part of the Eurosystem, we can not include the domestic banking sector in any cluster; we can only guess that it will be part of the Central and Western Europe associated cluster, strengthening the positions of the participating countries.

The euro introduction involves a series of changes, related to banks statute as financial intermediaries (national currency conversion costs, denomination of contracts, updating POS terminals and ATMs, balance sheet modifications, the new currency offerings, the potential interest rate lowering). Analyzing EMU long-term implications, we note the possibility of transforming into a strong and dynamic, able to easily attract foreign capital banking system. What is extremely important for Romania is the certainty that by single currency adoption we will count on one of the most influential and powerful world currencies.

6. CONCLUSION

To summarize, in terms of nominal convergence, the budget deficit (which adjustment below 3% will be quite difficult), poses the biggest problems. The comparison with Central and Eastern European countries shows a higher convergence of public finances and a diluted phenomenon in monetary plan (in 2010, Romania displayed the highest inflation rate in the region (5.0%).

Joining EMU involves finding the most favorable compromise between nominal and real convergence, given that after two years of ERM 2 Romania must fulfill all the Maastricht criteria.

At the national level, a monetary policy aimed at maintaining price stability and adopting rigorous program of fiscal consolidation is a precondition for the existence of an adequate environment that ensures sustainable convergence. Choosing the right mix of economic policies is another major challenge that Romania is facing.

REFERENCES


ABSTRACT
This paper aims to present the issue of depreciation of fixed assets that needs to be regarded reversibly, by setting adjustments, as well as irreversibly, through a process called amortization.

The present paper examines the two situations in terms of entities in the construction field, highlighting the specific situations that arise when these entities account the depreciation.

KEY WORDS: depreciation, amortization, adjustment, tangible fixed assets.
JEL: M41 – Accounting

1. INTRODUCTION

The depreciation represents „a loss of value […] from any cause”, also being defined as a difference between the market value and the substitution cost” (ANEVAR, (2001)).

The depreciation of assets must be considered from two points of view: the reversible depreciation and the irreversible depreciation.

Thus, considering that the assets are submitted to irreversible depreciation, as a result of physical or moral ageing (Epuran M., Băbăiță B., Imbrescu C., (2004)), the fixed assets recover their value in time through amortization.

The process of an asset’s physical or moral ageing recovery, marking out an operating expense deductible in calculating the result, is called „depreciation” (Mateș D., (2003)), or the depreciation is an irreversible deduction of an amount of certain balance sheet items, allotted on a determined period“ (Lande E., (2002)).

Amortization is a process of gradual recovery of an asset amortizable value, usually during the useful life period, by including a part of the amortizable value under redemption (Matiș D., Pop A., (2010)). From another point of view, the amortization represents the allotment of the amortizable value of an asset during its projected use period. (Ristea M., Dumitru C.G., Ionaș C., Irimescu A., (2009)). The international accounting standards define the amortization as the systematic allotment of an asset’s amortizable value during its useful life period (IFRS, (2009)).

Based on the considerations mentioned above, we can say that amortization represents a gradual decrease of an asset input value with an amount that corresponds to
physical ageing, according to the use and moral period, due to time, technical progress and other causes, in order to bring them to their real value.

Thus, in other words, amortization represents the adjustment of an asset accounting value with irreversible depreciation. It supposes two aspects: on the one hand the depreciation of the asset value and on the other hand the recovery of this depreciation from the expenses of each operation.

Amortization regimes applicable in Romania are the following (OMFP 3055/2009):

a) **linear amortization** achieved by equally including in the operating expenses certain fixed amounts, established proportionally with the number of years of their economic use;

b) **digressive amortization**, that consists of the multiplication of the linear amortization rates with a certain coefficient;

c) **accelerated amortization** which includes in the operating expenses, in the first operational year a amortization of 50% from the asset value. The annual amortizations for the next exercises are calculated at the value left to be amortized, referring to the remained number of years of use. Because the calculated depreciation must be correlated with the use of assets, and, because, rarely a tangible fixed asset is consumed in the first year till up to 50%, we draw the conclusion that the accelerated amortization method is less used for accounting purposes.

2. THE ISSUE OF DEPRECIATION OF FIXED ASSETS IN THE CONSTRUCTION FIELD

The conducted empirical studies indicated that the method of linear amortization is used in the construction units. This method is based on the assumption of depreciation or a use regularly distributed in time. In our country the linear amortization is determined by equally including in the operating expenses certain fixed amounts, established proportionally with the number of years of their economic use.

The annual linear amortization is calculated by applying the annual average share to the input value of the fixed assets.

The determined share will be applied to the updated remaining value.

For the construction tangible fixed assets, the annual amortization will be calculated only linearly.

The use of the linear amortization is approved by the economic board, i.e. the one responsible with the asset management.

The linear amortization method is easy to use, but its simple appearance exposes it to criticism. The value decrease of an asset is not constant throughout its life. This method does not respect the decrease of the production capacity, nor the increase in time of the maintenance costs due to ageing.

As you can see, the annual depreciation (annuities) are equal when the calculation period is equal to one year, and the successive net accounting values are in a decreasing arithmetic progress.

The international accounting standards (IFRS, (2009)) anticipate that the depreciation method applied to an asset must be reviewed at least at the end of the financial operation, and if there is a significant change in the expected rate of consumption of future economic benefits brought by the asset, then the method must be changed. All accounting standards anticipate that such a change should be registered in
accounting as an evaluation change (IFRS, (2009)). The active laws (OMFP 3055/2009) in Romania, provided that the depreciation method may be changed only when it is caused by an error in the estimation of the benefits consumption method afferent to the respective tangible assets.

The depreciation of tangible assets is calculated based on an amortization plan, starting the second month till the full recovery of their input value. The depreciation plan is determined by the period of economic use and terms of use. (OMFP 3055/2009)

The amortization plan aims the tangible and intangible assets that depreciate in an irreversible manner. Established once with the asset, the plan contains the input cost, the size of the annual practiced depreciation and the net accounting value after each exercise.

The change of the amortization plan should not be made only in exceptional circumstances. The operating life and the initially provided amortization method can be improved in order to consider the significant changes in the operating conditions (accelerated pace, the change of working hours, etc.) and the moral ageing occurred faster than expected. The elaboration of a new amortization plan requires rules applicable to any change of the accounting method, by reason of the action of the methods constancy principle.

Once the amortization basis and lifetime of an asset have been determined, the depreciation expenses depend also on methods chosen for the annuities calculation.

The theory and practical experience recommended as a method of use must be logical and systematic. In other words, the input cost cannot be assigned arbitrarily to exercises, without considering the manner in which the asset will lose its useful value over the years. The chosen method must reflect the drop of the asset service capacity.

In our country, the regulation regarding the enforcement of the accounting Law no. 82/1991, Law no. 15/1994 referring to the amortization of the capital immobilized in tangible and intangible assets, the Government Ordinance no. 54/2007, for the change and completion of Law no. 15/1994 and HG no 909/29.12.1997, for approving the methodological norms of applying Law 15/1994, modified and completed through GO no. 54, legislate, regulate and standardize the amortization methodology condition.

Economic units engaged in economic activities depreciate the fixed assets using one of the following amortization conditions: the linear amortization, the digressive and the accelerated amortization (Tax code, updated).

The depreciation condition for a depreciable asset is determined according to the following rules (tax code, updated):

a) In constructions, we apply the linear amortization method;

b) As for the technological equipment, i.e. machinery, tools, plants, the taxpayer may choose the linear, digressive or accelerated amortization method.

c) In case of any depreciable assets, the tax-payer may choose the linear or digressive amortization method.

A depreciation occurs whenever the accounting value of an asset exceeds the present value (Ristea M., Dumitru C.G., Ionaş C., Irimescu A., (2009)), a value which according to national regulations is called inventory value (OMFP 3055/2009). In the case of assets, IAS 36 „Asset depreciation” equates their amortization and depreciation (IFRS, (2009)), while in the national regulations we speak of final depreciation assimilated to amortization, and temporary depreciations assimilated to asset depreciations.

We consider that the problem of recognizing all the depreciation losses or at least the permanent ones and the issue of discovering if the loss can be covered, must be
analyzed with reference to the purpose/objective of a depreciation test. The Executive Summary says that although „the purpose of a depreciation test is to ensure the fact that the utility value of an asset is not overstated, it is necessary to clarify this purpose. If the initial purpose is to reflect the proper value of an asset, then all the depreciation losses, whether permanent or temporary, must be recognized, and the loss must be compensated”.

As stated in IAS 36 „Asset depreciation”, the accounting value of an asset must be brought to its recoverable value only if the recoverable value is lower/smaller than its accounting value. This decrease constitutes a loss of depreciation and should therefore be recognized immediately as an expense in the profit and loss account”.

The International Accounting Standard IAS 36 “Asset depreciation” specifies the recognition and evaluation of a depreciation loss as well as the specific accounting treatments. For the deprecations of an asset registered at cost, the depreciation cost is recognized immediately as an expense in the account 121 “Profit and Loss”.

For the depreciation of an asset registered at the reassessed value, the depreciation loss is treated as a decrease of the reassessed value within the balance account 105 “Revaluation reserve”, the difference that exceeds the balance account is recognized as an expense in 121 “Profit and Loss”. In the same time the depreciation loss reduces the value of an asset. It will be marked out at the recoverable value which will be further on depreciated.

The recognition of depreciation can be treated as information when taking the decision to review the remaining useful life, the residual value and/or the method of depreciation.

When elaborating the balance sheet, the company must evaluate the indications regarding the non-existence or the decrease of an asset value loss, recognized in the previous years.

If in the next operations the recoverable value of the depreciated asset has increased, the difference is quashed by the resumption of income, except for the cases of asset revaluation when it will be treated as an increase of the reassessed value; in this case the value of the asset will grow to the new recoverable value without exceeding the present net accounting values, calculated if the asset was not depreciated in the last years.

After recognizing the quashing of a depreciation loss, the amortization of the asset must be adjusted for future accounting losses, and if it is the case, the remaining period and the residual value should be revised.

As stated in IAS 36 „Asset depreciation”, in assessing the existence of an indication according to which a depreciation loss recognized for an asset in the previous years may no longer exist or may have reduced, the company must take into account a minimum of information resulted from the above specified external and internal sources.

3. CONCLUSIONS

Comparing the depreciation issue as it is treated according to the accounting regulations of our country and according to the international accounting norms, we can observe that:

At first sight, the depreciation adjustments shall be treated as cases of depreciation of the asset values, as described in IAS 36. Apparently, the final effect is the same: the reduction of the balance sheet assets. On a close analysis we discover the following differences:
The value depreciation in the sense of IAS usually refers to a deterioration of the asset value, having slight chances of disappearing in the future, due to moral ageing, unfavorable market conditions, etc.

Unlike adjustments, the value depreciation (in the practice of the multinational companies that apply IAS) generates the crediting of the depreciated asset account in return for the expense account, precisely to show the direct influence of the value diminishing. Basically, we can say that the value depreciation is linked to the evaluation methods. The depreciated asset occurs thus not only at the balance sheet but also in the primary accounting.

Furthermore, the calculation of the various financial indicators of the assets will generate different results, using the depreciation adjustments and the depreciation value.

Another difference is linked to the cancellation of the depreciation value. In the case of adjustments, the cancellation is made when the inventory value is higher than the input one or higher than the input value from the previous year. The accounting investigation is done by using an income account in return for an adjustment account.

The cancellation of the depreciation in the sense of IAS is made when the recoverable value grows unto the values of the previous years, but this increase must not exceed the net accounting value at that date, if depreciation had not been registered. The accounting investigation is made by crediting an income account in return for the depreciated asset account.

The acknowledgement of depreciation does not consider the fact that not any value decrease becomes automatically depreciation. In determining the value decrease, an important role is played by the application of a professional reasoning in determining the level of significance. Thus the value decreases become depreciations when it they are considered significant.

The tangible assets, especially those in the construction field, are submitted to value degradation faster than of those assets belonging to companies with different lines of business, and for this reason adjustments are registered for their depreciation.

The construction companies register adjustments for the tools depreciation that are subject to a greater ageing like for example the picks and other digging equipment that are deteriorating faster because they are used in harsh environments (digging a foundation made of rock, stone), as well as hydraulic, mechanical and electrical tools, which also are more likely to degrade due to different conditions in which they are used.

The entry of the value adjustments in accounting is made with the help of the account group 291 „Adjustments for the depreciation of tangible assets”, which takes place in synthetic accounts of the second degree, the most used within the financial accounting organized by the construction companies being 2913 „Adjustments for the depreciation of facilities, transport means, animals and plantations” and 2914 „Adjustments for the depreciation of other tangible assets”.

In general, the empirical studies indicate that some construction companies, represent the corresponding analytics for different groups of installations and tools undergoing a faster degradation, such as 2913.1 for machinery and equipment for foundation digging and 2913.2 for the hydraulic, mechanical and electrical tools, for a better tracking and control at the end of the year when the evaluation for the balance sheet is made. The adjustments are registered as expenses, the account 6813”Operating expenses regarding adjustments for the asset depreciation” with analytics for each category of assets, respectively 6813.1 for machinery and equipment for the foundation digging and 6813.2 for hydraulic, mechanical and electrical tools.

If at the end of the operation, the depreciation is higher than the one already established, a further adjustment is required, but if the depreciation is lower than the one
already existing, then the difference is reduce by passing it to income. (Account 7813 „Incomes from adjustments for the asset depreciation”, with the necessary analytics). If an adjustment is cancelled, the established adjustments are registered at the incomes.

REFERENCES

IFRS. Norme oficiale emise la 1 ianuarie 2009, București: CECCAR, IAS 16 „Imobilizări corporale”: 1191 and 1201;
IFRS. Norme oficiale emise la 1 ianuarie 2009, București: CECCAR, IAS 16 „Imobilizări corporale”;
IFRS. Norme oficiale emise la 1 ianuarie 2009, București: CECCAR, IAS 8 „Politici contabile, modificări ale estimărilor contabile și erori”: 1083-1084;
IFRS. Norme oficiale emise la 1 ianuarie 2009, București: CECCAR, IAS 36 „Deprecierea activelor”: 1792;
Ghid de aplicare OMFP nr. 3055/2009 pentru aprobarea Reglementărilor contabile conforme cu Directivele Europene;
OMFP nr. 3055/2009 pentru aprobarea Reglementărilor contabile conforme cu Directivele Europene (actual).
THE IMPORTANCE OF FISCAL MANAGEMENT IN THE ACTIVITY OF THE ENTERPRISE

Maria-Mihaela DINCA¹

ABSTRACT
Changes that occurred during the past years in case of an instable economy have reflected in the continuous breakthrough of the accounting system in Romania. In our country the fiscal and accounting regulations are elaborated by the Ministry of Public Finance, that is why the interdependence between accounting and taxation is very tight and the influences of the revenue authority upon accounting seem even more obvious.

In a real market economy system, accounting is the knowledge and control space of the enterprise management. Accounting is responsible on an informational and decisional level for the problem of the management of economical values. It is a collection of knowledge that governs activities and processes at the level of the economical enterprise.

Quality accounting information is an important source for the fiscal management of any enterprise, independent of its area of activity because on the basis of correct and in time accounting the enterprise can establish correctly its fiscal obligations and can make a fiscal planning.

The fiscal management of the enterprise uses accounting data, elaborated and given by the informational system of the enterprise to analyze distortions or deviations due to the lack of compatibility of the fiscal rule and the accounting one, their convergence points as well as to establish the strategy, the fiscal venture and efficiency.

KEY WORDS: accounting information, fiscal management, taxation, economic enterprise.

JEL: M41

1. INTRODUCTION

Accounting has initiated in the Middle Ages with the development of monetary economy and now accounting represents a complex system of collecting, identifying, grouping, editing, recording and generalizing the accounting elements and financial reporting. It is the main instrument by which the economic entity informs its environment about its actions and its financial performances.

Accounting deals with information in a way that is complete and continuous and economic enterprises are the space of representation and action for it. Because in the activity of some enterprise situations appear that influence strongly the business decisions with fiscal regulations, it is a must to draw the line between fiscal management as a distinct component of the activity.

In a real market economy, accounting is considered to be the space of acknowledge and control of the enterprise management. This assertion is true when the traditional image of taxation, namely the regulations and rules that generate obligations which cannot be overcome without sanctions, is replaced with the image of an instrument of incitation of the enterprise management. In these circumstances the

¹ PhD candidate, West University of Timisoara, Faculty of Economics and Business Administration, Romania, mihaela.dinca@gmail.com
enterprise has its fiscal management characterized by a certain undertaking, dominated by the criterion of the efficiency in bearing the taxes and assessments. (Mateş, (2003))

Accounting is useful only if it provides information that serves the management board of the enterprise. That is why the quality of the accounting information is essential, being an important basis for the fiscal management.

Research has proved that accounting is both a science and an area of expertise attached to the informational system. As part of this system, accounting provides the greatest part of information necessary to taking economical decisions.

2. THE ACCOUNTING INFORMATIONAL SYSTEM OF THE ECONOMIC ENTITY

For any system, the accounting one included, information is an original message about the events and transactions that took or will take place. Hence, accounting cannot be stated outside the Informational System because society is passing through an informational explosion and information brings a plus of knowledge, laying at the basis of the actions and decisions of the economic entity.

The information and the decision are bound by an interdependent connection. On the one hand the given information help the decision taking process, but on the other hand, the decisions taken become information transmitted to the execution system.

Because the decision is the most important element of management, the managing and decision taking position expresses the call of the informational system to assure the informational elements necessary to decision taking processes.

---

![Figure 1 – Relations between subsystems (Sursa: Iacob C., 2000, p.16)](image)

Accounting is answering informationally and decisionaly to the problem of the management of economic values. It is a collection of knowledge that helps govern activities and processes at the level of the economic entity.

The quality of the decisions taken and the success of the activity depend greatly on the information given by accounting. This information in turn depends on the good training of the professionals in the area. Accounting information integrates the image of the entity at the end of a financial exercise in contrast with its situation at the beginning of the exercise. It represents the main source to establish the fiscal obligations.

All specialty treaties acknowledge the fact that the accounting information is useful to the managers in the decision taking process at the level of the organization, but it is also useful to those interested outside the organization. In practice, the activities and processes of production of the accounting information are taking place under the incidence of the demand and offer law, in that the demand of information needs to be covered at the quality required and with a certain accepted cost, according to the objectives of performance and the pre-established ends. (Horomnea, (2004)).
In time, accounting has encountered an evolution in accordance with the scientific and technical progress, wanting to satisfy the informational demands of some larger and more relevant categories of customers, raising the precision and the significance of the given data. In other words, accounting is considered to be a service activity that connects the economic activities and the decisional factors.

So, taking efficient decisions depends upon the identification of relevant information in the multitude of data given by accounting. From a fiscal management point of view, we are talking about looking for solutions to lead to a minimum fiscal cost by using all the fiscal facilities given by the law. Subsequent to the elaboration of data, taxation comes along, with its objectives that are the calculation and taxation of assessment, taxes and contributions due by the contributor to the state and with its watching upon business development, their capitalization and raise of profit.

Quality accounting information is an important source for the fiscal management of any enterprise, no matter what its domain is, because only with a correct and in time accounting system the entity can determine correctly its fiscal obligations and make a fiscal planning.
3. FISCAL MANAGEMENT

Why fiscal management? Because it addresses all the economical entities that render activities in order to get some profit.

Fiscal management of the economic enterprise uses accounting information, elaborated and given by the enterprise informational system, to analyze distortions or deviations due to the lack of compatibility between the fiscal and accounting rules, their convergence points as well as to establish the strategy, the fiscal risk and efficiency.

During the last years, on an international and local plan, there is a tendency to fit in the accounting system with the taxation with the only purpose of diminution the inadequacies that appear between the two systems that seldom lead to erroneous understanding of the ways to apply fiscal norms on the individual scale of the economic agent.

The evolution of the accounting systems, connected to the economical globalization, is engaged into an adaptation process to the evolution demands also by the relations between accounting and taxation.

Between accounting and taxation there is a complex relationship because accounting is a privileged source of information for the fiscal controls, most of the fiscal obligations being established on the basis of accounting data. Accounting is an important source for the fiscal controls and a correct management of taxes and contributions is not a contravention, but it may lead to the avoidance of tax evasion.

In principal, fiscal administration has no reasons to judge the management of the enterprise or the quality of its results, some cases could be considered to be outside the law, namely: (Istrate, (2000))

- expenses with no connection to the interest of the enterprise
- exaggerated expenses (generally, advantages for the managers or shareholders)
- remuneration of production factors without consideration or without justification
- transfer of the tax burden to other taxpayers.
- Broad interpretation of accounting principles
- Advances agreements between undertakings which may be real credits
- Abandons of the claims between the groups

We believe however that management wants tax legislation primarily on the nature of proper administration of tax and regulatory compliance while identifying those solutions that best fit the entity of interest, resulted in minimizing the amount played as taxes or fees in order to increase efficiency and profitability of the entity.

In relations between accounting and taxation there is an important problem that actually is that the principles, norms and regulations and adjustments proper to the two components are not alike in all cases. In regulated accounts, the accounting information is constituted on the basis of its own principles, norms and regulations. In exchange, fiscal information uses as the basis of taxation, according to the principles, rules and norms defined by the fiscal laws. (Tulvinschi, (2003)).

Taxation has always been seen as a burden on any tax payer, however loose it may be. The existence of taxation is justified because the functioning of any society requires certain costs to meet collective needs, and they must be supported by collective resources.

Taxation emerges today as a science separated from the other social and economic sciences can be defined as a coherent set of concepts, ideas, theories and theoretical reflections, but also techniques, methods and measurement, evaluation management and incentive economic activity. Theory empowerment and independent
development was delayed because of negative perceptions of taxation, rigid rules and hard to motivate objectives which distant taxation of interest in academic research. For a long time, taxation was seen as a cluster of rules and techniques employed in a system that works unpredictably and does not allow anticipation, knowledge, mastery and understanding of the operation mechanisms.

Analysis of the relationship between accounting and taxation of entities requires taking into consideration of tax risks that the entity assumes when it applies tax regulations because a conflict of interest may appear between the fiscal interest of the state, that wants to attract budgetary resources and the interest of the entities that wants the limitation of those.

The fiscal controls should accept without opposition the accounting „reality” in what it concerns the establishment of the fiscal burden of the enterprise. But accounting is not perfect and the fiscal controls, as users of the accounting information, interpret them according to their own interests that do not always coincide with those of the enterprise. The same do the financial analysts that retreat the accounting synthetic documents to obtain information considered pertinent by them. (Istrate (2000))

An example of divergence in accounting-taxation relationship can be shown by differences between accounting and tax results.

2.1. Accounting vs. tax results

The result of an economic activity is looked upon by two points of view: accounting result and tax result. The consequences of obtaining one or the other of the two are different, according to the nature of the result.

The accounting result of an entity is profit or loss. Profit is the positive difference between total incomes and total expenses. In other words, profit is the value that remains after the deduction of expenses from the incomes and if expenses overcome incomes, there is a loss

The accounting result (the brut result of the exercise) is calculated according to the demands of an engagement accounting system and according to the principle of the independence of the exercise and is the net profit or the net loss before the subtraction of taxation expenses. The brut result of the exercise, corrected with the fiscal deductions and the undetectable expenses allows obtaining the fiscal result (taxable profit or fiscal loss).

\[
\text{Accounting result} = \text{total income} - \text{total expenses}
\]

\[
\text{Fiscal result} = \text{accounting result} - \text{tax reduction} + \text{undeductible taxes}
\]

The accounting result is the calculation basis of fiscal result. Equality can appear between the two results and then the enterprise does not have undeductible expenses, namely tax-free incomes. There can be cases when unconformities appear in determining the result. In this case the incomes and expenses will be treated outside the accounting system. In this case, we must take into consideration the norms, regulations and accounting principles but the fiscal principles and norms can not be neglected. The latter promote the fiscal interest of the state that can lead to a contradiction between the fiscal and accounting interest. The moment requires a reconciliation between the
accounting, as a representative of the interest of the economic entity, and taxation, as government representative.

In this case the optimum report between the two must be found, that is both in the advantage of the state and of the economic entity. The conciliation between the accounting result and the fiscal one is realized within two categories of reports: (Mates, (2003))

- integrated reports, that express the connection relationships between the two results, being determined by the conjunction of the two interests
- neutral reports, based on the principle that accounting information is used as a basis for the calculation of taxes and other contribution to the budget

The discrepancy between the fiscal and the accounting interest, as well as the accounting principles and fiscal rules must be harmonized in a way that both the economic entity and the state obtain the projected advantages.

As for the taxation of the profit, people try, through fiscal adjustments, to influence the taxable result, reintegrating some of the expenses or exclusion from deduction of others, admission of shares and that is beyond is to be used to increase the taxable result.

Neutral reports do not cause special problems regarding the harmonization of the accounting interest with the fiscal one. They appear in what concerns the taxation of lands, wages and shares or in calculation of the excise. Neutral reports can influence fiscal management of the enterprise only if the economic agent is determined to take action contrary to its interests, through some excessive taxation measures.

4. CONCLUSION

Fiscal management of the economic entity uses accounting information, adjusted, given by the informational system of the enterprise, in the purpose of analyzing distortions or deviations because of the lack of compatibility between the fiscal rule and the accounting one, their convergence points as well as establishing, on the basis of their analysis, the strategy, fiscal risk and efficiency.

Quality fiscal information is an important source in fiscal management of any entity, no matter what its domain is because on the basis of correct and in time accounting the enterprise can determine correctly its fiscal obligations and make a fiscal planning.

Present development of modern society imposes upon the continuous breakthrough of accounting information. It should render the demands of the management to the foundation of decisions and the informational needs of the partners of the enterprise.

Accounting practice is susceptible of potential conflicts of interests between the accountant employee that gathers up, elaborates, synthesizes and analyses the accounting information on the one hand, and the customers, as beneficiary of the information, on the other. The great number of customers of the information can show a lack of trust in what regards the information given by accounting, because of the lack of independence, objectivity but also because of the moral and professional qualities for the economic-financial operations that require the issuing of financial situations by some of the producers of information.

Hence, the intervention of taxation into accounting should not take place through eluding the accounting normalization in our country that takes international tendencies adjusted to the economic specificity of our country.
A process of breakthrough for the accounting and financial systems is taking place, but it requires a special attention in the future because on an international and European level the domains mentioned are very dynamic, which influences also the national environment, as business do not know borders and their favorable or nonfavorable effects are diffusing very fast.

ACKNOWLEDGMENTS

This article is a result of the project “Creșterea calității și a competitivității cercetării doctorale prin acordarea de burse”. This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by the West University of Timisoara in partnership with the University of Craiova and Fraunhofer Institute for Integrated Systems and Device Technology - Fraunhofer IISB.

REFERENCES

ABSTRACT
The fundamentals of tax harmonisation are tightly linked to the preconditions needed for its application. Presently, tax harmonization is hindered by legal, economic and cultural determinants. A significant determinant to be considered when discussing the tax harmonisation issue is the behavioural nature of the compliance encompassing: culture, customs and habits, historical aspects, religion, etc. As long as there are no harmonised practices in these fields, tax harmonisation becomes even more difficult. Although steps have been made to implement a consolidated tax base at multinational companies’ level consider it difficult to enforce it, as there are some states which prefer to maintain national tax systems.

KEY WORDS: tax, harmonisation, convergence, compliance
JEL: H20, H21

1. INTRODUCTION

The failure of various attempts towards tax harmonisation in the European Union shows that the EU functioning based on the principles of subsidiarity and unanimity in taxation matters does not contain any mechanism that violate the member states will (Marini, 1999). Therefore, in order to respect state sovereignty in taxation matters, the decision makers preferred a global coordination approach of taxation through directives. In 1996 several authors updated a semantic slip harmonisation vs. coordination which eventually led to a change of objectives in taxation matters. The member states approached the tax harmonisation subject in such a manner as to put an end to the negative effects of tax competition on the national budgets and not to promote tax systems (Hazat, 2000). Thus, one cannot speak of tax harmonisation but about tax coordination. The new objective set to fight against unfair competition allowed the reconsideration of the tax policy within the broader framework of the union’s policies, thus avoiding isolated opinions more difficultly accepted by the member states. Therefore, tax harmonisation and coordination are complementary but not synonymous. Coordination is a coherence subsidiary instrument to get national legislations closer. The objective of coordination is to approach deliberately and limitedly the tax sovereignty in order to reach for a common decision in that political area. The word “harmonisation” is often used in the framework of a multitude of tax policies existing in the European Union and is often claimed within the integration process. The tax harmonisation issue was raised more intensely in the aftermath of the single currency adoption in January 1999. As argued above, the debates on the tax harmonisation subject were hampered by the conceptual confusion, the various definitions implying various meanings. Thus, for a better description of the concept, words like “coordination”, “convergence”, “cooperation” were employed. Under these...
circumstances, a large debate was launched on the positive and negative aspects of tax harmonisation.

The *arguments in favour the tax harmonisation* are: the trade within the EU takes place on a single market and the tax competition is perceived as harmful, especially when foreign direct investments are flowing towards countries having lower corporate tax rates, undermining the idea of a single market. In a social Europe under the dominance of the welfare state a lack of tax harmonisation leads to *a race to the bottom* tax competition, the public authorities being forced to reduce taxation and undermining the welfare of the citizens. In the same time, tax evasion may be triggered by the tax competition because of the capital transfers towards locations with lower taxation.

The *arguments against tax harmonisation* rely on the fact that the public authorities in the Euro zone have already given up two useful tools used in guiding the economic development, i.e. the national currency and the exchange rate, the tax lever remaining the only tool at their disposal.

Under these circumstances, the question is whether a harmonised tax policy in the Euro zone is able to solve each country's particular problems. As the internal competitiveness among the states within the EU is strictly linked to the global competitiveness of the EU as a whole, the tax harmonisation would lead to the increase of tax rates influencing the investment flows outside the EU. A likely harmonisation would also lead to a democratic deficit because, presently, at least, there are no public debates concerning the tax policy of the EU. Moreover, various tax systems allow different approaches of the welfare state and of the preferred political systems of the voters.

### 2. THE IMPACT OF THE FUNDAMENTAL DETERMINANTS ON TAX HARMONISATION IN THE EUROPEAN UNION. NOMINAL AND REAL CONVERGENCE

The pursuits of the European officials towards tax harmonisation are restricted by the constraining determinants of such a process. Prior to any endeavour towards a successful tax harmonisation, the nominal and real convergence of member states should be considered alongside with the cultural, habitual and moral side of taxation. Actually, the fulfilment of the tax harmonisation must be sustained by a *sine qua non* condition i.e. the harmonisation of economic development of the EU member states. The narrowing of the development gaps means, in fact, the harmonisation of the nominal and real convergence that would allow a more coordinated policy in taxation.

According to the Maastricht Treaty the nominal convergence indicators regard: the inflation rate, the budgetary deficit, the public debt, the long term interest rate, etc. These indicators regard the symbolic (monetary) side of the economy, their value reflecting the state of the real economy (real convergence indicators) based on the benchmarking system. Moreover, the level of these indicators is influenced by a seasonal fine tuning process and not by a medium term factual stable situation. The sinuosity of the economic cycle is affected by intense capital flows from one market to another, by contagion and crisis and therefore the severe requirements imposed by these indicators are applied with great difficulty. Nevertheless, the nominal language is a common one, the significance of the indicators can be easily understood and may be used in setting up of a single monetary policy, but cannot sustain alone a harmonised tax policy.
The significant gaps in the economic development of EU member states require a set of real convergence indicators showing the actual living standard. They regard the structure of the economy, the productivity, the GDP/capita, the hourly cost of labour, the minimum wages, etc. All these indicators are relevant for a tax and budgetary harmonisation in the EU.

Under the present circumstances, efforts are made to narrow the gap between the levels of these indicators over the EU as a precondition for tax harmonisation. Apart from the nominal convergence indicators, the real indicators are an aggregate concept reflecting structural and functional correlated processes in a country’s real economy. In addition, the real convergence indicators issue from the self generating effect and are not regarded as a target like the nominal convergence indicators.

### Table 1
Nominal and real convergence indicators

<table>
<thead>
<tr>
<th>Nominal convergence indicators</th>
<th>Real convergence indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of inflation</td>
<td>The structure of the economy</td>
</tr>
<tr>
<td>Budgetary deficit</td>
<td>GDP/capita</td>
</tr>
<tr>
<td>Public debt/GDP</td>
<td>Productivity</td>
</tr>
<tr>
<td>Long term interest rate</td>
<td>Hourly cost of labour</td>
</tr>
<tr>
<td></td>
<td>Minimum wages</td>
</tr>
<tr>
<td>The indicators evolve independently</td>
<td>Aggregate concept</td>
</tr>
<tr>
<td>Belongs to the symbolic side of the economy</td>
<td>The indicators reflect causal and functional processes of the real economy</td>
</tr>
<tr>
<td>Uses a symbolist and a common language</td>
<td>There are different interpretations of the indicators with an impact on the economic and social context</td>
</tr>
<tr>
<td>Influenced by seasonal policies</td>
<td>Are the result of the actual economic and social policies</td>
</tr>
<tr>
<td>Do not contain self stabilising mechanisms</td>
<td>Self stabilising mechanisms are embedded</td>
</tr>
<tr>
<td>Are consistent with a single monetary policy</td>
<td>Consistency with the common fiscal budgetary policy</td>
</tr>
</tbody>
</table>

### 3. TAX COMPLIANCE

A significant determinant to be considered when discussing the tax harmonisation issue is the behavioural nature of the compliance: culture, customs and habits, historical aspects, religiosity, etc. These elements are even more important as the EU member states have had a different historic development, have different levels of growth and specific approaches of tax administration. As long as there are no harmonised practices in these fields, tax harmonisation becomes even more difficult.

The literature does not acknowledge a single and unanimously accepted definition of tax compliance. Nevertheless, in order to emphasise the significance of this word it is important to know the parameters by which the tax compliance is measured (generally measured by tax evasion). In this pursuit, it is useful to deal separately with the compliance from the point of view of the tax authorities and from the point of view
of the tax payers. Starting from these considerations, two main types of compliance can be identified: the administrative compliance (i.e. complying with taxation criteria, the assessment of taxes, technical requirements); voluntary compliance (i.e. the free consent to pay taxes in the absence of constraints).

The quantification of administrative compliance is to correctly compute the due tax liability. Given the ambiguity of tax laws that often occur the computation of liabilities may differ substantially according to the motivation, education and the aptitudes of the individual making these operations.

In a broad manner, the ambiguity means that the tax laws are not always clear, allowing for interpretations. The so called grey zones of the laws give way to interpretations that differ from the point of view of the administration, on one hand, and the tax payers view on the other hand. The determinants that lead to a higher or lower grade of ambiguity are: the conceptual misunderstandings, the manner the laws are applied in a particular situation, the necessary information to prove the facts.

Psychologically, an aspect to be considered in defining compliance is intention. Most of the researchers suppose that the non-compliance is purpose driven, but it is equally true that the greater the complexity of the laws the greater the probability to miscalculate the liabilities of taxpayers. Therefore, from the point of view of the tax administration it is preferable to measure compliance by not involving the motivation of taxpayers.

Under these circumstances, it was reasonable for the tax authorities to seek for a way to collect the liabilities and to use disposable resources in an optimal manner. Therefore, from the perspective of increasing the yield of taxation and reaching the maximum effectiveness, it is necessary to identify and range economic sectors and taxpayers that have a low compliance or tax evading incentives. Such an approach allows the identification of possible risks the tax administration is confronted with. Once the risks are identified, strategies to mitigate major risks can be put in place. The adopted strategies can be of juridical, educational, administrative, litigation, constraint nature. Solving these risks means considering not only the technical but also the sociological, psychological, cultural nature ignored for a long time.

Given the relatively high costs of technical compliance because of the great volume of time, labour and technical facilities involved, the highest interest is raised by the voluntary compliance. The primary objective of the tax authorities is to collect as much as possible of the tax and fee liabilities in such a manner as to maintain the trust of the taxpayers in the tax system. The analysis of the voluntary compliance is ever more complex than to merely consider the taxpayers attitude, because besides the payment of taxes historical, cultural, educational and tax benefits are to be considered.

The taxpayers’ attitude deriving from ignorance, negligence, recklessness or deliberate evasion often accompanied by the weaknesses of the tax administration may lead to non-compliance. Therefore, the tax administration should adopt such an attitude as to minimise non-compliance by clearly explaining the taxpayers what their liabilities are. On the other hand, the taxpayers play a major part in paying the legal taxes irrespective of their nature. The understanding and acceptance of these aspects become even more important in the context of globalization. But, irrespective of the jurisdiction the tax payer belongs to, compliance means: filling the activities generating taxable outcomes, timely handing in of tax returns, correct computation of financial information, and timely payment of taxes.
Though noncompliance is often associated to the non-payment of taxes, a range of other noncompliance causes may occur: unintended error, intended fraud, and misunderstanding of the provisions of the law. In such circumstances, the clarity of the laws is essential in tax administration.

From a managerial point of view, the monitoring of tax compliance involves: at strategic level the monitoring regards the entire tax system offering an overview on the systems’ health and setting the benchmarks; at operational level the monitoring regards each group of taxpayers (companies, SMEs, individuals, etc.) and the associated compliance; on short term individual groups of taxpayers are considered to identify their compliance behaviour. From the economic rationality point of view, tax compliance is influenced by the tax burden that shapes taxpayers attitude. If the tax burden is perceived as too heavy, the taxpayers could be tempted to hide a part of the tax base, thus refusing the payment of taxes. The explicit cost of compliance is another determinant to be considered (i.e. the time to fill in the tax returns, the consultancy costs, psychical costs of the doubts concerning the correctness of information, the penalties applied in case of noncompliance, deductions, exempts, allowances, etc.

### 3.1 Cultural aspects of the tax compliance

According to the neoclassical paradigm, tax compliance is viewed solely in terms of individual interest of the taxpayer (e.g. individual rational choice to maximize its gain in circumstances of uncertainty). Neoclassical economists consider that economic subjects act rationally whereas decision making process is subject to the alternatives offered by the market, by the supply and demand, financial returns, etc. Of course, these issues are particularly important in the decision making process and should not be overlooked. On the other hand, people seldom take into account only these factors, sometimes preferring to rely more on intuition and not on financial issues. Therefore, it can be said that there is rarely an optimal behaviour (the best example being the free rider problem). It can be easily found that, often, the market has its limitations in influencing human behaviour.

However, experience shows that such a view does not take into account a number of unquantifiable determinants, such as the cultural and behavioural motivation. The problem of voluntary compliance is more complex than the administrative one because it depends on a number of psychological, cultural, social, historical determinants, which emerge from the economic field. According to statistics, voluntary compliance depends largely on how the tax administration is able to work with taxpayers, the collaboration between government employees, their professionalism, the institutional environment, etc. Therefore, it is considered that the tax compliance has a rather social foundation and is a matter of attitude. Therefore, the definition of voluntary compliance assumes the escalation of conceptual difficulties regarding the meaning of influence factors. From this perspective there are two schools of economic thinking, i.e. those who adopt a classical approach and so-called reformers economists.

In 1929 J. Schumpeter used for the first time the concept of behavioural finance in his paper “The income and sociology of the tax revenue”. He showed that, like other concepts regarded from an economic and sociological perspective, taxes do not keep pace with the evolution of society, their replacement being required with categories which take into account tax equity. In the 1950s, some authors have emphasized the need for the convergence of the advanced nations’ tax systems, making a distinction
between *cultivated and uncultivated tax systems* (attributes conferred by the economic, cultural, historical, geographical aspects), taking as benchmark the lending and debtor countries.

Behavioural aspects of tax compliance are related to differences in gender, age, education level, moral, personality, circumstances, acceptance or risk aversion. According to research in this field, economic psychology Webley (Webley, 1987) shows that the non-compliance reasons are: the perception of the fairness in treating different categories of taxpayers shapes their behaviour regarding taxation, so that payers who feel discriminated against other taxpayers who consider that the provided goods and services are not adequate, can manifest noncompliance towards the tax laws; opportunities of noncompliance (sheltered evasion, activities exempt from taxes, activities imposed under flat work, etc.); personality and education in the fiscal area determine largely the positive or negative attitude towards the fulfilment of tax obligations; social norms determine the degree of compliance in affordability of non-paying taxpayers’ acceptance, dissatisfaction with the work of tax authorities in respect of the advice given, the professionalism, the officials’ efficiency level, etc.

Considering the economic and non-economic aspects of tax compliance a number of principles that describe the nature of tax compliance can be distinguished (NEF 2005): 1. The behaviour and customs established inside the community of which the taxpayer belongs to. 2. People are motivated to do "what is right" 3. Personal expectations influence behaviour. 4. People manifest risk aversion and appreciate what belongs to them; 5. People are not concerned with probability calculations; 6. People feel the need to be involved in solving community problems.

One area which proves fairly well the financial behaviour is tax compliance. The cultural dimension of compliant attitude is not limited only to taxpayers, but includes tax practices as well as history, cultural diversity, mentality, traditions, level of education, perception of tax profit, etc.

In the process of globalization, there are two cultural influences which have an impact on tax compliance: *tax shocks and the tax culture time differential*. Both are caused by ignorant or ethnocentric politic measures. If the drawbacks of the tax system are determined by the ignorance in the tax culture in relation with the tax reform process, shocks should be prevented by implementing fiscal policy measures at national and international level, according to the tax culture. When discussing this issue, the concept of tax culture can be analyzed by decomposing the term into two words: tax and culture.

In terms of taxation, not only the fiscal systems and practices add up in the tax culture, but also the relationship between taxpayers and the authorities. From the public authorities’ point of view, the structure of competences, the way taxes are distributed among central and local authorities, the clarity of the tax laws, the punishments for offences, lobbying groups, etc. should be considered.

The subject of tax culture appears at the crossroads of economic, sociological and historical disciplines. Often it has an emotional connotation, reason for which it is necessary to review the different grades awarded to the concept.

For a logical definition of tax culture it is important to acknowledge that taxing is influenced by different economic, social, cultural, historical, geographical, psychological and other differences that arise between countries and companies. According to a widely accepted view, tax culture is an expression of spirituality and human creativity.
The traditional meaning of tax culture is restricted almost exclusively to the artisans of the tax system and taxpayers do not fall within this definition. The word culture is much more important in this context. Although culture cannot have a scientific definition it can be related to the national culture. In the so called "shared mental models", culture should be seen as a "collective programming of the mind." A synthesis of the two words is successfully realised through an evolutionary process: history is an incremented variable. As a result, the tax culture of a country depends on the history (tradition) of its tax system and interaction with cultural values: honesty, justice, sense of duty.

In times of transformation, tax culture evolves in line with the political, economical, etc. changes, as shown by Swedish anthropologists (Donath L., Anica Slavin M., 2008).

Literature shows that intercultural management or human resources management frequently appear in the context of globalization and of the possibilities of obtaining incomes and wealth from jurisdictions covered by different tax authorities. As a result, shocks may occur in the fiscal field in connection with a foreign culture, which can appear at micro- and macro economical level. Above all, individual shocks have become frequent in connection with another culture of taxation and frustrating feelings regarding tax collection, data processing, lack of practice, uncertainty, etc can arise. There two alternatives a shock at microeconomic level can be solved: either the individual returns to his home country or goes through a process of adjustment. Even if shocks can be avoided, other problems of the fiscal reform may occur because reforming a fiscal system also means changing the tax culture and the tax code. Invariably, there is a period of cultural adjustment to the new legislation.

In the present globalized society, several cultural, ethnical, religious interference, customs and habits are met. A multicultural society (understood as a cohabitation of different cultures) and its immediate consequence interculturality, in which the simple coexistence is expanded to acceptance and understanding derives directly from the globalization trend. Under these circumstances, the tax culture appears not to be uniform, but can rather be described as "organized diversity" which marks the approach of tax administration. The globalization, in general and in the taxation area, in particular, is designed to mitigate the forces impeding on the harmonization of tax systems. Moreover, the approach of taxation in terms of glocalization means reconsidering the tax systems’ functioning schemes whereas the management of public money is considered in order to achieve the desired efficiency in resource allocation.

Given the complexity of the determinants of tax compliance, it is necessary to implement a set of measures to improve the level of compliance its impact being reflected on the tax administration performance and on taxation yields.

4. CONCLUDING REMARKS

Political debates on corporate tax harmonization within the European Union have been held for decades. The European Commission has launched several initiatives on the harmonization of corporate taxation - Neumark Report in 1962, Tempel Report 1970, Ruding Report in 1992 - to reduce the negative effects of unfair tax competition. There are a vast economic literature about the patterns, consequences and recommendations concerning so-called harmful tax competition.
One group of economists see tax competition as very negative because of tax burden shift on labour or fiscal externalities while other group blesses tax competition for pressuring on governmental policies to be more effective and eliminating rent-seeking activities within public sector. Very different points of view are at the issue of possible tax coordination.

The harmonization process is meant to be extended not only for indirect taxes but also to direct taxes. Directives on direct taxation are considering, firstly, to reduce the major distortions of competition and to eliminate the tax obstacles for international companies.

Although steps have been made to implement a consolidated tax base at multinational companies’ level consider it difficult to enforce it, as there are some states which preference to maintain national tax systems and the tax issues decisions at EU level are being accepted by unanimous vote. But, in order to harmonise taxation, it is imperative to harmonise the real convergence indicators, i.e. GDP/capita, unemployment rates, productivity levels, balance of payment, etc. thus creating an incentive towards a coordinated tax policy, concerning primarily the tax base (including exempts and allowances) and afterwards if and when necessary the tax rates

By considering the interest of EU members in preserving national tax systems and not their standardization, the European Commission proposes a coordination solution of the tax issue by complying with the subsidiary principle. This course has the main purpose of fighting against harmful tax competition and of developing the guide of good conduct, also labelled as “fiscal package.”

The prospects for more coordination in corporate taxation were reconsidered in 2001. The report forwards a number of targeted tax policy measures, but it also sketches four alternative "comprehensive” approaches aimed at creating a single corporate tax base for all of the EU-wide activities of European multinational enterprises.

Not surprisingly, European opinions vary on whether tax coordination is desirable and, if so, what form such coordination should take.

Currently, the harmonization of national tax systems is not possible within the EU. When attempting to achieve harmonization, the barriers reside in the fact that there are 27 different tax systems belonging to the European member states, double taxation may occur, there is a lack of transparency, a lack of information exchange between member states, significant differences among the nominal and real convergence indicators and the behavioural aspects (i.e. the nature of compliance, culture, traditions, customs, country-specific historical aspects). Tax competition between EU countries continues, new member states levying much lower income tax rates than the old members.

Undoubtedly, in the near future EU fiscal policy will be characterized both by the endeavour to harmonize taxation and by tax competition, but it is important to find a relation between these two in order to ensure the development of a common market and economic growth of the member states.

REFERENCES

Devereux M.P, Griffith R. & Klemm A., Corporate income tax reforms and international tax competition, Economic Policy 35, 451-495


Webley P. (1987) *Social comparison and tax evasion in a shop simulation*, in S. Maital (ed.) Applied behavioural economics Amsterdam,

THE ROLE OF TECHNICAL INFORMATION WITHIN ACCOUNTING INFORMATION SYSTEM OF COMMUNITY OPERATORS OF PUBLIC UTILITIES SERVICES

Gheorghe Claudiu FEIES\textsuperscript{1}
Dorel MATEŞ\textsuperscript{2}
Nicolae Paul VIRAG\textsuperscript{3}

ABSTRACT
After studying how the operators’ management works, an influence of the specific activities of public utilities on their financial accounting system can be noticed. The asymmetry of these systems is also present, resulting from organization and specific services, which implies a close link between the financial accounting system and the specialized technical department. The purpose of this paper work is to highlight the importance of these information systems in the decision-making of community service operators, regardless their legal form.

The research methodology consists in observing specific activities of public utility operators and their influence on information system and analysis views presented in the context of published work in some journals. It analyse the impact of technical computing models used by public utility community services on the financial statements and therefore the information provided by accounting information system stakeholders.

KEY-WORDS: information system, financial-accounting system, circuit information, public service operators.
JEL: H 83, M11, M41

1. INTRODUCTION
The management of public service utilities is carried out by companies, independent administrations or specialized departments within local councils. Because of this, the organization of financial accounting systems of operators has elements that distinguish them, although the purpose of activities is the same, namely public utility services to the standards SR EN ISO 9001:2001, SR EN ISO 14001:2005 SR OHSAS 180001:2008, meaning quality, environment, health, and these standards being achieved through an integrated management system.

Because of these organization forms of public utility service operators, certain asymmetries of the financial-accounting systems arise. These are presented because of public accounting and financial accounting particularities, but also due to the specific managed service, whether we refer to sanitation, water-sewerage, public lighting, local transport or heating. Also, an operator who manages several public utilities has a more complex integrated financial-accounting system, particularly at organization level and informational support to the serving system. Technical calculation models have a significant impact on determining operational revenues and thus upon financial statements. Financial accounting system operators must be adapted to specific operational activities of public utilities.

\textsuperscript{1} Ph.D. candidate, FEAA, Western University Timișoara, România, feiesclaudiu@yahoo.com
\textsuperscript{2} Professor Ph. D., FEAA, Western University Timișoara, România, dorel.mates@feaa.uvt.ro
\textsuperscript{3} Ph.D. candidate, FEAA, Western University Timișoara, România, viragnicu@yahoo.com
The public institutions provide public utility services through the specialized departments directly subordinated to local councils or directly to the Mayor. Thus, if they do not have legal personality and financial autonomy, records management is held following the public accounting of the financial-accounting department of the public institution concerned, using specific chart of accounts of public institutions.

Although this chart of account is common to all public institutions presented by general government components, between the accounts that reflect the public institution financing system, funded from the state budget and the local budget on the other hand, there are important differences, particularly in terms of highlighting the establishment of public resources through which they are financed, as well as the conditions that must be met regarding the limit to which the often used house payments can be made, in the case of public utility services.

There are also essential differences regarding the clearance of expenditure operated within public institutions financed from the budget funds and those financed from extra-budgetary resources. If in the first case, the expense accounts are closed by financing accounts, in the case of institutions financed from extra-budgetary resources (self-financed) – this being also the situation of public utilities, their clearance is made through their results, which closes the income accounts, the system closer to the financial accounting (Turnerand, L. & Weickgenannt, A. (2009), p.648).

2. THE INFLUENCE OF SPECIFIC ACTIVITIES OF PUBLIC UTILITIES ON THEIR FINANCIAL ACCOUNTING SYSTEM

A key difference accounting for public institutions that manage public services to financial accounting businesses that meet the quality of public service operators is the record value of fixed assets and inventory items, which, in the case of public institutions, is recorded directly as expenses to purchase them. In the case of public institutions, the terms of wear and depreciation of fixed assets or inventory items are not used, as it is in economic accounting.

The management of utilities in the specialized departments of public institutions is highlighted through their financial-accounting system (Jitaru, C.I. (2006)). The public institution is required double entry book-keeping with accounts provided in the general accounting plan, approved by the Minister of Public Finance, and it is harmonized with international accounting standards and the financial regulation applicable to the general budget of the Community in Europe.

Through these accounts, the public institution must register financial and economic operations when generating the claim rights or obligations (accrual principle), as required. By applying the principle of accrual accounting, the public accounting system in Romania has aligned with European accounting systems, and in the future, with the international accounting standards for public sector IPSASs7. Financial and accounting information systems operators must by these standards and also to process the information provided technical information system operators.

It should be noted that the International Accounting Standards for Public Sector have as a starting point the International Financial Reporting Standards. Thus, there is an approach of public accounting to the private one (Beke, J. (2010) pp. 36-43). In addition, in Europe, the financial reporting system in every country is considered an essential condition for an economic development (Beke, J., (2011), p.125-132).
Therefore, the following measures for the management of public utilities and organization of the financial-accounting system must be taken:

- separation of accounting officer’s powers of duties from the accountant’s or the financial-accounting worker’s;
- the public clerk becomes public manager;
- adoption of International Accounting Standards for Public Sector;
- strengthening financial discipline in public institutions, and therefore the public services managed directly;
- creating a support for analysis, decision and control to various hierarchical levels;
- commitment of expenditure shall be made only within approved budget appropriations;
- daily monitoring of the budget available funds and accounting to date.

A common characteristic of companies and public institutions is the possibility of under the law of outsourcing the accounting. Thus, the public institutions where the accounting is not organized in distinct compartments or don’t have individual contract employees, by the law, may enter into service contracts for management accounting and for quarterly and yearly financial statements, with accounting expertise companies or individuals authorized by law.

The conclusion of contracts is subject to regulations on public procurement of goods and services. Service payment is made from public funds for this purpose. However, this accounting management is not used for water supply services and sewerage, heating or local public transport for cities or towns, where they need a financial accounting system and related qualified personnel to meet the effective management of these services.

The complexity of public entities, the nature of services provided, the limit of public resources together with the increasing and diversifying demands for quality service are the prerequisites of definition and performance concept measurement in public sector (Țurlea, E. & Ştefănescu, A. (2009)). In the current context, characterised by slowing economic growth while increasing income disparity, as effects of economic recession deeply felt worldwide and national, the information on public sector entities presents a growing interest. The fulfilment of the obligation from the state (and its entities) as a guarantor of quality public service in the situation of limited financial resources requires alternative financing and partnerships with private sector entities, both internally and externally.

The need for public entities to provide relevant, reliable and comparable information concerning their performance becomes a reality. Thus, the International Accounting Standards for Public Sector represent the basis of performance reporting and statutory audit reference standards. In this way, the good public governance and control are enhanced, but also the trust between public entities, providers of resources and different users (Țurlea, E. & Ştefănescu, A. (2009)).

### 3. THE ROLE OF TECHNICAL CONSUMPTION CALCULATION MODELS ON ACCOUNTING INFORMATION SYSTEMS OF PUBLIC UTILITIES SERVICES OPERATORS

Local governments are meant to ensure companies and public utilities in administrative-territorial area. For their efficient management, choosing the best forms
of management of public utility services is subject for discussion. As any other form of management – direct or authorized, there are, of course, some advantages and disadvantages. Their analysis is based on financial-accounting and technical information related to the infrastructure and provision of necessary equipment, information which are often used in management decisions by public service operators. One of the advantages of public service management by the local council through a specialized department is a better financing and investment activity, especially health services and public lighting.

But most of the times their management is ineffective for the water supply services, sewerage or heating systems, where complex management systems, specialized personnel and a financial-accounting system are necessary to meet the requirements of an integrated management system quality-environment-health, as well as a management adapted to the market economic requirements. In these situations, respectively in the case of these public utility services, a management through autonomous administration is preferred, particularly by companies with major state capital.

The influence of politics in these autonomous administrations or companies remains, so is the subsidizing certain fees or contributions to capital to ensure financial resources, respectively for co-financing to attract European funds.

The major difference represents the necessity to implement a more efficient financing-accounting information system, based on general accounting, a system that interacts with the other systems and compartments of the operator. The result of this situation is the fulfilment of the requirements for the quality of the services provided, of regulatory and monitoring requirements, a management based on economic performance and, not the least, a specialized management able to make medium and long-term decisions, well economic based, which are according to the beneficiaries’ future need. These decisions, based on financial-accounting information, refer to priority investments in the future, investments that can be financed and that will lead to an increased efficiency of the provided services.

But in the case of operators organized as companies, there is the disadvantage of direct receipt of the counter services. In addition to technical support costs and related pay desk personnel or other forms of collection and billing, the problem of no-collection arises. This is specific to our country and is most often found when providing heat and hot water, where most operators have large debts to the state budget and suppliers. This is due to poor management of some heating stations, non-payment of bills from population or companies, despite the state subsidy gigacalories. If we refer to the heating, water distribution and sewerage services, we deal with the problem of billing the amount of water supplied and heat produced. The financial and accounting systems of operators in these areas must be adapted in terms of technical infrastructure and specialization of personnel, the specific recording and the provided service related income.

The prices for drinking water and heat are subject to endorsement and approval by ANRSC and local or county councils in the administrative-territorial area for the rendered services. The proposal for the modification of prices comes from the public service operators, which, based on the processed form of cost indicators set price per cubic meter for water and sanitation and the rate per gigacalory (Gcal) for heat. The financial and accounting systems of these public services, namely water, sewerage and heating, become this way more complex than the accounting systems of the other public utilities. As for the local transport services, public lighting and sanitation, the recording of revenues is achieved in a more simplistic way. The health service is such an example, where the fees are
collected in conjunction with other local taxes, the specialized compartments of public councils, while for the companies it goes according to the contract of delegation – the tax for the supplied services is paid either by the local council or directly from the beneficiaries, through a waste collection, transport and storage fee.

For establishing and billing the amount of water supplied and discharged into the sewage network, the financial-accounting system is closely related to the technical section that established the water consumption and waste water discharged in the sewer, respecting regulations and using specific calculation costs and meter reading. The quantity of water supplied and discharged into the public sewerage network is based on indications of branching meter installed in homes, where single users are branched, and on indications of consumed meters, where the branching is serving condominiums that all beneficiaries of condominium services performed consumption separations.

The operator provides regular meter reading every three months. For two consecutive months, the monthly billing can be made based on the consumption index communicated by the user, or estimated, based on average consumption billed in the last three months, so that in the third month, after the meter reading branching/separation of consumption to make the adjustment if necessary. In the case of users with monitoring cost equipments, the monthly invoiced quantities of water shall be based on indications of volume integrator that records impulses transmitted to the branch counter.

Periodically, every three months, the reading of the branching meter shall be also made, for possible adjustments if necessary. When reading the branching/separation meter, the index shall be written in minutes or in the user’s record sheet according with Government Emergency Ordinance no.13 of February 20, 2008, amending and supplementing the Law of community services for public utilities no..51/2006 and the Law for water providing and sewing no.241/2006.

The amount of water taken into the sewer system and billed is set on the fixed mounted connection to public sewers discharge, and if there is no connection, then 100% of the volume of water billed for home users, institutions and economic operators that do not include water in the finished product, equal to the amount of water consumed, less the amount of water left embedded in the finished product for the economic operators that include water in the finished product and 100% of the water volume established in the contractual system for the home users’ own source water. If it is found that there is a failure on the user’s internal network, from which the water drained into the soil without being taken over by the sewerage system, an act of finding shall be signed by appropriate representatives of both parties. The amount of used billed water shall be established as the average amount invoiced to the channel in the 3 months prior to the failure.

If users have installed their meter on the evacuating connection for waste and meteoric water that leads to the unified network, the amount of water registered on the meter connection shall be billed entirely at the rate of domestic channel, so that the price for collecting meteoric water shall no longer be billed. The quantity of meteoric water taken into the sewer system is determined by multiplying the specific amount of meteoric water specified by the National Environment Agency for the month prior to the invoice released, with total areas of the premises built and undeveloped, declared by each user, and with the flow coefficients recommended by SR 1846-2:2006, namely:

- 0.9 – for metal, glass, tile and tar paper roofs, and terraces covered with asphalt and asphalted and concrete pavements;
• 0,12 – for sport fields, gardens, precincts and unpaved courtyards, agricultural lands (cultivated).

Using the analytic calculation formula: \( Q_m = (S_1 \times 0,9 + S_2 \times 0,12) \times k \), where:
- \( Q_m \) = the monthly amount of meteoric water
- \( S_1 \) = the surface of glass, tile and tar paper roofs, as well as the asphalted terraces and asphalted or concrete pavements;
- \( S_2 \) = the surface of sport fields, gardens, precincts and courtyards, unpaved agricultural lands (cultivated);
- \( k \) = the amount of specific meteoric water specified by A.N.M. for the month prior to the invoice released.

An example of calculating the invoiced meteoric water is the model used by SC Compania de Apa Oradea SA (Invoicing methodology), where for invoices, the coefficient \( k \) is calculated by the National Meteorological Authority for Oradea. When signing the contract for providing services with SC Compania de Apa Oradea SA, the beneficiary presents documents attesting the situation in the endowment lands (\( S_1 \) – paved field which comprises the built surface of the house, any annexes, asphalted lands and pavements, and \( S_2 \) – unpaved field). The National Environment Agency shall specify monthly to the operator which is the specific meteoric amount for the month prior to invoice. For Oradea, the coefficient \( K \) was 86.3 litres/square meter in November 2009, while in December 2009 the coefficient was 55.6 l/sqm. Therefore, for a user having the surfaces \( S_1 = 100 \) sqm and \( S_2 = 150 \) sqm, the billing of the meteoric water is made this way:

In December 2009 we have:

\[
Q_m = (S_1 \times 0,9 + S_2 \times 0,12) \times k =
\]
\[
= (100 \times 0,9 + 150 \times 0,12) \times 86,3 = 9.320 \text{ litres} = 9,3 \text{ mc}
\]

Present price = 0,35 lei/mc (VTA free)

Value: 9,3 mc x 0,35 lei/mc = 3,26 lei (VTA free)

In January 2010:

\[
Q_m = (S_1 \times 0,9 + S_2 \times 0,12) \times k =
\]
\[
= (100 \times 0,9 + 150 \times 0,12) \times 55,6 = 6.005 \text{ litres} = 6 \text{ mc}
\]

Present price = 0,35 lei/mc (VTA free)

Value: 6 mc x 0,35 lei/mc = 2,1 lei (VTA free)

From the example above, it means that the invoiced meteoric water is influenced by the coefficient \( K \) (which in 2009 was 8,4 ÷97,6 litres/ sqm in Oradea), as well as the surfaces on the beneficiary’s property. The results of these calculation models have a role in determining the turnover of operators, which creates the need to adjust financial accounting information system to the requirements of the technical calculations of the effective management of water and sewerage services. For management it is important to establish differences between the amount of water supplied or the heat produced and the quantities and volumes invoiced to raise awareness of the impact of network losses and productive system deficiencies on the financial position and on the financial and economic return of managed services.

Thus, the financial-accounting compartment of operators performing in the heating domain, based the technical and economic data, and in accordance with the law, establishes, adjusts and changes the local rates and charges for supplying public services with centrally produced heating and obtains necessary approvals and recommendations for their practice, both for population and companies, for all types of fuel used to
produce heat setting, adjusting the rate for addition water, based on technical data provided by the technical system.

All these being presented, the need to manage these services by companies or autonomous administrations is obvious, situation that is not always true if we refer to the sanitation service. In particular, sanitation operators in small towns meet difficulties in collecting bills for collecting, transportation and disposal of garbage. This way, they practice the payment method under the contract of delegation of management of the local council payment of an amount established for each company providing these services, then the population and companies pay the sanitation tax with other taxes and fees.

Accounting information is used differently depending on the priorities set by the system operators’ management of public utilities services. If we refer to public institutions having the capacity of public service operator, the management decision is often influenced by political intervention, which requires less management based on accounting information and more on social problems facing the community. However, long-term effectiveness of public services depends on a specialized management whose decisions are made based on information provided through statements and reports issued by financial and accounting information system (Nicola, I. (2003)).

4. CONCLUSIONS

This paper highlights the impact of technical calculations governed by NAM (National Agency for Metrology) on outcomes of service operators operating water supply and sewerage. Also, we considered necessary to introduce legal provision that allows operators to adapt their computer models with the specific technical situations of their activities. Accounting information must comply with the requirements of the decisional system of the public community utility services, in terms of image it gives about service management. Thus, the financial accounting system must be adapted to the operators’ specific activities and to have qualified personnel and an information system to interact with other technical information systems.

From the information presented in this report we understand the central position occupied by the financial accounting information system within the functioning scheme of a service provider, whether it is an autonomous administration, a company or a department or service within the local councils. This system has specific characteristics of organization and nature of the provided services. The regulations also require operators the realization of a documentation showing financial capacity for an efficient management in terms of economic returns of public utilities. In this respect, the financial accounting system provides accounting information as required by ANRSC, by filling in forms, tables and records of account charges. These types of reports are made on the basis of accounting used in the procedure for ongoing monitoring of management, and maintaining license depends heavily on maintaining financial profitability under conditions of regulated tariffs and quality of services. Technical calculations recorded consumption affects the turnover and operating results of operator default.

Financial accounting information system should be evaluated by highlighting its performance and limitations in relation to the requirements of the management system, whether it is a specific management to public institution, or an adapted management to the market conditions, with particular emphasis on evaluating the quality of information, namely accuracy and frequency of dissemination of accounting. These are some of the reasons for the local or county administrations to establish autonomous
administrations or company with majority state capital to provide direct management of public utility services or to organize service concession auctions delegated to management. This ensures a better management to meet the quality standards of public utilities under efficiency and economic profitability.

ACKNOWLEDGEMENT

This article is a result of the project „Doctoral Programme in Economics at European Knowledge Standards (DOESEC)”. This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by The Bucharest Academy of Economic Studies in partnership with West University of Timisoara.

REFERENCES


*** Invoicing methodology, available on-line at www.apaterm.ro
REFLECTION OF OPERATIONS REGARDING GRANTS IN THE PRIVATE ENTITIES ACCOUNTING

Mihaela LESCONI FRUMUŞANU¹
Adela BREUER²
Cristian Elian PEREŞ³
Beatrix Gwendolin BREUER⁴

ABSTRACT

The paper’s objective is to present the method in which the economic-financial operations determined by the implementation of projects financed from structural funds are reflected in the beneficiary’s accounting.

As research methods we will analyze the stipulations of the current legislation regarding the organization and management of the private entities accounting, as well as the stipulations of the implementation manuals, financed through various operational programs, highlighting the projects financed through the National Program of Rural Development, a study case being presented as well.

The final part of the paper presents my opinions regarding the discussions existing in the literature referring to the proper method in which these funds are reflected in the beneficiary’s accounting.

KEY WORDS: accounting, structural funds, SM enterprises, accounting notes, investment projects.

JEL: M41

1. INTRODUCTION

The project accounting should not be limited to the accounting record of the economic-financial operations for an accurate and complete insurance and reflection, the system and the procedures for the financial and monetary transactions taking place in the economic entity regarding a project. But an accurate and complete evidence of all the economic-financial operations determined by the project activities helps the management team to elaborate the refund documents of the eligible expenses.

The objective of the present paper is represented by the detailed presentation of some specific aspects that the distinct and transparent reflection of the operations regarding the administration of projects financed through the structural funds at the public, economic entities and at the organization with no profit purpose in accounting implies. Each beneficiary of structural funds will organize the project accounting evidence in double party, being made in a classic or electronic manner, the latter being preferred.

The beneficiary must elaborate a register and an accurate accounting evidence of the project actions implementation, respecting the procedures established in the

¹ Asistent, PhD. Student (Universitatea de Vest Timișoara), "Eftimie Murgu” University of Reșița, Romania, mihaelafrumusanu@yahoo.com;
² Lecturer, PhD., "Eftimie Murgu” University of Reșița, Romania, adela1209@yahoo.com;
³ Deputy Professor, PhD., Faculty of Economics and Business Administration, University of the West, Timisoara, Romania, cristian. peres@feaa.uvt.ro;
⁴ Asistent, "Eftimie Murgu” University of Reșița, Romania;
professional practice, using distinct analytical accounts for the project, elaborating a distinct check-up balance sheet. As regards the applicable accounting policies, each beneficiary is obliged to have a set of accounting policies, approved by the administrator, the credit sequencer or other assignee person.

The main elements that should be included refer to: the identification of the entity to which the accounting policies can be applied, the presentation of the regulation framework based on which the accounting policies have been elaborated, the presentation of the language used in accounting (Romanian), the specification of the currency in which the accounting is performed (lei), the specification of how to proceed when the entity carries out operations for which no accounting treatments are stipulated in the approved accounting policies, the specification of the rules and accounting treatments included in the accounting policies that have to respect the national legislation.

2. PROJECT ACCOUNTING ORGANIZATION AND MANAGEMENT IN THE PRIVATE ENTITIES

According to the regulatory documents in accounting, the economic entities pursuing projects financed from structural funds within the Operational Programs will use the accounting treatment applicable to grants, in order to account operations generated by the receipt and use of these funds. (Application Guide OMFP no. 3055/2009).

The accounting arguments used for the reflection in accounting of funds allotted within the above mentioned programs will consider the stipulations of the financing contracts, as well as the accounting regulations and accounting policies applicable to the funds beneficiaries.

Dependent on the information associated to these financing sources and the legal stipulations specific to the activity financed through subventions, the entities that use such sources will establish sets of procedures and accounting policies respecting the accounting principles as well as the contractual stipulations established between the parties. The accounting procedures for the development of the structural funds are established in accordance with the accounting treatment applicable to grants, respecting the stipulations OMFP no. 3055/2009.

As regards the legal basis that underlies the entry, for the development of such programs in the financial accounting of economic-financial operations, we mention the accounting regulations corresponding to the Directive IV CEE, a component of the accounting regulations approved by the Order of the Public Finance Minister 3055/2009 for the approval of the accounting regulations correspondent to the European Directives. We recommend the entities to organize the internal evidence in order to meet the project information required by the financier, according to the closed contracts.

As regards the entry of the economic-financial operations afferent to the projects financed through structural funds, we met opinions (Nicolae N., (2010)) according to which the account 475.2 „grants with subventions for investments” should not be used, all the operations being performed through the account 445.2 „grants with subventions”, and the income will occur once with the refund.
3. REFLECTION IN THE BENEFICIARY’S ACCOUNTING- PRIVATE ENTITY OF THE ECONOMIC-FINANCIAL OPERATIONS AFFERENT TO THE PROJECT

This study case will render the method in which the economic-financial operations of a project were reflected in the beneficiary’s accounting, a project financed through the National Program for Rural Development; measure 312 Support for the creation and development of small enterprises, settled by a newly founded company.

The general objective of the project was the purchase of three equipments (an excavator and two backhoes) aiming the development of the company and the creation of new workplaces. The total value of the project was of 1,464,040 lei with VAT, the eligible value being of 1,230,286 lei and the value of the ineligible expenditure was of 233,754 lei.

In order to obtain this grant, the company applied in 2009 for a financing contract, signing in 2010 a financing contract of 1,230,286 lei and the value of ineligible expenditure of 233,754 lei. Subsequently, after the analysis has been performed, the management authority requested the conclusion of an addendum where the certified sums were as follows: the contract value – 1,219,521 lei, where the EAFRD grant was worth 853,664 lei, to which the amount of 853,664 lei was added as ineligible expenditure. These amounts were necessary for the performance of the following expenses:

- Consulting expenses – 32,295 lei;
- Expenses on performed investments (equipment acquisition) – 1,187,226 lei;
- Contracted loans – 292,685 lei.

The payments lagging was made in two instalments, the first one in April 2011, (its value being of 331,420 lei, where the grant was of 231,944 lei) and the second one will follow in July and August 2011 (its value being of 887,333 lei, where the grant is of 621,133 lei). For the refund, the beneficiary submitted to the managing authority / intermediate body the following documents:

**Financial documents:**
- Payment request;
- Expenditure declaration (together with the annexes: copies of invoices, of payment documents, of bank statements);
- Financial identification sheet;

**Technical documents:**
- Acquisition files;
- Equipment delivery and receiving document;
- Acceptance report;
- Execution report (through which the performed acquisitions are certified);
- Health, environment, veterinary notice;
- record of employees;
- evidence of visual identity elements;
- Certificate issued by the Trade Register Office.

The accounting notes established in order to register the economic-financial operations afferent to the payments and refunds of this project were:
1. Record contract funding:
   • release fact: signing of the funding contract by the beneficiary and the
     management authority (the Minister of Agriculture and Rural Development,
     The Payment Agency for Rural Development and Fishing);
   • the funding contract;
   • accounting note:
     \[
     445.2.1/FEADR = 475.2.1/FEADR = 861,200 \text{ lei}
     \]
     „Grants with subvention” „Grants with subvention for
     investments”

2. Record addendum:
   • release fact: signing of the funding contract addendum by the beneficiary and
     the management authority, through which the grant following to be allotted is reduced;
   • the addendum;
   • accounting note (in red):
     \[
     445.2.1/FEADR = 475.2.1/FEADR = -7,536 \text{ lei}
     \]
     „Grants with subvention” „Grants with subvention for
     investments”

3. Record invoice equipment acquisition (backhoe):
   • release fact: receipt of invoice and equipment;
   • the delivery agreement, invoice, receipt document;
   • accounting note:
     \[
     \% = 404.1 \text{ \quad 400,110.80 lei}
     \]
     213.1.01 „Asset suppliers” 322,670 lei
     „Technological equipment
     (machineries, equipment, plants)
     FEADR”
     442.6 77,440.80 lei
     „Educible VAT”

4. Payment of invoice acquisition equipment (backhoe):
   • release fact: receipt of invoice and equipment;
   • draft, statement;
   • accounting note:
     \[
     404.1 = 512.1 \text{ BTRL} \quad 400,110.80 \text{ lei}
     \]
     „Asset suppliers” „Current bank accounts”

5. Record invoice acquisition consulting services:
   • release fact: receipt of invoice;
   • contract of services rendered, invoice;
   • accounting note:
     \[
     \% = 401.1 \text{ \quad 11,612.60 lei}
     \]
6. Payment invoice consulting services (subcontractors):
   • release fact: receipt of invoice;
   • draft, statement;
   • accounting note:

   401.1 = 512.1 BTRL  11,612.60 lei

    „Suppliers” „Current bank accounts”

7. Record depreciation of the purchased equipment (is recorded every month – 48 months):
   • release fact: receipt of equipment and elaboration of the asset sheet, calculating the damping through the linear method (the value of the asset 322,670 lei/the normal use period 48 months – 4 years);
   • asset sheet;
   • accounting note:

   681.1.01 = 281.3.1  6,722.29 lei

   „Expenses on the equipment damping.” „Equipment depreciation.
    FEADR” “FEADR”

8. Record encashment instalments 1:
   • release fact: deposit of the first file payment request;
   • notification acceptance for payment instalments 1, statement;
   • accounting note:

   512.1 BTRL = 445.2.1/FEADR  231,994 lei

    „Current bank accounts” „Grants with subvention”

As regards the acquisition of the second equipment (backhoe), the accounting records are the same as in the first case, the invoice value being the same (to see records 3 and 4 for the acquisition, respectively 7 and 8 for the damping).

9. Record of the income afferent to the sums received from the Management Authority as grant, considering the calculated depreciation and the discounted sums (will be registered every month – 48 months):
   • release fact: damping calculation and entry;
   • release fact;
   • accounting note:

   475.2.1/FEADR = 758.4.4  4,705.60 lei

    „Grants with subvention for investments” „Incomes from investment subventions”
10. **Record of the income of the sums received from the Management Authority as grant, afferent to the consulting expenses for instalment 1:**
   - release fact: validation of the refund application;
   - notice of the consulting expenses validation;
   - accounting note:
     
     \[
     475.2.1/FEADR = 741.6.1 \quad 9,365 \text{ lei}
     \]
     
     „Grants with subvention character for investments” „Incomes from exploitation for other exploitation expenses”

11. **Record invoice acquisition equipment (excavator):**
   - release fact: receipt of invoice and equipment;
   - delivery agreement, invoice, acceptance report;
   - accounting note:
     
     \[
     \%
     \]
     
     \[
     213.1.01 \quad \% = 404.1 \quad 670,986.32 \text{ lei}
     \]
     
     „Technological equipment (machinery, equipment and plants) FEADR” „Asset suppliers” 541,118 lei
     
     \[
     442.6 \quad 129,868.32 \text{ lei}
     \]
     
     „educible VAT”

12. **Payment of the invoice equipment acquisition (excavator):**
   - release fact: receipt of invoice and equipment;
   - draft, statement;
   - accounting note:
     
     \[
     404.1 \quad = 512.1 \text{ BTRL} \quad 670,986.32 \text{ lei}
     \]
     
     „Asset suppliers” „Current bank accounts”

13. **Record invoice acquisition consulting services:**
   - release fact: invoice receipt;
   - contract for services rendered, invoice;
   - accounting note:
     
     \[
     628.1 \quad \%
     \]
     
     \[
     442.6 \quad \% = 401.1 \quad 28,433,20 \text{ lei}
     \]
     
     „Expenses on subcontracted services” „Suppliers” 22,930 lei
     
     \[
     442.6 \quad 5,503.20 \text{ lei}
     \]
     
     „educible VAT”

14. **Payment of invoice consulting services (subcontractors):**
   - release fact: invoice receipt;
   - draft, statement;
   - accounting note:
15. **Record damping of the purchased equipment** (will be entered every month – 48 months):
   - release fact: receipt of equipment and elaboration of the asset sheet, calculating the damping through the linear method (the value of the asset 541.118 lei/the normal use period 48 months – 6 years);
   - asset sheet;
   - accounting note:

\[
\begin{align*}
681.1.01 &= 281.3.1 \\
\text{„Expenses on the equipment depreciation. FEADR”} &= \text{„Equipment depreciation. FEADR”}
\end{align*}
\]

16. **Record encashment instalment 2** (584,355.05 lei of 621,133 lei, the difference will be delivered after all the expenses are certified):
   - release fact: submission of the first payment application file;
   - notice acceptance of instalment 2, statement;
   - accounting note:

\[
\begin{align*}
512.1 \text{ BTRL} &= 445.2.1/\text{FEADR} \\
\text{„Current bank accounts”} &= \text{„Grants with subvention”}
\end{align*}
\]

17. **Record of the income afferent to the sums received from the Management Authority as rant, considering the calculated damping** (will be registered every month – 48 months):
   - release fact: depreciation calculation and entry;
   - asset sheet;
   - accounting note:

\[
\begin{align*}
475.2.1/\text{FEADR} &= 758.4.4 \\
\text{„Grants with subvention for investments”} &= \text{„Incomes from investment subventions”}
\end{align*}
\]

18. **Record of the income of the sums received from the Management Authority as grant, afferent to the consulting expenses for instalment 2:**
   - release fact: validation of the refund application;
   - notice of the consulting expenses validation;
   - accounting note:

\[
\begin{align*}
475.2.1/\text{FEADR} &= 741.6.1 \\
\text{„Grants with subvention for investments”} &= \text{„Incomes from exploitation for other exploitation expenses”}
\end{align*}
\]

As for us, we can notice that the account 475.2.1/\text{FEADR} „grants with subventions for investments” also contains the value of consulting expenses.
4. CONCLUSIONS

The basic premises of the European projects accounting are on the one hand the fact that the accounting operations should attest total transparency regarding the entry of the financial operations, provide necessary information, the sums received from the financier, and on the other hand provide information for the control bodies stipulated by the active national legislation.

Discussions regarding the reflection in the beneficiary’s accounting – economic entity of the economic-financial operations afferent to the implementation of the projects financed through structural funds occur only when the projects generates several categories of eligible expenses, not just the ones afferent to an investment, known as expenses type FEDR.

As for us, related to the above mentioned aspects, we consider the following aspects:

- we recommend the use of the account 475.2 „grants with subventions for investments”, entering only the value of expenses type FEDR, because this category contains investments submitted to depreciation, and the account debiting will take place during the depreciation entry;
- we recommend the use of 758.4 „incomes from subventions for investments” only for the record of the income recognition, after the entry of the monthly depreciation afferent to assets purchased from expenses type FEDR. For the other sums, known as incomes after the validation of the refund application, analytical accounts will be used of the account 741, dependent on the category of eligible expenses;
- we do not sustain the use of the account 462 „various creditors” in order to point out the value of pre-financing, but the use of account 472 „deferred incomes” if funds are received and expenses from this finance are not performed, pre-financing being registered through the lending of this account;
- the reflection of pre-financing encashment will be registered through the lending of account 445.2 „grants with subventions”, because pre-financing will be deduced from the value of refunded eligible expenses, based on the validated refund application;
- we do not sustain the use of the account 471 „deferred expenses” in order to mark out the validation of the refund application because in accounting the validation of the refund application will be registered together with the cashing of the sum from the management authority.

REFERENCES

Ghid de aplicare OMFP nr. 3055/2009 pentru aprobarea Reglementărilor contabile conforme cu Directivele Europene; OMFP nr. 3055/2009 pentru aprobarea Reglementărilor contabile conforme cu Directivele Europene (actualizată)
EUROPEAN CENTRAL BANK AND THE IMPORTANCE OF ITS DECISIONS

Olimpia-Lavinia GEORGINCA

ABSTRACT
The paper outlines the role and functions of European Central Bank, starting with its legal personality and ending with its specific nature of monetary policy.

KEY WORDS: ECB, ESCB, Eurosystem, monetary policy

JEL: E50, E58

1. INTRODUCTION

European Central Bank (ECB) is a unique and complex institution:
  a) single, because no other modern central bank was not created by the political will of 15 developed countries in a treaty
  b) complex because the top is the European System of Central Banks (ESCB), which affects the national central banks.

The EC (Economic Community) Treaty has established the ECB a specialized, independent organization for conducting monetary policy and performing related functions. To this end, the ECB has been given a legal personality of its own, with its own decision-making bodies and powers. Its organization as a central bank responds to the specific nature of monetary policy, i.e. a public policy function that is implemented mainly by financial market operations.

2. EUROPEAN CENTRAL BANK, ITS FORM, FUNCTIONS AND ROLE

The ECB has legal personality under Article 107(2) of the EC Treaty and enjoys the most extensive legal capacity accorded to legal persons under the respective national law of each Member State under Article 9.1 of the Statute of the ESCB. It may therefore acquire or dispose of movable and immovable property and be party to legal proceedings. In addition, the ECB enjoys those privileges and immunities that are necessary for the performance of its tasks, under the conditions laid down in the Protocol on the privileges and immunities of the European Communities of 8 April 1965.

As a legal person under public international law, the ECB is in a position to, among other things, conclude international agreements in matters relating to its field of competence and participate in the work of international organisations such as the International Monetary Fund (IMF), the Bank for International Settlements (BIS) and the Organisation for Economic Co-operation and Development (OECD).

Although performing a policy function under the EC Treaty the ECB is not a Community institution in the proper meaning of the term. It is not referred to in Article 7 of the EC Treaty which establishes the five institutions of the Community: the

---

1 Master Student, Law Faculty, Specialization “European Law Institutions”, Tibiscus University
European Parliament, the Council, the European Commission, the Court of Justice and the Court of Auditors. These institutions are entrusted with the broad mandate of carrying out the tasks of the Community within the limits of the powers conferred upon them by the Treaty.

Instead, the legal basis of the ESCB and the ECB is provided for in a separate article (Article 8 of the Treaty). This underpins the specific status of the ECB within the overall context of the European Community, sets it apart from the other institutions and their auxiliary bodies and limits its activities to a clearly defined special task. The capacity of monetary policy to ensure price stability over the medium term is based on the banking system’s dependence on money issued by the central bank (known as “base money”) to:

i. meet the demand for currency in circulation;
ii. clear interbank balances;
iii. meet the requirements for the minimum reserves that may have to be deposited with the central bank.

Given its monopoly over the creation of base money, the Eurosystem is in a position to exert a dominant influence on money market conditions and money market interest rates. Changes in money market rates induced by the central bank set in motion a number of mechanisms and actions by economic agents, ultimately influencing developments in economic variables such as output or prices. This process, which is known as the “monetary policy transmission mechanism” and described in detail in the ECB’s publication *The monetary policy of the ECB* is complex. Since it involves a number of different mechanisms and actions by economic agents at various stages, monetary policy action usually takes a considerable time to affect price developments.

The size and strength of the different effects can vary according to the state of the economy, which makes the precise impact difficult to estimate. The first element of the ECB’s monetary policy strategy is a quantitative definition of price stability. In addition, the strategy provides for a framework which ensures that the Governing Council of the ECB assesses all the relevant information and analysis needed to take monetary policy decisions in a forward-looking manner. The ECB has its own budget, independent from that of the EU. The Statute also allows the ECB to adopt autonomously the conditions of employment for its staff and to organise its internal structure as it sees fit.

The ECB enjoys in the territories of the Member States the privileges and immunities that are necessary for the performance of its tasks. Chapter 1 of the Protocol on the privileges and immunities of the European Communities of 8 April 1965 guarantees, among other things, that the premises and archives of the ECB are inviolable and that its property and assets are intangible.

As regards the NCBs’ financial and budgetary autonomy and the autonomy of their staff, the Member States have a certain influence over NCBs’ budgets and the distribution of profits and staffing, be it as (sometimes sole) shareholder of their respective NCB or as national legislator. However, in line with the statutes of the NCBs, the Member States’ rights are subject to the proviso that their exercise is not allowed to impede on the NCBs’ capacity to perform their eurosystem-related functions. Given its exclusive competence for the monetary policy of the euro area, the ECB has been entrusted with a core aspect of monetary sovereignty. Respect for the fundamental principles of democratic societies requires that the ECB is held accountable to the citizens and their democratically elected representatives. It is of course in the ECB’s
own interest anyway to ensure that its decisions are properly explained and justified so as to foster public support for its policies. As a body established by the Treaty, and acting within the limits of the powers conferred on it, the ECB is accountable first and foremost to citizens of the EU Member States which have concluded and ratified the Treaty. The Treaty contains extensive reporting obligations (see the next section below) which provide a framework for the ECB to be directly scrutinised by the European public. The ECB explains and justifies its decisions directly to the public through publications in all official Community languages and speeches given by members of the ECB decision-making bodies in all euro area member countries and elsewhere.

In addition, the EC Treaty provides for regular dialogue with the elected representatives of the European citizens, i.e. the European Parliament; just as the national legislative bodies of the United States, Japan and the United Kingdom are the principal addressees of democratic accountability for the central banks of those countries.

The ECB has established relations with the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD). Both these organisations regularly monitor and assess economic and policy developments in their member countries.

Concerning our country, Governing Council of ECB decided that the interest rates will remain unchanged. Inflation still high values, recorded in the most recent information, confirming that it remains above 2% in the coming months, but to decline thereafter. Corroborating results of monetary analysis confirms that the pace of monetary expansion remains moderate.

It is anticipated that persistent tensions in financial markets and adverse effects on financing conditions will affect the pace of economic growth in the euro area in the second half of this year. Economic prospects are still encumbered with uncertain especially pronounced and increased risks to the downside. However, short-term interest rates remain low. It remains essential that monetary policy to maintain price stability over that medium term, thus providing a firm anchoring of inflation expectations in the euro area, in accordance with Governing Council’s aim to maintain inflation rates below but close to 2% over the medium term. Anchoring inflation expectations is a prerequisite for monetary contribution to support growth and job creation in the euro area. Very detailed analysis is required of all recent data and developments in the future.

REFERENCES


CONCEPTS REGARDING CORPORATE FINANCE. 
FINANCIAL ADMINISTRATION AND FINANCIAL 
MANAGEMENT

Teodor HADA¹
Laura-Liana SCHIAU²

ABSTRACT

The corporate finance is an important part of any national economy. Administering and managing the corporate finance are two concepts which need to be clarified in order to understand their role in the economic systems of our times. This paper aims to define these terms and also to explain their role at the microeconomic level. The paper also presents a new perspective on the economic value of an enterprise, showing why determining this value on the net flow is more optimistic than the one based on the profit, since this represents something feasible which subsequently will turn into capital flows.

KEY WORDS: financial administration, financial management, economic value.

JEL: G 10

1. INTRODUCTION

In the finance structure, together with the public finance, the corporate finance has an important place. The public finance studies the cash flows which are necessary for the formation of the state treasury and public institutions resources in order to satisfy the general needs of the society.

Because the process of privatization is so ample, new enterprises based on private capital emerged. These companies tend to take a front seat in the structure of the national economy.

In the national economy also perform mixed capital companies and companies with foreign capital.

Inside these structures takes place the processes of formation, allocation and employment of the funds which are available.

Finance can be define as the totality of monetary flows in the economy (cash flows, credits, counterbalances) which aim to form the necessary revenues (their collection) and accomplish them at all levels: individual, organizational etc.

Professor Ion Stancu shows that finance is all that conducts to sustaining and creating the economic value, in other words the wealth (riches).

Corporate finance represents the primary, the basic ferrule of the entire financial system. This statement is based on the fact that the finance is the main source of the majority of funds which are raised at different levels in the national economy.

The totality concerns generated by the formation, distribution and employment of the funds which are necessary for the various economic, social, cultural, etc, activities at the corporate level represent the essence of finance.

The corporate finance represents “economic correlations in pecuniary form, which appear and manifest objectively at the corporate level interrelated with the

1 Ph.D. Professor, „1 Decembrie 1918” University, Alba Iulia, Romania
2 Ph.D. Student, Babeș Bolyai University, Cluj-Napoca, Romania
formation and distribution of the funds necessary for the production cycle in order to maximize the profit, satisfy the social needs of the employees and form the funds necessary for the national budget.”

From above results that corporate finance can represent:

- the financing and crediting of the fixed assets,
- the financing and crediting of current assets,
- the formation and distribution of the profit,
- the constitution of the funds and the partially allocation to the subsidiaries,
- distributions for:
  - own funds,
  - funds for profit sharing
  - funds for social actions,
  - funds for scientific research, technological development and introduction of the technical progress,
  - funds for labor protection,
  - funds for working capital,
  - funds for risk,
  - funds for qualification, requalification and specialization of the personnel,
  - funds for labor accidents and allowances,
  - contributions for funds which guaranty the payoff of the wage-bill claims.

The corporate finance manifests:

- in practice,
- in policy,
- in theory, taking in consideration the fact that in time corporate finance became a science.

(Source: Hada Teodor, 2009:12)

Figure 1 - Corporate Finance

The birth place of finance, in modern acceptance, is in the United States of America, at Grednate School of Industry, state of Pennsylvania, where two economists of this school, F. Modigliani and M. Miller where animated by one single idea: that of finding the optimum in the indebting policy of a company.
Their conclusion is that the decision of financing an investment is neuter in relation with the value of the company.

The followers of the classic financial theory are E. Fama and M. Miller in the field of efficiency of financial market and H. M. Markowitz and W. Sharpe in the field of analyzing and selecting the securities portfolio.

The renovating personalities of the financial theory are: S. H. Ross which develops a multifunctional model in order to explain the capitalization of the securities and F. Blask and M. Scholer which are well known for the formalization and testing of the theory of options in financial investments.

2. THE FINANCIAL VALUE OF THE ENTERPRISE

The easiest way of determining the patrimony at a given time is based on the balances of the accounts in the balance of accounts which reflects the patrimony at a given time. There are two indicators which can reflect the patrimony at the end of the accounting period:

\[ A_N = A_e - D_t \quad \text{and} \quad A_N = \text{Equity} \]

Where:
- \( A_N \) = net assets
- \( A_e \) = economic assets
- \( D_t \) = total debts.

According to this model the maximization of the value is given by the maximization of the assets through the main source, the profit of the accounting period, aspects which are reflected by the financial concept on the value of the company which is completely different from the patrimonial concept which explains the activity by the maximization of the profit.

The companies which are listed on the stock exchange can determine their value by multiplying the share price with the number of shares. This way of determining the value must be regarded restrictively nowadays, because the financial crisis has determined a downward trend of the prices which is not correlated with the indicators realized at a given time.

The financial concepts determine the value of an enterprise not by using the net assets, but by using the net treasury flows generated by the company through the net assets.

So we have:

\[ V_f = \sum_{i=1}^{n} \frac{CF_i}{(1 + d)^i} + \frac{V_R}{(1 + d)^n} \]

Where:
- \( V_f \) = the financial value of the enterprise;
- \( CF_i \) = net treasury flows which are estimated to be obtained;
- \( n \) = the term of live of the enterprise
- \( d \) = the actualization note, which is equal to bonds’ interest plus a risk bonus required by the shareholders because they have invested their shares in stocks.
- \( V_R \) = the residual value, meaning the value remained after \( n \) years of functioning, which can be trade on the market.

This way of determining the enterprise value is more accurate if we take into consideration the following aspects:
- The enterprise is not considered a static entity through its patrimony, but it must be considered as a dynamic entity.
- It is taken into consideration the interface between the company and the economic risk factors and the specific factors.
- The capital flows are responding netter to the shareholders interest because they represent what the entity actually collects and they do not represent the possible profit, especially in the first year of activity.
- It takes into consideration the actualization rate.
- The model takes into consideration the residual value, meaning the value of the patrimony when traded on the share market, after the enterprise does not function anymore.

We consider that determining the value of the enterprise on the net flows is more optimistic than the one based on the profit, since this represents something feasible which subsequently will turn into capital flows.

3. ADMINISTRATION. ECONOMIC ADMINISTRATION. FINANCIAL ADMINISTRATION

Administration (Complete Dictionary of Market Economy, page 168) shows that this “is a formed by a whole of operation through which is ensured the husbandry, management and capitalization of an economic entity which is given to an administrator.”

Administration refers to receiving, keeping, deliverance and usage of goods given for administration, the entrusting being made by a contract.

Other authors like I. Trenca, in Fundaments of Financial Management, page 17 show that “to administrate” means “to organize and lead a certain type of activity”. I. Trenca also defines that economic administration “materializes in an aggregate of decisions and achievements, which regard the procurement and most efficient usage of the inputs and on the other hand the husbandry of the obtained effects as a result of the carried out activity.” All in all one may consider that administration is system structured on 2 levels:

• administration of inputs and of the results of their usage and also the administration of means of work, administration of inventories and workforce.
• administration of the partial activities which are grouped in relation with the functions of the enterprise: production administration, research and development administration, personnel administration, commercial administration, financial administration.

Financial administration is defined by I. Trenca (page 26) as “a part of economic administration of the enterprise given by the inter correlated ensemble of the decisions and operations made in order to accomplish them which regard the procurement, allocation and usage with maximum efficiency of the funds necessary for the normal development of the activity and also the collection, distribution and use of the financial results”.

Financial administration is defined by Georgeta Vintila in “Financial Administration of the enterprise” as an “ensemble of analyzing methods and operative techniques, which enable the enterprise and other organizations to efficiently penetrate the financial environment. As G. Vintila emphasis the financial administration consists of:

1. “the object: the coordination of the relations between the components of the financial environment of the enterprise;
2. the role of financial administration: the mastery of the financial fundamental constraints and pursuit of the major financial objectives;
3. operational responsibilities which include: financial analysis, financial administration on the long term and financial administration on the short term.”

Gheorghe I. Ana in “Finance and financial policies of the enterprise” ( page 48-50) show that administration mean the “ensemble of the administration operations of goods and cash, respectively the operation of receiving, keeping, handling for a period of time by one person or a group of persons”. In a wider meaning the author shows that the term administration is seen as an action of governance based on certain methods and specific techniques."

Economic administration is seen by the same author as “the whole system of economic, social and financial relations which manifests inside an enterprise and with the outside in which they exist and develop”. He shows that financial administration comprises of fixed assets administration, the correlation of the capital and investment decisions on fields and objectives given by the regulations of the enterprise. The objectives of the financial administration are:

- provision of the financial equilibrium of the enterprise;
- increase the wealth of the enterprise reflected on the assets of the company;
- increase the assets of the company reflected by the turn over;
- provide the flexibility for difficult conditions.

Marin Oprescu in the book “Financial Administration of the enterprise” (page 17) shows that financial administration is governing and organizing principle of the activity of the enterprise, which pursue the judicious management of the resources available or attracted in the cycle of production, in order to obtain the maximum efficiency from the activity in progress.” The author emphasis that financial administration has three basic elements:

- the financial decision;
- the financial operation;
- the organizing context of the financial activity.

The French author L Honaré in the book “Financial Administration” (page4) shows that “the object of financial administration is the administration of the financial resources which allow the enterprise to carry on its activity”. This author shows that the administration systems of a company are:

- the strategic administration ( of planning)
- the operational administration.

As Honaré says the fields of financial administration are:

- the commercial field,
- the technical filed,
- the logistic field,
- the organizational and administrative field,
- the financial field.

Gérard Melyon in Gestion Financière, Ed. Bréol, 2007, page 8 shows that “financial administration is a helpful instrument in decision making, which object is the collection and analysis of the data in order to evaluate the performances and the evolution in time of the enterprise.”

We consider that financial administration is a part of economic administration formed by the totality of methods and techniques regarding the employment of the inputs in performance conditions.
4. FINANCIAL ADMINISTRATION, FINANCIAL MANAGEMENT

From finance emerged the following stand-alone disciplines: financial analysis, financial diagnostics, financial administration, enterprise’s investments, enterprise financing, and dividend policy of the enterprise. This separation is determined by the complexity of the enterprise activity, by the necessity of deepening the actual problem of the enterprise. So financial administration is part of the corporate finance seen as practice and is concerned with the financial administration on the short term and financial administration on the long term, more precisely with: inventory administration, costumer administration, treasury administration, exploitation budgets, investment administration, equity administration, financial liabilities administration, interest rate risk administration, investment budget and of long term financing.

If the financial administration studies the way in which the assets and the resources of the enterprise are administrated, the financial management studies the substantiation of the financial decisions, based on the data owned by the governors at a given time. Mihaela Onofrei in “Financial Management”, publishing house C.H. Beck, 2006 contain as themes of the financial management:

- the contents of the financial management of the enterprise;
- the role of the corporate governance in the amortization of the stakeholders interests;
- the implication of the financial analysis in the process of decision substantiation at the microeconomic level;
- the diagnostics of capitalization and of enterprise risk;
- the financial management of the enterprises with difficulties.

So the author also approaches some aspects specific for the enterprise finance like: financial analysis and financial diagnostics.

Petre Brezeanu in “Financial Management”, the publishing house of The Romanian-British University, Bucharest 2006, also approaches aspects regarding financial administration (Chapter 1: The Role, the Tasks and the Object of Financial Administration) and aspects regarding the corporate finance (Chapter 2: Administration of Working Capital, Treasury Flows, the Forecast of Treasury, Financing the Operational Cycle etc.).

World Bank defines the corporate governance as a combination of laws, regulations and guidance codes, voluntary adopted, which provides the company the possibility of attracting the necessary financial and human capital and also the possibility of conducting its activity efficiently, in order to assure its existence by generating value on the long term for its shareholders and for the society as a whole.

From the above presentation results that between financial administration, corporate finance and financial management exist many connections, interactions and even identical approaches of the problem of corporate finance.

REFERENCES

THE IMPACT OF FINANCIAL CRISIS OVER THE BANKRUPTCY RISK

Melania Elena MICULEAC¹

ABSTRACT
Developing a sustainable activity which assures the durability of a company is an essential condition which requires a lot of effort and, in the same time, a continuous attention to the evolution of the internal and external environment specific to that area of activity.

Nevertheless, the company’s activity is permanently exposed to risk. In general terms, the risk is represented by the possibility that something unpleasant will happen.

Depending on its position on the market, on the economic and financial situation, on the economic environment, respectively on the environment in which it develops its activity, a company can handle heavily or easily the risks it faces. In fact, each economic activity faces risk at a certain moment. Its intensity depends on the area of activity, on the market tendencies, on the country’s image in the world situation etc.

In the economic practice, the most common forms of risk are: country risk, commercial risk, currency risk, operational risk, financial risk, bankruptcy risk.

KEY WORDS: bankruptcy risk, score function, „F” model, insolvency
JEL: G21

1. INTRODUCTION

Developing a sustainable activity which assures the durability of a company is an essential condition which requires a lot of effort and, in the same time, a continuous attention to the evolution of the internal and external environment specific to that area of activity. Bankruptcy is the last stage in the economic life of a company. In the specialty literature, the term failure is often considered to be the equivalent of the term bankruptcy.

Bankruptcy risk (or insolvency risk) is defined as the possibility that a company will be unable to meet its debt obligations, caused by previously contracted engagements, by present transactions, determinable for the activity pursuance, obligatory draws.

Insolvency, on the other side, is defined as that state of the company’s capital in debt characterized by the lack of available funds needed to pay the debts as they become due.

2. BANKRUPTCY CAUSES

Bankruptcy causes are various:

- **Unefficient management**, which can cause more than 50% of total bankruptcy cases. The main management mistakes are:
  - wrong financial consultancy;
  - lack of communication with employees;

---

¹ University lecturer, Ph.D., Faculty of Economic Sciences, „Drăgan” European University in Lugoj, Romania, e-mail: ued@deu.ro
- loss of control over costs;
- inadequate marketing policy etc.

**Internal dysfunctions:**
- unqualified labor force;
- loss of important projects;
- image deterioration;
- fraud;
- waste products exceeding the maximum allowable level.

**External factors:**
- competition;
- company’s life cycle; it is well known the fact that all products, services and even companies have a limited life;
- economic recession;
- disasters etc.

Bankruptcy risk can be analyzed from several points of view. Thus, a statical analysis of the bankruptcy risk can be made by comparing the values of the main elements of assets and liabilities, and by determining the solvency rates and the financial structure of liabilities. This way can be obtained information regarding the evolution of the company’s working capital, respectively the medium time needed to realize the circulating assets and the medium time needed to reimburse the short term debts.

It is considered that the bankruptcy risk decreases as the working capital increases and when, at term, the circulating assets transformed in liquid assets exceed the value of current debts.

Also, relevant conclusions regarding bankruptcy can be drawn if a functional analysis of the risk is made, by studying the correlation Working Capital – Need of Working Capital – Net Treasury. (Alexander, D., Nobes, C. (2001))

"The score method” has a special importance in the bankruptcy risk analysis, method which is very often used by credit institutions in order to ensure themselves against the clients insolvency risk.

### 3. THE ANALYSIS OF BANKRUPTCY RISK USING THE SCORE METHOD

The score represents a method of external diagnosis which consists in measuring and interpreting the risk faced by the investor, the company’s creditor, as well as the company as a system in the future activity. It consists in expressing a value judgement which combines linearly a group of significant rates (mainly financial rates). (Berstein, L., Wild, J.J., Subramanyam, K.R. (2001))

**Stages in establishing the score function**

From a technical point of view, in order to establish the score, the following working steps must be taken: (Miculeac, M.E. (2007))

- choose a sample of companies which includes two groups, for example, bankrupt companies or in difficulty and companies which do not face financial problems;
- compare the companies in the two groups during a certain period of time, by using the indicators considered the most significant;
• select the indicators which realize the best discrimination (through statistical testing are kept the indicators considered to have a permanent and strong action over the examined samples);
• elaborate, using the technique of discriminant analysis, a Z linear combination of the significant indicators, \( X_i \):

\[
Z = a_1 X_1 + a_2 X_2 + \ldots + a_n X_n
\]

The economic and financial situation limits itself to a mathematical result which places the analyzed company into one of the groups considered;
• establish some modulation points which realize a predictive classification of the companies into the two groups;
• \textit{apriori} analysis of the Z score success rate by comparing a predictive classification with the known situation of the companies which are part of the sample;
• \textit{aposteriori} analysis of the Z function success rate by investigating the degree of relevance for another sample of companies.

Among the most known models, we mention: Altman model, Canon-Holder model, Banque de France Central Balance Sheet model, “F” model of Romanian economy.

3.1. The Altman Model

The Altman model is the most used model in developed countries. It is based on the following function:

\[
Z = 3,3x_1 + x_2 + 0,6x_3 + 1,4x_4 + 1,2x_5
\]

where:

\[
x_1 = \frac{\text{Earnings before Interest and Taxes}}{\text{Total Assets}} \quad \text{(economic rate of return)}
\]

\[
x_2 = \frac{\text{Sales}}{\text{Total Assets}} \quad \text{(rotation speed of assets)}
\]

\[
x_3 = \frac{\text{Market Value of Equity}}{\text{Book Value of Total Debt}} \quad \text{(financial autonomy)}
\]

\[
x_4 = \frac{\text{Retained Earnings}}{\text{Total Assets}} \quad \text{(rate of reinvested profit)}
\]

\[
x_5 = \frac{\text{Working Capital}}{\text{Total Assets}} \quad \text{(rate of circulating assets)}
\]

Depending on the values of Z function, the company may be situated in three situations:

- \( Z < 1.81 \Rightarrow \) the company is insolvent
- \( 1.81 < Z \leq 2.90 \Rightarrow \) the company is in difficulty
- \( Z > 2.90 \Rightarrow \) the company may be considered healthy from an economic point of view
3.2. The Canon-Holder Model

This model uses the following function:

\[ Z = 16x_1 + 22x_2 - 87x_3 - 10x_4 + 24x_5 \]

where:

- \( x_1 \) – rate of quick liquidity
- \( x_2 \) – rate of financial stability
- \( x_3 \) – rate of financial expenses
- \( x_4 \) – share of the staff costs in the added value
- \( x_5 \) – share of the gross operation surplus in the added value

Depending on the score value, the company may be situated in one of the following 5 categories:
- \( Z \leq -5 \Rightarrow \) disastrous situation
- \( -5 < Z \leq 4 \Rightarrow \) unfavorable situation
- \( 4 < Z \leq 9 \Rightarrow \) uncertain situation
- \( 9 < Z \leq 16 \Rightarrow \) favorable situation
- \( Z > 16 \Rightarrow \) very good situation.

Depending on the score value, the bankruptcy possibility is:

<table>
<thead>
<tr>
<th>Score</th>
<th>Possibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>negative</td>
<td>&gt;80%</td>
</tr>
<tr>
<td>0 - 1,5</td>
<td>75% - 80%</td>
</tr>
<tr>
<td>1,5 - 4,0</td>
<td>70% - 75%</td>
</tr>
<tr>
<td>4,0 - 8,5</td>
<td>50% - 70%</td>
</tr>
<tr>
<td>8,5 - 9,0</td>
<td>35%</td>
</tr>
<tr>
<td>9,0 - 10,0</td>
<td>30%</td>
</tr>
<tr>
<td>10,0 - 13,0</td>
<td>25%</td>
</tr>
<tr>
<td>13,0 - 16,0</td>
<td>15%</td>
</tr>
<tr>
<td>over 16</td>
<td>below 15%</td>
</tr>
</tbody>
</table>

( Lala Popa, I., Miculeac, M.E., 2009, p. 145 )

3.3. Banque de France Central Balance Sheet Model

This model uses 8 rates, the score being calculated with the following formula:

\[ Z = -1,255x_1 - 2,003x_2 - 0,824x_3 + 5,221x_4 - 0,689x_5 - 1,164x_6 + 0,706x_7 + 1,408x_8 \]

where:

- \( x_1 \) – rate of financial expenses
- \( x_2 \) – coverage rate of invested capital
- \( x_3 \) – rate of capacity to reimburse debts
- \( x_4 \) – rate of gross operation margin
- \( x_5 \) – medium term of supplier credit
- \( x_6 \) – growing rate of added value
x7 – medium term of client credit
x8 – rate of physical investments

Depending on the Z score value, the company may find itself in one of the following three areas:

<table>
<thead>
<tr>
<th>Z score</th>
<th>Area</th>
<th>Bankruptcy possibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Z &lt; -0.25</td>
<td>Unfavorable area</td>
<td>70% - 100%</td>
</tr>
<tr>
<td>-0.25 ≤ Z ≤ 0.125</td>
<td>Uncertainty area</td>
<td>45% - 70%</td>
</tr>
<tr>
<td>Z &gt; 0.125</td>
<td>Favorable area</td>
<td>10% - 45%</td>
</tr>
</tbody>
</table>

( Lala Popa, I., Miculeac, M.E., 2009, p. 146 )

3.4. „F” function Model in Romanian practice

Romanian practice has proved that applying the risk models previously presented on the Romanian economy did not bring satisfying results, reason why there were developed models specific to our economy. One of the models is the so called "F” function.

When developing this model, the first thing to do was to study the situations that indicate the appearance of the company’s bankruptcy, these situations being: (Lala Popa, I., Miculeac, M.E. (2009))

• impossibility to meet current obligations;
• lack of financial resources to pay the long-term debt;
• delayed receipts of delivered goods value;
• lack of profit.

As a consequence, there are 4 indicators which correspond to the presented situation:

\[ G_1 = \text{Current liquidity} = \frac{\text{Current assets}}{\text{Current liabilities}} \]

\[ G_2 = \text{Solvency} = \frac{\text{Net profit} + \text{depreciation}}{\text{Medium and long credit rate} + \text{Credit interest}} \]

\[ G_3 = \text{Rotation speed of client credits} = \frac{\text{Sales}}{\text{Clients}} \]

\[ G_4 = \text{Profit rate} = \frac{\text{Profit}}{\text{Cost}} \times 100 \]

Based on the units theory, the lineary function for each indicator is:

\[ F(x) = ax + b \]

Parameters „a” and „b” are calculated as it follows:

• for the indicators which optimize through maximum:
\[
\begin{align*}
    a &= \frac{1}{X_{\text{max}} - X_{\text{min}}} \\
    b &= -\frac{X_{\text{min}}}{X_{\text{max}} - X_{\text{min}}} \\
\end{align*}
\]

- for the indicators which optimize through minimum:

\[
\begin{align*}
    a &= \frac{1}{X_{\text{min}} - X_{\text{max}}} \\
    b &= -\frac{X_{\text{max}}}{X_{\text{min}} - X_{\text{max}}} \\
\end{align*}
\]

where:
- \(X_{\text{min}}\) – represents the minimum value of the indicator (bankruptcy)
- \(X_{\text{max}}\) – represents the value of the indicator when the bankruptcy risk is minimum.

After applying the lineary function for each indicator from the 4 mentioned above on a representative sample of Romanian companies, the following results were obtained:

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicator name</th>
<th>Symbol</th>
<th>Value</th>
<th>a</th>
<th>b</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Current liquidity</td>
<td>G1</td>
<td>0.75</td>
<td>3</td>
<td>0.444</td>
</tr>
<tr>
<td>2.</td>
<td>Solvency</td>
<td>G2</td>
<td>0.9</td>
<td>2</td>
<td>0.909</td>
</tr>
<tr>
<td>3.</td>
<td>Rotation speed of client credits (duration in days)</td>
<td>G3</td>
<td>70</td>
<td>15</td>
<td>0.0526</td>
</tr>
<tr>
<td>4.</td>
<td>Profit rate</td>
<td>G4</td>
<td>0</td>
<td>30</td>
<td>0.0333</td>
</tr>
</tbody>
</table>

( Lala Popa, I., Miculeac, M.E., 2009, p. 147 )

The score function using the "F" model is:

\[F = 0.444 \times G1 + 0.909 \times G2 + 0.0526 \times G3 + 0.0333 \times G4 - 1.414\]

The function takes a maximum value of "4" and a minimum one of ",-1.4".

Depending on the "F" value, there are 4 areas:
- \(F < 0.5\) – imminent bankruptcy;
- \(0.5 < F < 0.5\) – limited area;
- \(1.1 < F < 2.0\) – intermediary area;
- \(F > 2.0\) – favorable area.

### 5. CONCLUSIONS

The assessment of the company’s capacity to pay its obligations on time is realised in a different way, depending on the concrete conditions in which it develops its activity. Thus, the company can face temporary difficulties, determined by the fact that an important debt is not collected on time or by the acceleration of payments during a period when the activity increases, case in which the payment difficulties appear as an
inconsistency, which does not endanger the fundamental equilibrium and do not affect the company’s image.

Also, the company may face periodical financial difficulties, which although do not endanger its viability, may damage its image. The appearance of doubts regarding the company’s financial solidity may generate a series of negative effects, such as:

- some suppliers may refuse to continue the deliveries;
- the company may be obliged to appeal urgently to credits and thus accept unfavorable crediting conditions.

The company may face permanent financial difficulties, which reflect a structural economic and financial fragility and which can lead to activity reduction, reduction of employees or, in more difficult cases, even to bankruptcy.

REFERENCES

ABSTRACT
The paper outlines the consequences of the negative demographic trend in European Union, once with the sharp reduction of birth rates and the significant increase in life expectancy. The authors describe briefly the macroeconomic implications on variables like employment, investment, consumption, savings, financial markets. We also consider the pressure on the public finance when aiming at the sustainability of the social security system. Moreover, we make a comparative analysis at the level of both old and new member states of European Union in what concerns the influence of the demographic crisis.

KEY WORDS: demography, economic consequences, European Union, pension system

JEL: E20, J11, H55, G23

Acknowledgement
This work was cofinanced from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/1.5/S/59184 „Performance and excellence in postdoctoral research in Romanian economics science domain”.

1. INTRODUCTION

Aging is one of the most debated issues nowadays, giving the importance that policymakers must give to this process when approaching important issues like the sustainability of public pensions, the design of the health-care systems and the problems of integration of those reaching old-age in order to provide economic development.

DESE (2007) analyses the demographic transition by referring to the three stages that this process involves: the first one of rejuvenation of the age distribution, once with the rise in the proportion of children due to increased survival at younger ages; the second stage that brings a downturn of the proportion of children giving the fertility reductions (typical for developing economies) and finally, the last stage, reached after long periods of fertility and mortality decline, that of decline of both proportion in the number of children and adults of working age and a rise in the number of older persons (typically to developed economies).

The European Union countries make no exception from the general trend, that of ageing societies. In all European Union countries, there can be noticed an increase of the population over 65 years old and a shrinking of the segment of population between 0-14 years old. As far as concerns the Central and Eastern European countries, new members of the European Union, a possible reason for this dynamics could be coming
from the fall of communism, which has generated in time lower fertility rates and levels of longevity comparable with those from old member states of European Union. Without any doubt, these trend triggers important macroeconomic implications and considerable pressure on the public finances from all the European Union countries.

2. STATISTICAL FIGURES FOR EUROPEAN UNION COUNTRIES REGARDING THE DEMOGRAPHIC TREND

From the latest data provided by the European Commission (EC, 2009) concerning the demographic projection, there could be noticed:

- only a modest recovery in total fertility rates, which remain still low (from an average number of births per woman over her lifetime of 1.52 in 2008 to 1.57 by 2030 and 1.64 by 2060);
- a continuous increase in the life expectancy both for men and women (8.5 years for men, from 76 years in 2008 to 84.5 in 2060, while for women it would increase by 6.9 years, from 82.1 in 2008 to 89 in 2060);
- an inward net migration to the EU countries, but with a decreasing trend (from about 1,680,000 people in 2008, equivalent to 0.33% of the EU population to 800,000 people by 2060, equivalent to 0.16% of the EU population);
- a significant reduction of the working-age population, the population aged 15-64 (of 15 % in the EU countries);
- an increase in the number of elderly population aged 65 or more (from 85 million in 2008 to 151 million in 2060)
- a doubling of the old-age dependency ratio (from 25.4% to 53.5%)

Figure 1 illustrates that the population of European Union is ageing, without any exception (old and new member states). The highest increase in the segment of over 65 years population is noticed especially in the EU-15 countries, while the most significant decrease in the 0-14 years population is noticed in the EU-12 countries.

![Figure 1- Rate of growth/decrease in the number of persons by age classes in the old and new member states by EU (2001-2007) (%)](image)

(Source: author’s computation with data provided by Eurostat)

These trends had a negative influence on the old-age dependency ratio, both in their level and rate of growth, showing an increased economic burden on people in work. From the Central and Eastern European countries, member of the European Union, high old-age dependency ratios and pretty high rates of growth of this indicator...
were registered in the case of Bulgaria, Latvia and Estonia. Though, the others are not in a safer position. At the moment, the old-age dependency ratio in the considered CEE countries is 22, in comparison with a 25 ratio registered in the case of the old members of the European Union. Statistics show though that continue increases in longevity will ensure that the old-age dependency ratio (which is calculated as ratio between number of elderly people and those of working age) will rose significantly until 2050 (doubling or more its size) (Figure 2).

The worst case scenarios for the new member states of European Union are seen in the case of Slovakia and Poland, where the ratio almost triples its size by the end of 2050, putting even more pressure on the public finance. Worrying levels of this indicator at the end of 2060 are seen, as far as concerns the old member states of European Union, in the case of Germany, Portugal, Greece, Spain.

**Figure 2 - The dynamics of the old-age dependency ratio in the European Union countries**

(Source: realized by authors with data provided by Eurostat)
3. MACROECONOMIC IMPLICATIONS OF THE DEMOGRAPHIC TREND

There is a growing body of literature which focuses on proving, in an empirical way, the macroeconomic consequences of an aging society (Faruqee, 2002; Rafique, 2006; Bulete, 2010). Although this purpose is not part of our analysis, we will try to review one of the most important outcomes from both theoretical and empirical literature that has approached this subject.

Traditionally, aging is thought to have direct implications for saving, since it is seen as a trigger for reducing the aggregate saving rates, due to the decrease of the proportion of the working-age people (Modigliani and Brumberg, 1954), this leading further to a decrease in the level of economic growth (Solow, 1956; Lee, 1994). DESE (2007) also mentions the fact that the economies with larger working-age cohorts tend to grow faster than the other ones, due to the fact that the saving rate in these economies is larger, in anticipation of the retirement period. The econometric studies also reveal the fact that the life cycle models generate a strong link between the age structure of the population and private saving (Koskela and Viren, 1992; Miles, 1999, Masson and Lee, 2010).

DESE (2007) also points out the changing features of the consumption over the life cycle, motivating that older people tend to spend a higher percent of their incomes on housing, social services, health and long-term care in comparison with younger population cohorts. Population ageing leads therefore to substantial changes in the composition of the demand for goods and services. They state though that these changes happen slowly in time and they are more influenced by the income than by the demographic dynamics.

Another effect on population ageing is the decline in labour supply. DESE (2007) draws the attention that ageing could become a drawback for the economic growth unless the decline in labour supply growth can be stopped or there are made more efforts in order to increase the labour productivity. Of the same opinion, BIS (1998) draws the attention that as ageing increases the number of consumers relative to producers, the living standards will fall unless labour productivity is not improved. On the other hand, OECD (2005) states that lower fertility will reduce the labour supply, even in the cases where policies such as increasing the retirement age are applied. The negative effect is more likely to be felt since the retiring cohorts are less productive than the incoming ones.

Ageing also has fiscal consequences since public expenditures on medical and health related expenditures are increasing the fiscal burden, becoming unbearable in some countries. Moreover, government revenues are more and more affected as the baby boom generation moves forward to its retirement (BIS, 1998).

Not at least, ageing has an important influence on the financial market development. Some of the realized studies in this respect aim at finding a connection between aging, pension reform and the development of capital markets. We may think of this connection following this possible line of reasoning: due to the ongoing pension reform, meant to support the sustainability of social security system, the pension funds and other institutional investor began to gain more weight, especially in those countries where their level is currently low (like in the case of EU-12 countries). This thing could have serious implications in what concerns the moving from a bank-based economy (characteristic to the majority of EU countries) towards a more market-oriented
economy. Therefore, aging may have as final effect the development of a more diversified financial system, less reliant on banks, like it is also suggested by OECD (2005). BIS (1998) state that continued growth of the retirement savings, translated further in greater capital flows, will be likely to produce an increased depth and breadth of the financial markets.

4. INFLUENCE OF AGING ON THE ARCHITECTURE OF THE PENSION SYSTEMS

Due to the negative ongoing trend, the EU countries needed to rethink the architecture of the pension systems, increasing or decreasing the importance of some pillars, in accordance with this powerful trend (it is well known that the pay-as-you-go systems function more properly in a young society, being based on direct financing from the labour force, rather than in an elder one).

Beginning with the ’90, the majority of the new member states of European Union (EU-12) have initiated reforms of their pension systems, in close connection with the ones realized by the older ones (EU-15 countries). As far as concerns the first pillar (the public pension system), the following changes have been made: the retirement age has been increased, the volume of the anticipated retirement requests has been reduced, the pension methodology has been improved. In the same time, the second pillar was introduced (fully-funded privately-managed pension systems), based on individual accounts. With the exception of Czech Republic and Slovenia, the third pillar is currently less developed (Milos et al., 2010).

We can notice that, due to the ongoing reform, the multi-pillar system is currently functional, still with differences among countries in what concerns the retirement age, year of introduction of the 2nd pillar, rules concerning contributions and eligibility of individuals. The common feature is their objective of supplementing the public pension, diversifying the retirement benefit in order to allow a decent income after retirement. In the distributive first pillar, most countries (with the exception of Poland and Latvia) have chosen a defined benefit (DB) system, as was typical of the old pension systems. As far as concerns the second pillar, its market is still at its beginning, the oldest market in the region being Hungary, which has implemented the 2nd Pillar in 1998. The biggest market in the region in 2010 belonged to Poland (14,11 % in GDP) and the smallest one to Romania (0,49 % in GDP), which has started to implement the 2nd Pillar only in 2008 (Milos and Milos, 2011).

Since in most of the considered CEE countries, funded individual accounts are only a small part of the overall pension, which is mainly provided by the state, alongside with social pensions or minimum pension guarantees, the negative demographic evolution puts a supplementary pressure on the pension reform. Therefore in the literature it is pointed out the necessity of the reform despite the severity of the financial crisis, considering that it “pales in comparison to the demographic crisis which the region will face. […] With the aging of the population, people will increasingly have to save additional money for their own retirement if they want more generous benefits” [Schwarz et al., 2009]. Others have argued that “trying to solve the problem of public finance sustainability by radically shrinking the second tier of the pension system has obvious costs in terms of poverty among old-age pensioners” [Jarrett, 2011]. Although the global financial crisis has generated difficult moments for all EU countries, raising some questions in the case of some countries that have reformed more recently their
pension systems, in the sense of getting back to the previous architecture, we consider that the influence of the financial crisis pales in comparison with the “demographic time-bomb”. Like Börsch-Supan (2009) well observed, while the financial crisis is just one crisis among others, a century event, population aging is not just a phase; it will not go away, not even after the baby boom generation after 2050. Therefore, the pension reform must be continued.

5. CONCLUSIONS

The paper outlined some of the macroeconomic consequences of the negative demographic trend in European Union, once with the sharp reduction of birth rates and the significant increase in life expectancy. We could see from the statistical figures presented that we are heading towards a more aging society than in other past decades.

Secondly, we have reviewed some of the macroeconomic implications of the demographic trend on some variables like employment, consumption, savings, financial markets and we could conclude that ageing has an adverse effect on living standard and fiscal balances. There are needed policies in order to increase the labour productivity as well as the process of pension reform must be continued.

REFERENCES


TRANSPARENCY OF FINANCIAL INFORMATION AND FISCAL COMPLIANCE

Marius MILOŞ

ABSTRACT

Growth in trade and investments, important changes in production and technology, meaningful innovations in telecommunications and computer applications, and a generalized trend towards liberalization and deregulation of domestic and international markets have led during the last two decades to a closer and deeper interaction among international markets. As a result, the structure of financial markets has changed significantly and new international business opportunities, operations, networks, and challenges have appeared. Financial systems from both developed and developing countries have been subject to change. A key component of recent changes in the financial sector from the developing countries has been the impressive growth and internalization of capital markets. These markets have acquired great importance for the mobilization of international resources to support the continuing and expanding needs of those countries eager to finance their economic activities. In this paper we try to highlight the most important transformations that have occurred in the developing countries, with the reforms that have built a more sound and efficient financial system.

KEY WORDS: tax evasion, tax compliance, experimental economics, capital markets, financial information

JEL: H26, C91

Acknowledgement

This work was cofinanced from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/1.5/S/59184 „Performance and excellence in postdoctoral research in Romanian economics science domain”.

1. INTRODUCTION

As the international trade exchanges have intensified, the activities in the real economy – production, consume, investments, labor force usage, have evolved in the last decades towards a process of physical separation, of scattering across different countries or regions that were able to offer maximized competitive advantages. The components of the final products can be made in a country, assembled in another and the resulted product can be sold on the global market, leading to a process of specialization of some economies depending on their competitive advantages. New multinational companies have appeared, and the existing ones have expanded their global activity, through mergers and acquisitions, creating worldwide networks of production and distribution. Local brands have been selected and promoted so that they could be sold outside of the borders of their country, brands of well known goods and services have had their distribution area extended or have been promoted on the national markets through direct production or local franchising.

1 Lecturer Phd, Faculty of Economic Sciences, “Eftimie Murgu” University, Romania, m.milos@uem.ro
2. THE INCREASE OF INTERNATIONAL COMMERCE

The growing dimensions of trade flows reflect both the growth of the real economy and consume and the intensifying of international trade integration, based on the economic specialization of some countries or regions. International trade flows have increased significantly in the last 2 decades. The exports of goods and services at world level have increased considerably, from an annual average of 2.300 billion USD in 1983-1992 to an annual average of 11.319 billion USD in 2009. The commerce with goods and services has a major impact on financial assets. Most trade activities attract subsequent financial flows, in the form of trade credits or export insurances. On the other hand, the commerce with goods and financial flows have a common direction in some situations, as it is often the case for direct investments, since it is known that an important part of the international commerce consists of intermediary inter-company commerce. The theoretical interactions between trade openness, financial globalization, specialization of national economies and synchronization of the economic cycles are very complex. Delocalization and relocation of the activities of the real economy have initially had as a goal the access to natural resources, the access to labor at lower costs, the entrance on forming markets or on markets with a high growth potential, the use of a lawmaking framework that was more favorable to direct investments. The interconnections in the real economy have lead to cross-border financings that, together with financial liberalization, have generated mobile capital reserves and liquidity. The above mentioned phenomena are completed at the moment by the physical separation of production and consume in the tertiary sector, by the migration of several categories of services, and especially of the operations with international financial assets.

3. MONETARY AND FISCAL POLITICS

Financial globalization is the consequence of failures and decisions on monetary and fiscal politics of the governments of the developed countries starting in the years ’70-’80. The fiscal and trade deficits, the liberalization of the exchange rates, the two figured inflation, the volatility of interests and stock markets, the growth of the foreign debt have been the defining factors of the financial integration process of the 80’s, a process that was preceded in the 70’s by a continuous decrease of global financial stability. The appearance of high inflation rates in the 70’s has reduced the efficiency of the traditional financial instruments and has lead to a high volatility of the market. The monetary politics that were adopted in order to restore market stability have created the conditions for intensifying the connections between financial markets. At domestic level, the combination between market volatility on one hand – exchange rate, interests, inflation rate – and economic growth rate on the other hand has lead to high pressures on the business managers, financial managers, investors and traders acting on the market. Chronic budget deficits have lead to the increase of the presence of the government on the financial markets, as a resource beneficiary and as a competitor in collecting resources through accessible risk/price formulas. The response to this was a progressively deregelemented market, more and more flexible and able to develop new financial instruments in order to respond to volatility and to attract new resources. The above mentioned factors have gradually lead to the development of new activities and transnational financial networks that were the answer to national economical policy errors.
At the moment, national fiscal policies continue to influence – not only by financing the budgetary deficit – the way that the capital flows are directed at international level: the financial assets of the companies are mainly heading towards countries with lower profits tax rates. This fiscal regime also attracts international financial agents who are involved in offshore transactions. From the point of view of the savings of the population, high tax rates applied to investment revenues stimulate offshore saving instruments, if their visibility for the national fiscal authorities is low.

The concept of tax morale – which is usually defined as “the intrinsic motivation to pay taxes, a moral obligation to pay taxes, a belief in contributing to society by paying taxes” (Torgler, 2007; Torgler and Schneider, 2007) – was introduced in tax compliance literature to explain both the high degree of tax compliance in many countries where the level of deterrence is too low and the huge differences in tax compliance between countries or regions despite the same tax and punishment policies, the so-called ‘Palermo-Milano puzzle’. In theoretical models, tax morale is usually modeled as an ‘internalized social norm’ for tax compliance or against tax evasion which renders evasion costly. However, the less people evade taxes, the more attractive it is to follow the social norm. Therefore, these models can account for the main shortcomings of the standard tax evasion model, i.e. model, thus supporting the empirical evidence that differences in the proportion of tax evasion between regions and countries may be due to different moral costs. Empirical studies in fact show the existence of a strong negative correlation between the level of tax morale and the extent of tax evasion. Furthermore, there is evidence of a bi-causal link between tax morale and tax evasion, since tax morale affects compliance behavior, i.e. a higher (lower) tax morale reduces (increases) the level of tax evasion, but, at the same time, a lower (higher) level of tax evasion also implies ceteris paribus, a higher (lower) tax morale. In the traditional “enforcement” paradigm often used to analyze tax compliance behavior, taxpayers are viewed and treated as potential criminals, and the emphasis is on repression of illegal behavior through frequent audits and stiff penalties. More recently, many have come to realize that this paradigm is incomplete. An expanded “service” paradigm recognizes the role of enforcement, but also emphasizes the role of tax administration as a facilitator and a provider of services to taxpayer-citizens.1 Indeed, many recent tax administration reforms around the world have embraced this new service paradigm, generally with significantly positive effects on citizen perception of the tax administration (Alm James & al, 2011)

In close connection with the fast progress of the information technology and with the interconnection of the national economies, the trends of liberalization and dereglementation of the national financial markets have lead to the increase of the globalization and to the increase of financial innovation, to the encouraging of crossborder capital movements, to the globalization of financial mediation, to the decline of trading barriers for financial services and to the access of foreign financial institutions on local markets. Liberalization and gradual integration of capital markets has also supported the strengthening of the national financial sector, especially in developing countries. Local firms can sell shares to foreign investors that have higher knowledge and information, allowing them to monitor the management of the company in ways that are unavailable to local investors. Liberalization has also allowed the access of companies to mature capital markets. The companies listed on foreign stock markets are therefore under the jurisdiction of a superior ruling system, they have to respect higher standards of reporting their economic and financial results. The
integration with international markets and institutions has also supported the local reform processes oriented towards the consolidation of the stock market. The capital markets, through the connections that they develop with the international portfolio investments, can fulfill the important function of supervising the performances of some of the financial institutions, by imposing a more strict market discipline, by increasing transparency in giving information, even by forcing governments to guarantee that their financial system is supervised and ruled adequately.

The conducted studies have showed that market liberalization has intensified their organization and the institutional financial reforms, especially after some periods of crisis. In developing countries, these reforms have extended both over the stock market sector and banking sector, leading to:
- changes in the ruling of the banking sector;
- a better supervising of the sector;
- bank privatization;
- convertibility of the local currency;
- allowing local capital investments in foreign countries;
- allowing sophisticated financial institutions into the market;
- the increase of transparency and of public reporting of the results;
- a better protection of investors and minority shareholders.

4. THE PROGRESS OF THE INFORMATION TECHNOLOGY

The development of the informational and communication network has given important advantages to the market participants and to the ruling authorities, as follows:
- collecting and processing the necessary information in order to measure, monitor and manage financial risks;
- setting the prices and completing the trading operations by using new complex financial instruments;
- accessing vast registers that record all the transactions that take place 24 hours out of 24 in the major financial centers in Asia, Europe and North America.

Communication and instant access to information have been a key factor in the developing and integration of financial markets, from the operations taking place in the ring to those taking place in the back-office. Even in subjective terms, traders have had the possibility to learn from each other and to see cross-market opportunities more easily, and the level of trust and of knowledge of financial techniques of the market participants has grown significantly. The capital markets have also had their role in stimulating the progress of computerized technologies, through the requests addressed to governments by the banking and brokers’ networks to make substantial investments into transcontinental telecommunication, cable, satellite and internet infrastructures. An important step has been the completion of the electronic trading platforms. By aggregating the execution capabilities, the financial information and other services on a single platform, they allow both institutional investors and investors that are involved in retail operations to examine multiple investment options from a single location, instead of consulting different dealers. Investors can place an electronic order stating their preferences and they can get offers from the dealers they select or from any dealer that has the selected option. Electronic interfaces also allow users to sort their options based on their own personal criteria and to compare their operations with similar operations from other developed or emerging markets. Online trading systems have the potential to
attract a high number of services to any client. By making the information public and available immediately – prices, comparisons, etc – investors can be confident that they receive the same information as the other market participants, so the warranty of transparency of the operations is created without having to formally establish it as a rule.

5. CONCLUSIONS

The increased risks and instability of the markets have stimulated financial innovations regarding basic or derivative financial instruments. In essence, the innovation in financial markets has been a process of fragmenting the transaction risks, followed by their “packing” into financial instruments that could be sold on the capital markets. William Silber considers that financial innovation has had 3 different forms: the appearance of new financial institutions, the appearance of new financial instruments, the appearance of new financial markets. Regarding the appearance of new financial instruments, most of the times they aren’t completely new, instead they are the result of modifying the characteristics of some financial products that already exist or of combining their existing characteristics in a new way. For example, instead of the financial packages that cover multiple and considerable risks, a investor is offered multiple financial products containing smaller individual risks, from which he can choose based on the cost-revenues ratio that he expects. Due to the financial markets, that became freer and more globalized, and due to the competition, the financial innovation have gradually become permanent. There are now many new financial products that diversify and transform the rights of the investors upon the issuers and the ways that the investors are rewarded, and at the same time there has been an unprecedented diversification of the derivative financial instruments whose goals are to redistribute risks between the operators interested to protect themselves and those willing to take the risks.

REFERENCES

RELEVANCE OF ACCOUNTING INFORMATION IN SUPPORTING CORPORATE DECISIONS

Marius Cristian MILOȘ 1
Laura Raisa MILOȘ 2

ABSTRACT
When talking about a company's information system means actually focusing on a set of information systems. The literature reveals that over 80% of circulating information within an organization's information system is economic and 47% of this is being related to accounting. Accounting information system is defined as "a set of human and capital resources in an organization that deals with the preparation of accounting information and also information obtained by collecting and processing economic transactions. This information is made available to all levels of management to carry out planning and control activities of economic organizations

KEY WORDS: accounting information, management decisions, financial reporting
JEL: M41, M42

1. INTRODUCTION
Capital providers are interested in financial reporting because it provides information that is useful in making decisions. Decisions may include whether and when to allocate resources to a particular entity (ie whether and when to invest) and whether and when to protect or increase investments. In making these decisions, capital providers are interested to evaluate the entity's ability to generate net cash inflows and management's ability to protect and enhance their investments.

Providers of capital of an entity are interested in quantity, timing and degree of safety of future cash flows of dividends, interests and the sale, redemption or maturity of securities and loans. However, the outlook for cash flows depends on the availability of the entity's current financial resources and, especially, its ability to generate enough money to pay employees and to meet operational needs, to pay its obligations when due and to reinvest in new economic challenges.

Other users of financial statements are also directly or indirectly interested in the entity's ability to generate net cash inflows. For example, even if an entity is not a direct source of cash flows for its customers, it can provide them goods or services only if it generates enough cash to pay for the resources and to fulfill all obligations it has. Therefore, information that meet the needs of capital providers are useful also for members of other groups who are interested in obtaining financial information about the entity.

1 Lecturer Phd, Faculty of Economic Sciences, “Eftimie Murgu” University, Romania, m.milos@uem.ro
2 Lecturer Phd, Faculty of Economics, “Eftimie Murgu” University Resita, Resita, Romania, miloslaure@yahoo.com
2. FINANCIAL REPORTING, EVALUATING MANAGEMENT UTILITY

Corporate management is responsible towards the entity's capital providers for the protection and security of the entity's economic resources and their efficient and profitable use. Management responsibilities include, as far as possible, protecting the entity's economic resources of the adverse effects of economic factors such as price changes and technological and social changes. Managers are also responsible for ensuring that laws, regulations and contractual provisions are being considered by the entity. Management responsibilities are particularly important for existing shareholders of the entity when maintaining or changing managers or rewarding management for results obtained by the entity.

Limitations of financial reports of general interest

Financial reporting and accounting information is only one source of information that capital providers are looking at. The users of financial reports should take into account the relevant information from other sources, such as information on overall economic conditions and economic prospects, political events and political climate and the prospects of the company. Users should also be aware of the characteristics and limitations of information provided by financial reports. Much of the information in financial reports are based on estimates, opinions and financial models.

The concepts are objective or ideal. Like most ideals, it is unlikely that the vision of the conceptual framework for financial reporting to be fully complied, especially in the short term, due to lack of technical feasibility and high costs. In some areas, those who establish reporting standards and reporting users must accept the estimates, opinions and models based on accounting conventions rather than the concepts of the framework.

Financial reporting should provide information on the assets and liabilities of the entity. Financial reporting should also provide information on the effects of transactions or other events that cause changes in assets and liabilities of the entity. This information is useful to capital providers for assessing the entity's ability to generate net cash inflows and for evaluating the efficiency with which management has fulfilled its responsibilities to manage the entity.

Assets and liabilities of the entity

Information on the assets and liabilities of the entity - the entity's financial situation - could provide for a user of the financial statements a better understanding of quantity and the safety of the expected cash flows. This information helps capital providers to identify strengths and weaknesses of financial points of the entity and to assess the liquidity and solvency of it. Moreover, they indicate the potential to generate cash flows and specifies the amount of money that is needed to pay obligations for the creditors of the entity. Users also examines the efficiency with which management has exercised management responsibilities to capital providers by comparing their expectations with the results. Some of the assets of the entity, such as receivables from customers, future entries are direct sources of cash. In addition, many of the obligations to creditors, such as debt securities represent future cash outflows. However, many of
the cash flows generated by the entity's economic operations are the result of combining several of its assets to produce, deliver and sell goods or services to customers.

Although cash flows can not be identified as the result of individual economic resources, capital providers need to know the nature and amount of resources available for use in economic operations of the entity. This information could help those who want to estimate the value of the entity, however, the financial statements are not intended to establish the value of the entity. Information about the entity's financial structure, as presented in its financial statements, helps users to assess whether additional credit or self financing are ways of successful financing. This information can help users of financial reports to estimate the way in which future cash flows will be divided between those who have rights on the entity's economic resources.

Entity's financial performance provides information about the results obtained from the use of its economic resources. In the long run, an entity must obtain positive results because it can generate net cash inflows and thus to provide benefits to its capital providers. Variability of these results is also important, especially in estimating the safety of future cash flows, with similar importance and information on the structure performance. Capital providers usually find that information on past financial performance of the entity are useful for predicting future results and to assess the management capacity to exercise responsibilities of administration towards capital providers.

The information in financial reports on the assets and liabilities of the entity and changes in what concerns them provides a better basis for evaluating past performance and future prospects of the entity than strictly information showing receipts and payments period.

Management explanations

Financial reports should include explanations of management and any other information that enables users to understand information reports. Explanations on information management in the financial statements improves the ability of capital providers to evaluate the entity's performance and to assess the development entity.

The management team has more information about the entity than external users and can often increase the usefulness of financial reporting by identifying and explaining certain transactions, events and circumstances that have affected or may affect the entity. In addition, financial reporting often provides information that depend on or are influenced by management estimates and analysis. Capital providers can better analyze financial information when explanations are given on management assumptions, including presentation of the elements of uncertainty and estimates underlying the financial reports.

3. CONCLUSIONS

Accounting is not an exact science, it has much in common with the social sciences. Subjective judgments are also part of the accounting model. Given that professional judgment plays a very important role in accounting, financial information could be understood differently. Socio-economic reality of each country determines a hierarchy of priorities among users. Accounting information is addressed to external users of the company. But it shouldn’t be neglected the role of internal users as
administrators (managers). External users are varied: shareholders, lenders of funds, employees, unions, employers’ associations, customers, suppliers, public bodies invested by the legislative and consumer groups. Increasing the number of users determines a contribution of new elements and new extensions on the theoretical framework of accounting.

Accounting records do not provide raw information, but information that has already undergone some processing or restatements. Their meaning depends on the use and interpretation of accounting principles. There are some limitations because the rules and principles can not provide everything, leaving room for the enterprise when accounting certain transactions or certain economic phenomena.

REFERENCES

THE FINANCIAL STABILITY OF INSURANCE COMPANIES IN THE CONTEXT OF THE FINANCIAL CRISIS

Cristina Mihaela NAGY

ABSTRACT

One of the main objectives of the ISC is to monitor the financial stability of insurance companies and maintain a stable market.

The objective of this research was to bring to debate the possibility of financial stability analysis.

In order to highlight the financial stability of insurance companies on the Romanian market, we will analyze the solvency margin and the solvency degree on the insurance market in general for the 2007-2009 period, according to reports of the Commission Insurance Supervision, these reports are based on the data submitted by insurance companies through balance sheets and profit and loss statement.

Solvency is one of the most important indicators used in the prudential supervision of insurance companies, as it reflects their financial stability and their ability to meet the assumed obligations under the insurance contracts that were concluded.

KEY WORDS: financial stability, Solvency, insurance companies, Average solvency degree

JEL: G22, G01

1. INTRODUCTION

The company has a positive financial position if the ownership equity is greater or at least equal to the debts of economic value. This condition indicates that the company, as a matter of law, is able to pay its obligations to third parties, both during its course of activity and its liquidation.

Maurice Greenberg, the chairman of the AIG group, considers that "the solvency of an insurer is still a very important criterion to be taken into account when carrying out a risk transfer [...] - customers showing more interest in the financial security of an insurance company than in the policy price "(Tudoran Gregorian-Carmen (2006), p. 21).

Since the second half of 2007, international financial markets were marked by several problems on the high-risk mortgage market in the U.S. (known as sub-prime crisis), manifested in a sensitive worsening to risk perception of investors and the reduction of the liquidity, but, in Romania, even though the insurance market was expanding and was not affected by the crisis, a close monitoring by business managers and auditors of insurance companies has become imperative.

If we consider that, in 2007, the general insurance market recorded an average level of Solvency above 2, and that of the life insurance, reached a degree of almost 4, we can say that the Romanian insurers have adjusted to the implementation of the new provisions on solvency.

---

1 PhD, Faculty Of Economics And Business Administration, West University Of Timisoara, Romania, cristinanagy2009@yahoo.com
2. DEFINITION OF SOLVENCY

The solvency of insurers is reported by them, in accordance with the European directives on solvency calculation. Insurers meet the solvency requirements if they have the ability to cover their assumed obligations with elements of the solvency margin.

Current European directives require that the Member States in the European Union to use the Solvency I solvency regime, and since 2007, Romanian insurers have also applied the Solvency I solvency regime, a model that takes into account the size of the ownership equity, the financial result - profit or loss, as appropriate - can make a difference.

Due to the permanent growth of the complexity of the insurance business, the European Union is in the process of transition to a new solvency regime in insurance - Solvency II, a framework directive in this regard being already approved. The future solvency regime, which will be used by the end of 2012, is aimed at identifying and managing risks in the insurance business and is, therefore, a much more complex model than the current one.

In the most general sense, solvency reflects the way in which, from the authorized share capital, the obligations to creditors and shareholders are covered, being calculated as the patrimonial solvency. The patrimonial solvency formula is:

\[
PS = \frac{authorized\_share\_capital}{medium\_and\_long\_term\_loans + authorized\_share\_capital}
\]

According to the Merriam-Webster dictionary solvency is “the ability to pay all legal debts” (Sandström A. (2006)).

Establishing solvency requires rigorous knowledge of the risks affecting the company and the assets necessary to mitigate risks.

Solvency is the starting point in case of declaring bankruptcy; it represents a tool to monitor the activity of insurers. If an insurer does not prove that it has the minimum solvency margin required by the law, legal action can be triggered by the supervisory institution (Coană Florin Ion et al, 2008, p.90).

The basic problem of the insurers’ solvency may be always expressed with two essential questions:

1. Will the insurer have the financial resources required to cover the damage that the insured will suffer in the future?
2. If so, will the insurer be willing to pay? (J. Bannister (2002)).

The solvency requirement is met when the degree of solvency is greater, this level being determined as the ratio between the available solvency margin and the minimum solvency margin (CSA Report, 2009).

We can talk about the solvency of an insurer if the assets are greater or, at least equal, to the debts. Therefore, whenever an insurer’s assets are not suitable (in structure) or can not be used in time to honor obligations (debts), this means that we can talk about insolvency.

According to the Solvency I regime, the solvency requirement is met when the degree of solvency is greater, this level being determined as the ratio between the solvency margin and the minimum solvency margin.
3. THE STAGES OF SOLVENCY ANALYSIS

The main steps in the analysis of solvency, in Romania, are:

- Establishing the insurer’s solvency margin (net assets)
- Calculating the required minimum solvency margin;
- Determining the degree of solvency.

In order to determine solvency, there are other applicable rules and principles as well. In the U.S., the best known are the rules of Kenney. In his book "Fire and Casualty Insurance Fundamentals of Strength," Roger Kenney has two rules commonly used to detect possible problems of solvency of an insurance company carrying out general insurance related activities (Constantinescu Dan Anghel (Coordinator), (2005)).

3.1. The definition of the solvency margin

The solvency margin is the amount by which the value of the assets exceeds the value of the obligations and it expresses the company's ability to cover its assumed obligations without resorting to its ownership equity (Mirela Cristea et al, 2009). In calculating an insurer’s obligations both certain obligations as well as those likely to materialize in the future shall be considered (Coană Florin Ion, Mr. Rodica Viorica (2005)).

The solvency margin of an insurer represents the available solvency margin (net assets), being compared with the minimum solvency margin, and recommended by the rules issued by the ISC.

The purpose of the solvency margin is to protect the insured party. Future activities of the insurer are uncertain, and the purpose of the minimum solvency margin is to ensure that the insurer has sufficient assets to pay for future claims.

The insurer must have, at any time, an available solvency margin in accordance with the activity carried out by the company. The available solvency margin, as well as the solvency adjusted in order to exercise more oversight, is calculated and reported according to the norms issued by the Insurance Supervisory Commission (Law no. 32/2000).

3.2. Determining the minimum solvency margin

Determining the minimum solvency margin is made differently for the general insurance business and the life insurance business, after a given algorithm, described in the rules issued by the ISC in this regard (Mirela Cristea et al, 2009).

In 2007, the rules regarding the methodology for calculating the solvency margin available to the insurer, the minimum margin and safety fund were changed, the ISC issued orders no. 4 and no. 5 / 2007 on the principles of Solvency I, in accordance with the European legislation.

The minimum solvency margin for insurance companies carrying out general insurance related activities is determined either in relation to the total annual gross written premiums, or in relation to the average volume of gross claims paid in the last three financial years. If insurance companies cover one or more risks, such as: storm, frost, hail or credit risk, the average amount of gross claims paid in the last seven financial years will be taken into account.
The minimum solvency margin for insurance companies carrying out life insurance related activities is determined by the types of life insurance policies entering the portfolio of companies in question (Coană Florin Ion et al, 2008, p. 90).

The minimum solvency margin is determined according to the Order 3/2008 issued by the ISC, by two methods:

a) Reference to the value of gross premiums written in the last 12 calendar months prior to reporting or to the contributions in the last 12 calendar months preceding the date of reporting;

b) Reference to the annual average gross of claims paid in the last 36 calendar months preceding the date of reporting. If an insurer takes over to ensure one or more of the following risks: credit, storm, hail or frost, reference period for calculating the annual average gross claims paid will correspond to the last 84 calendar months preceding the date of reporting.

3.3. The determination of solvency

The degree of solvency is the most important element considered in determining a company's financial stability and it indicates the fulfillment of the solvency requirements when it exceeds the 100% value. When that level is exceeded by a much greater value, the situation of a company's solvency can be called more than satisfactory.

The degree of solvency is the ratio between the available solvency margin and the minimum solvency margin. The solvency requirement is met if the level of solvency is greater.

Theoretically, this indicator reflects the ability of an insurer to cover the losses of the insured party, based on the incomes from underwriting and investments. A major influence on it, has the volume of the underwriting business, this causing the increase in assets and that of liabilities, but seldom in the same proportion.

Every insurer is required to annually determine the degree of solvency and submit annual reports to the Insurance Supervisory Commission. If the insurer finds that it is on the verge of insolvency or that it poses a high risk of insolvency, it is then immediately obliged to prepare and submit a financial recovery plan to the Supervisory Commission.

If it is found that the financial recovery measures have failed, the Supervisory Commission may, in order to prevent the insolvency of an insurer, ask the Court of Appeals to appoint a special administrator for the insurer concerned.

The degree of solvency is the ratio between the available solvency margin and the minimum solvency margin. Solvency requirement is met if the level is greater than the one of solvency.

According to the degree of solvency, insurance companies may fall into one of the five risk classes (Serbanescu Cosmin (2008), p. 85), respectively:

- When the degree of solvency is less than 1 (G < 1), insurers are insolvent;
- When Gs = 1, insurers are on the verge of insolvency;
- When the solvency level is between 1 and 1.5 (1 < G < 1.5), insurers are at high risk of insolvency;
- When the solvency level is between 1.5 and 2 (1.5 < G < 2), insurers are at reduced risk of insolvency;
• When the degree of solvency is greater than 2 (G > 2), insurers are without risk of insolvency.

If, after analyzing the financial reports and controls conducted on an insurer, the Insurance Supervisory Commission finds that this business entity is on the verge of bankruptcy or has a high risk of insolvency, threatening the honoring of the assumed obligations to the insured parties, it will solicit from the Insurer's Board of Directors, the preparation and implementation of a financial recovery plan, which will, mainly, include the following:

• limiting the amount of gross or net premiums for a certain period, so they do not exceed certain values;
• prohibiting the sale or renewal of insurance contracts of a certain type;
• the prohibition of certain investments;
• increasing the paid-up share capital and the paid-up free reserve fund;
• any measures considered necessary for recovery.
• For insurers with a solvency level above 1, there is no risk of insolvency.


The solvency of insurers licensed by the Insurance Supervisory Commission has been calculated for 2009, according to the stipulations of the ISC no.3/2008 and no.4/2008 Orders to implement the Norms on the methodology for calculating the solvency margin available to the insurer in the general insurance business, respectively, of life insurance, the minimum solvency margin and the security fund, as amended and supplemented.

In accordance with the European directives, the Insurance Supervisory Commission has updated, since November of 2009, the minimum values of the security fund, both for the general insurance business and for the life insurance business.

![The evolution of the solvency margin for the general insurance business](image)

**Figure no. 4.1.** The solvency margin for the general insurance business
The values of the solvency margin for the general insurance business carried out across the market have increased throughout the entire period analyzed, and if in 2007, their worth was 1,615,625,237 lei, in 2010, their worth was 2,125,511,889 lei, so, for the whole period we considered, we have an increase of approximately 31.5%, this increase being higher in 2008 (15% compared to 2007) and by the end of the period (year 2010), the increase being only 6%, stating that all the insurance companies met the legal requirements of solvency.

Since, during the entire period under review, the insurers meet the solvency requirements, it means that they have the ability to cover their assumed obligations with elements of the solvency margin, this increase was mainly due to the growth in the capital values available on the insurance market, which registered an ascending trend during 2007-2010.

![The evolution of the solvency margin for life insurance business (lei)](image)

**Figure no. 4.2.** The solvency margin for the life insurance business
(Source: Data processed according to the ISC reports from the period 2007-2010)

From Figure 4.2., we can notice that the aggregate value of the solvency margin, for the life insurance business, in 2007, was 666,682,358 lei, exceeding the value of the minimum solvency margin and the margin value, in 2008, increased by 42% (to 944,393,619 lei) over the previous year, and in 2009, the growth was 27% compared to 2008, in 2010, due to financial crisis in Romania, this increase was only 2% over the previous year and there were no insolvent companies in the life insurance sector.

The average degree of solvency is determined as the weighted average degree of solvency with the market shares of each insurer, which has carried out general insurance related activities and life insurance related activities, separately.
Figure no. 4.3. The average solvency degree for the general insurance market and the life insurance business

(Source: Data processed according to the ISC reports from the period 2007-2010)

According to the above table, the solvency degree for the general insurance market has reached the highest level in 2007, respectively 2.38%, then, the following year, decreased by 0.24%, in 2009 and 2010, there was a slight increase from the average solvency level recorded in 2008, reaching in 2010 a value of 2.21%. The average degree of solvency for life insurance reached its lowest level in 2008 and the highest level throughout the projection period in 2009, reaching a percentage of 4.46%. In 2010, the average solvency level is close to the level recorded in 2009, and 4.29% to 4.46% (in 2009).

As we have seen in Chapter 3.3., an average solvency degree greater than 2% is a factor of financial stability in the insurance industry.

5. CONCLUSIONS

Essential for an insurance company is to rigorously calculate the premiums owed by the insured party, in order to make a large enough insurance fund, necessary for the compensation arrangements for damage, decreasing, thus, the risk of insolvency.

For the growth or the financial stability of insurance companies, the Insurance Supervisory Commission has taken a number of measures, including those relating to the minimum paid-up share capital, which is updated regularly.

The highest penetration in the insurance market has been also determined by the legislature to impose the mandatory housing, but, at the same time, they extended the period prescribed by the law in enforcing it, which has contributed to the start of making the population to ensure their housing, but not at the pace expected by the insurers.
The economic crisis has brought down the insurance market in investing in infrastructure and in the construction industry dynamics. The decrease in direct foreign investments has taken place and civil liability insurance, property insurance of equipment, financial risks, employee benefits have also dropped.

The values of the solvency margins of insurance companies for both the general insurance business and for the life insurance business, are on the same ascending trend, for which they have signed on since the date of the full transposition into the national law of the European directives in what regards Solvency I, and the date of Romania's EU accession, which shows good capitalization of the insurance industry.

The economic crisis has affected the insurance industry, but in a smaller extent, compared with the rest of the economy, the insurance market has recorded an increase in the available solvency margin for the general insurance business and the life insurance business for the entire period under review, this showing that the insurers meet the solvency requirements.

ACKNOWLEDGEMENT

This article is a result of the project “Creşterea calităţii şi a competitivităţii cercetării doctorale prin acordarea de burse”. This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by the West University of Timisoara in partnership with the University of Craiova and Fraunhofer Institute for Integrated Systems and Device Technology - Fraunhofer IISB.

REFERENCES

Bannister J. (2002) „Insurer solvency still problematic”, Insurance Economics nr.46,
Coană Florin Ion, Coană Rodica Viorica (2005) „Analiza performanțelor societăților de asigurări”, Arad: Gutenberg Univers
Cristea Mirela, Domnișoru Sorin, Vinătoru Sorin Sandu (2009) „Aprecierea solvabilității și continuității companiilor de asigurări”, Revista Audit Financiar, nr. 4, pag. 9-16
Şerbănescu Cosmin (2008) „Siguranța societăților de asigurări”, revista Tribuna economică, nr. 23, pag. 84-85

*** Legea nr. 32/2000 privind activitatea de asigurare si supravegherea asigurărilor, Text actualizat la data de 02.01.2011
*** Ordin nr. 3 – 2008 pentru punerea in aplicare a Normelor privind metodologia de calcul al marjei de solvabilitate de care dispune asigurătorul care practica asigurări generale, al
marjie de solvabilitate minime si al fondului de siguranță (Publicat in Monitorul Oficial, Partea I nr. 346 din 06 mai 2008), art. 4, alin. 1

*** Ordinul nr. 4/2007, pentru punerea in aplicare a Normelor privind metodologia de calcul al marjie de solvabilitate de care dispune asigurătorul care practică asigurări generale, al marjiei de solvabilitate minime și al fondului de siguranță (Publicat in Monitorul Oficial, Partea I, nr.344 din 21 mai 2007)

*** Ordinul nr.5/2007, pentru punerea in aplicare a Normelor privind metodologia de calcul al marjiei de solvabilitate de care dispune asigurătorul care practică asigurări de viață, al marjiei de solvabilitate minime și al fondului de siguranță (Publicat in Monitorul Oficial, Partea I, nr.331 din 16 mai 2007)

*** Raporte CSA 2007-2010
ABSTRACT:
As regards the relations between accounting and taxation the idea has been accredited that the former is subordinated to the latter. The taxation system had a significant influence on accounting principles. Taxation law intervened in the accounting field in order to set evaluation rules or presentation methods of annual accounts for two reasons; the first would be that the absence of a specific accounting rule, the fiscal norm was imposed as practical norm, and the second reason consists in the necessity to ensure the covering of public expenditure through taxes, which normally led taxation to the preoccupation to set the rules for determining the taxation bases.

KEY WORDS: accounting; taxation; taxes; rates, regulations, matching; general interest; wages; deductions.
JEL: M41

1. INTRODUCTION

Taxes and rates, subsidies and budgetary funds allotments, state loans and the other governmental expenditure constitute increasingly important components of economic and social life. They are the instruments for the accumulation and distribution of financial resources at the state’s disposal. Within public finances, taxation is delimited as a system of perceiving and cashing in taxes and rates through a specialised apparatus, as well as a coherent set of laws regulating the taxpayer’s taxation and legally grounding taxes and rates.

Taxation remains the essential element of budgetary cashing, constituting the object of the most innovative uses. Due to their importance, the budgetary revenues exercise a direct influence on the behaviour of legal and natural persons and are used as specific intervention tools in the economic and social life. These revenues come, mainly, from mandatory drawings: taxes and social contributions. The most important role of taxes is reflected in their contribution to the formation of the financial resources necessary to the state for the realisation of public expenditure.

The taxation level exhibits important differentiations from one country to another and from one period to another and can be highlighted with the help of the indicator rate of fiscal pressure or rate of mandatory drawings.

In Romania, the rate of fiscal pressure has evolved from 57.5% in 1990 to 33-34% in these past years. We may appreciate that at the beginning of the transition period, our country was situated in the group of countries with an aggressive taxation policy and thus the Romanian fiscal system was the result of response actions to certain
budgetary pressures. At present, the taxation level in Romania is situated at the lower limit of taxation practised in developed countries (for instance, the USA – 32%, Great Britain – 34%, Germany and Greece – 40%, France and Austria – 42%, Norway and Belgium – 43%, Sweden and Denmark – over 50% and Romania 33-34%).

We may say that there is a direct connection between a country’s development degree and the taxation level.

2. ACCOUNTING, SOURCE OF INFORMATION AND COMPANY VALUES’ MANAGEMENT INSTRUMENT

The new accounting system in Romania is made and dominated by fiscal interests. In the literature there is also the opinion that the fiscal interest is a national interest and thus it has the capacity to harmonise all the other interests, including with the taxpayers.

In the theoretic plane, but especially in the practical one, modalities and levers have been built in view of matching the relations between economic agents and taxation. In the context of market economy, the state can no longer intervene in economy’s private sector through administrative measures. The state has nevertheless the possibility to use economic-financial levers in accordance with the requirements of its economic, financial, monetary or social policy, meant to influence the activity of the economic agents.

Accounting appeared from the very need to respond, in the informational and decisional plane, to the issues of the management of economic values separated from the patrimonial viewpoint. The patrimonial entities have always represented the space of representation and action of accounting. Concretely, one delimits as patrimony, and thus action plane of accounting, the autonomous companies under state’s supervision, commercial companies, public institutions, cooperativist units, associations, as well as natural and legal persons carrying on commercial activities.

Accounting must ensure information for capital investors, taxation as representative of the state, bankers, suppliers – as company’s business partners, government’s bodies of informational synthesis and employees of the company. In relation with these users, accounting must remain on the line of neutrality and truth, providing true information about the patrimonial and financial situation, as well as on the result. All the informational interests of the social stakeholders must be ordered equally, without discrimination.

Based on general norms and principles of assessment and economic calculus and on a precise terminology identical for all users of information, accounting must be neutral, but also compatible as communication system. In order to support these assertions we shall list several general rules and principles which are important for the relations of accounting with taxation:

- allotment of revenues and expenditure to the budgetary year for which they were engaged;
- assessment of input assets according to the historical cost, which has an objective determination and may be verifiable;
- annual evaluation at the patrimony inventory, at the (present) utility of all assets and debts;
- taking into account latent losses, probable debts and value depreciation (due to moral and physical wear and tear, degradation, stocks’ dis-assortment, failure to
cash in debts, dubious or ill-faith customers) at the closure of each budgetary year without considering the possible latent plus-values (out of caution) and probable assets;

- distinction between “costs of the period” and “costs of the product”, as the engaged expenditure unknown by the product cost may be neither immobilised, nor stocked or distributed on results (general overheads and sales expenditure).

In the countries with accounting experience the situation has evolved spectacularly in these past 15 years. In France the law of 30 April 1983 created a true accounting law. In Romania, after 1989 a lot of changes have occurred. The law of accounting was adopted in 1991, and the General Accounts Plan was approved in 1993. The Romanian normalises created a new accounting system inspired from the French system and connected to the requirements of European and international normalisation.

3. INFORMATION SYSTEM REGARDING WAGES TAXES / TAX ON SALARIES

The economic informational system represents an organised set of complex economic items of information, obtained from the processing of the data supplied by certain sources, necessary for the organisation, management and operation of the economic activity.

The wages tax / tax on salary is calculated in the payrolls and is paid monthly on the payment date of the 2nd salary share.

a) The sub-system of primary documents is made of the payrolls.

b) The sub-system of technical-operational evidence is given by the accounting balance sheet.
4. CALCULATION MODEL AND RECORDING AND EVIDENCE OF WAGES TAX AT THE COMPANY SC Exon Servcom S.R.L Resita

The wages tax is calculated with the help of wages calculators updated and provided by the legal regulations in vigour on the wages tax. The taxation rate is of 16%; it is applied on gross incomes earned by employees (after the deduction of the contributions to different funds: unemployment, social security and health; and the basic and personal deduction, when needed). For the calculation of the wages tax at the company SC Exon Servcom SRL one needs to complete the following stages:

- verification of the attendance records
- drawing up the monthly tally
- calculation of sick leaves
- elaboration of the payroll based on the tally
- printing the salary slips

In December 2010 SC Exon Servcom SRL has a wages fund of 13,117.00 RON as shown in the table below:
### Table 1.
Wages centraliser for December 2010 at SC Exon Servcom SRL

<table>
<thead>
<tr>
<th>SC EXON SERVCOM SRL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Code CUI R 21090480</td>
<td></td>
</tr>
<tr>
<td>No. in the register of Commerce</td>
<td>J11/5331/1994</td>
</tr>
<tr>
<td>Headquarters: RESITA town No.164, CARAS-SEVERIN county</td>
<td></td>
</tr>
<tr>
<td>Monthly centraliser</td>
<td>DECEMBER 2010</td>
</tr>
<tr>
<td>Data about employees:</td>
<td>40</td>
</tr>
<tr>
<td>1 Employment salary</td>
<td>13,425.00</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>13,425.00</td>
</tr>
<tr>
<td>Employees’ incomes:</td>
<td></td>
</tr>
<tr>
<td>1 Hours worked in normal conditions</td>
<td>11,005.00</td>
</tr>
<tr>
<td>2 Leaves’ indemnities</td>
<td>2,111.00</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>13,117.00</strong></td>
</tr>
<tr>
<td>Employees’ deductions</td>
<td></td>
</tr>
<tr>
<td>Unemployment fund 0,5 %</td>
<td>129.00</td>
</tr>
<tr>
<td>Social security fund CAS 10,5 %</td>
<td>1,237.00</td>
</tr>
<tr>
<td>Health insurance fund CASS 5,5 %</td>
<td>850.00</td>
</tr>
<tr>
<td>Wages tax</td>
<td>265.00</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>2,481.00</strong></td>
</tr>
<tr>
<td>Company’s deductions:</td>
<td></td>
</tr>
<tr>
<td>Social security fund CAS 20,8 %</td>
<td>2,886.00</td>
</tr>
<tr>
<td>Health insurance fund CASS 5,2 %</td>
<td>850.00</td>
</tr>
<tr>
<td>Unemployment fund 0,5 %</td>
<td>394.00</td>
</tr>
<tr>
<td>Accidents and professional diseases fund 0,0869 %</td>
<td>114.00</td>
</tr>
<tr>
<td>Labour Chamber commission 0.75 %</td>
<td>98.00</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>4,410.00</strong></td>
</tr>
</tbody>
</table>

Source: Company’s documents – Accounting note no.21/02.01.2011

The values inscribed in the monthly centraliser are taken from the calculus of wages for each employee, the calculation manner for an employee is shown below:

**Calculus of wages tax for Dec. 2010 for the employee Venter Iulian:**

1. Wages | 670 |
2. Social security fund CAS | 10,5% x 670 | 70 |
3. Unemployment fund | 0,5% x 670 | 3 |
4. Health insurance fund CASS | 5,5% x 670 | 37 |
5. Net income | 1-(2+3+4) | 560 |
6. Basic deduction | 250 |
7. Additional deduction | 0 |
8. Basic income | 5-(6+7) | 310
9. Tax retained
16% x 310
50

10. Net salary
5-9
510

In order to account for the wages tax the company uses account 444 “Wages tax” as follows:

1) SC Exon Servcom records the wages expenditure for December 2010:

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>641</td>
<td>“Expenditure for the staff wages”</td>
<td>13,117.00</td>
</tr>
<tr>
<td>421</td>
<td>“Staff-remunerations due”</td>
<td></td>
</tr>
</tbody>
</table>

2) SC Exon Servcom records the employees’ deductions according to the payroll:

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>421</td>
<td>“Staff-remunerations due”</td>
<td>2,481.00</td>
</tr>
<tr>
<td>4312</td>
<td>“Staff contribution to social security fund”</td>
<td>1,237.00</td>
</tr>
<tr>
<td>4372</td>
<td>“Staff contribution to unemployment fund”</td>
<td>129.00</td>
</tr>
<tr>
<td>4314</td>
<td>“Staff contribution to health insurance fund”</td>
<td>850.00</td>
</tr>
<tr>
<td>444</td>
<td>“Wages tax / tax on salary”</td>
<td>265.00</td>
</tr>
</tbody>
</table>

3) SC Exon Servcom records the expenditure for social security fund

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6451</td>
<td>“Expenditure for the firm’s contribution to the social security fund”</td>
<td>2,886.00</td>
</tr>
<tr>
<td>4311</td>
<td>“Firm’s contribution to the social security fund”</td>
<td></td>
</tr>
<tr>
<td>6451</td>
<td>“Expenditure for the firm’s contribution to the social security fund”</td>
<td>114.00</td>
</tr>
<tr>
<td>431102</td>
<td>“Firm’s contribution to the social security fund “-accidents and professional diseases 0.8%”</td>
<td>394.00</td>
</tr>
<tr>
<td>6452</td>
<td>“Expenditure for the firm’s contribution to the unemployment fund”</td>
<td>918.00</td>
</tr>
<tr>
<td>4313</td>
<td>“Firm’s contribution to the unemployment fund “</td>
<td></td>
</tr>
<tr>
<td>6453</td>
<td>“Expenditure for the employee’s contribution to the health insurance fund”</td>
<td>40.00</td>
</tr>
<tr>
<td>4311</td>
<td>“Employee’s contribution to the health insurance fund “</td>
<td></td>
</tr>
<tr>
<td>4314</td>
<td>“CASS contribution 6.5”</td>
<td></td>
</tr>
</tbody>
</table>
social security funds” insurance-CASS firm for CC

4311 = 423001 40.00

“Firm’s contribution to the social security funds “

“Staff-material aid”-sickness sup.of BASS

4) SC Exon Servcom SRL pays the wages tax by Payment Order:

444 = 5121 265.00

“Wages tax”

“Bank accounts in lei (national currency)”

5. CONCLUSIONS

The content of the present paper highlights the permanent interdependency between taxation (normative situations) and accounting, in the sense that the latter may record as budgetary obligations only those originated from the stipulations of the fiscal code. In this case we may affirm that taxation is prior to accounting and determines its existence, offering it the evidencing source. Accounting is nevertheless the element, which prepares the calculation basis of the fiscal obligation, whereas taxation makes the adjustments by imposing the size of the taxable mass. It clearly results the coexistence of the two fundamental subjects of economics, accounting and taxation, but also their mutual inter-conditionality. The correctness of the payment of taxes and rates is strictly marked by the correctness of the accounting records. Any error recorded in the contributive bases (taxable incomes, patrimonial or transactional values) has a correspondent impact on the volume of due taxes and rates. We may affirm thus that the basic value of a correct collection of fiscal obligations is represented by a perfect evidence of the transactions in a firm, in total compliance with the provisions of the accounting principles and at the same time with the strict application, in the informational system, of the normative stipulations from the fiscal legislation.

REFERENCES


PROPOSAL FOR AN INTEGRATED SYSTEM OF INDICATORS FOR ASSESSMENT OF THE COMPANIES’ ECONOMIC HEALTH

Liviu SPATARU

ABSTRACT:
The concept of "economic efficiency", although considered integrator for all aspects of "microeconomics life" of enterprises, is still based on profit and profitability. The concept is outdated and should be replaced by the concept of "economic health" of businesses / enterprises. Any concept is based on axioms or postulates, build premises by a complete theory and ends in a theorem. In economics mercantilism, which never disappeared requires measurement of any entity, any phenomenon, so the theorem must give a measurement or a measurement system, in other words, a system of indicators. This paper proposes a system of indicators to assess the economic health of firms.

KEYWORDS: health, efficiency, economy, indicators, limit. JEL: M14

Abbreviations:
- EE - economic efficiency
- EH - economic health
- IS - system of indicators
- H – holism

1. PRINCIPLES AND DEFINITIONS

1.1. This paper proposes the retention of the following axioms / principles:
   P1. "Man is the measure of all things".
   P2. The universe was created for owners of neural networks.
   P3. Concerning the human, the neural networks are mostly occupied with economic issues.
   P4. The economic product is intended for human and social needs.
   P5. The environment is part of social need.
   P6. There is no economy without surplus (value added).
   P7. The surplus is justified if is given to those who produce it.
   Note: apparently, P 7 has a Marxist stoical touch; this paper tries to show that it is about the economic health.

1.2. In the view of this paper, the definitions of key concepts are the following:
   ► economic efficiency (EE) is the concept that defines the process of engagement and consumption of resources (human, material, financial, informational and inspirational, holistic) to get the products (goods, works, services, information) made to cover the needs of human -socio conditions ensuring economic growth and environmental protection.
   Note: we introduced for the first time the "inspirational resource-holistic" category because I noticed that under the approximate equality of the others resources, economic results differ consistently.

---

1 Professor PhD., Faculty of Economics, University “Eftimie Murgu” Reşiţa, Romania
**economic health (EH)** is the concept that defines the process of engagement, transformation and consumption of resources to achieve production (utilities) made to cover the needs of human – socio in ecological conditions and limited economic growth to ensure income necessary to a civilized and decent life for all participants in the production of added value.

**Note:** EH defined in this way, refers to the space and internal microeconomic environment. Macroeconomic health can be defined but, under current conditions is unlikely, even impossible.

## 2. HEALTH ECONOMIC VERSUS ECONOMIC EFFICIENCY

Economic efficiency was often confused over time with the principle of Machiavellian "the aim justifies the means". Although based on a set of clear principles and boundaries of EE components, they were very rarely (if ever!) applied in their entirety. The ratio between income and expenses (products / consumption) has always been considered essential. Profit was and still is fetishized. Resources fall prey to Energofagiei at the expense of environmental conditions, the environmental damage we breathe and live in. Pursuit of profit and “employer’s libido” generates corruption and shadow economy. Insufficient financial resources for production in terms of "efficiency" has led, in time to transform the banking system into usurious. Businesses liked that or had no choice.

**Economic health** includes some of the principles characteristic to EE, but differs from it by some elements of utmost importance. She values the man and humanity and brings to the fore the human resource as the main resource of the company. In addition to this key feature, EH can be characterized by the following:

- Excludes the situational unemployment or that from the company’s fault;
- Correlates the ratio exit / entry with security assurance and vital employees’ needs;
- Looks for non-intensive production processes;
- Exploits natural resources without causing irreparable damage to land and water;
- Excludes environmental pollution;
- Guarantees private pension system;
- Meet the needs of society by paying taxes on time.

Obviously, this sequence of EH features is not exhaustive. Essential is the correlation of the output / input ratio with the current and future security of employees’ and society’s needs. In other words, EH takes us out of the rush of jungle profit.

## 3. SYSTEM OF INDICATORS

We resumed the area of the 7 features, it is necessary the determination (as proposal) of at least one indicator for each form of indices, proportions or rates.

### 3.1. The measurement of situational unemployment from the company’s fault

Unemployment and labor firing (human resources, as a priority in EH’s vision, regardless of the target or targets enterprise!). There are many situations in which
managers or entrepreneurs "force", fire employees in order to lower the staff costs and increase profits.

The extent of this feature can be given by situational unemployment rate (Sur):

\[ \text{Sur} = \frac{\text{Neb} + \text{Fn}}{\text{En}} \]

where: Neb - number of unemployed coming from business, unemployed for a period longer than the analyzed one;
Fn - the number of fired persons during the period;
En - number of employees at the beginning of the period.

### 3.2. Measure of stability and employees’ insurance needs

The conditions of EH are:
- an unemployed person from a firm must be supported to return;
- the company avoids individual or collective redundancies. Measurement and assessment can be made in the following steps:
  a) The index of situational unemployment is found out:
     \[ \text{IRsc} = \frac{\text{Rsc}_1}{\text{Rsc}_0} \]
  b) The index of the profit rate IP (for the same period) is found out:
     \[ \text{IP} = \frac{\text{Pn}_1}{\text{Pn}_0}, \quad \text{Pn} \text{ is the net profit} \]
  c) The rate stability and employees ‘ensuring (ERS) by the rapport of two indices is found out:
     \[ \text{ERS} = \frac{\text{IRsc}}{\text{IP}} \]

Where: ERS > 1, the company is healthy;
ERS < 1, the company is not healthy.

### 3.3. Energofagy’s rate (er)

Probably the name of the indicator is shocking, but it is suggestive. Energy has the advantage of being measured and compared by several indicators, for different periods and even punctual (by electrical or thermal power absorbed at a time).

For example, this rate can be determined static by dividing energy consumed by the enterprise in a certain period (EC) to industry averages (ER).

\[ \text{RE} = \frac{\text{EC}}{\text{ER}} \]

A subunit report shows a decreasing rate of energofagy.

### 3.4. Measurement of natural resources exploitation without damage

This can be determined through assessment; being a pure matter of evaluation of static physical goods. Evaluations may be made whenever necessary, but for EH is mandatory at the beginning and the end of the period. For land, we can calculate the rate of usable land (RTU):

\[ \text{RTU} = \frac{\text{TUI}}{\text{TUS}} \]

in which:
- TUI - land used at the beginning (value);
- TUS - the amount of usable land at the end.

If the ratio is higher than one and applies certain corrections to sale / purchase of land, the company has problems of EH in this area.
3.5. Measuring the environmental pollution

In this case the problem is simplified because there is a system of indicators and measures well done, the company having many opportunities to relate to limits imposed by the standards and laws. It can compare with other similar companies or media business or the economy. Comparisons should refer to the pollution factors emitted to air, land and water.

3.6. Measuring the guarantee of pensions and fluctuations of labour

International economic concepts, particularly Oriental (Japanese) states that guarantee and stability to achieve a decent pension are of great importance in the EH. The proposed indicator is a marginal type and can be called rate guarantee of pensions (RGP).

\[ RGP = (NP1 - NP0) / (Ns1 - Ns0), \]  
\[ IRGP = Ip / Is, \]  
where: 
NP - number of pensioners 
NS - number of employees 
Ip = NP1 / NP0 - index number of pensioners 
Is = NS1 / NS0 - index number of employees 
If IRGP <= 1, the company is healthy.

3.7. Measuring the speed of response to social needs

The concept is addressed to people in general and therefore the company's contribution to the state budget and social security is a defining dimension. The proposed indicator is synthetic and is called delay payments to the budget rate (RIPB), static calculated to similar enterprises, averages on branch or economy:

\[ RIPB = NMZI / NMZT, \]  
where NMZI - average number of days delayed between two consecutive payments, calculated as average chronological result; 
NMZT - average number of days of delay at the level of branch or economy (regional, national, etc.)

The indicator can be also tracked in dynamics; a less rate indicates economic health.

INSTEAD OF CONCLUSIONS

The indicator system is original and perfect. The literature in this area is extremely poor. Poverty and global crisis are clear evidence that economic efficiency is an outdated concept and should open the way to economic health.

The author apologizes for the courage to propose new concepts, categories, systems and names of indicators.

REFERENCES

Fukuyama, F., "The end of history and the last man" Paideia, Bucharest, 1992
Heinsenberg, W., "Steps across borders", Political Publishing House, Bucharest, 1977
IS THE COMPANY FACING DIFFICULTIES A CANDIDATE TO BANKRUPTCY?

Ion TUDOR

ABSTRACT

The occurrence of some abnormalities in the network of collections and payments at the company level, no matter their causes, must be a severe word of warning for the entrepreneur due to the fact the cautions suggested by the impossibility to make payments or collect money when due can lead often to unfavorable consequences in the ensemble of the commercial network of which it is part.

KEY WORDS: economic efficiency, financial flow, budgetary deficit, payment inability, bankruptcy.

JEL: M41

1. INTRODUCTION

A company entering and maintaining itself on the market, in high competition conditions and by considering the objective and subjective risks the entrepreneur is facing, place it in a permanent balance of alternatives and operations. On several occasions, the entrepreneur decides while it is not present or expressing a position more or less inadequate not only to its strictly personal interests, but also to the company's general interest.

Thus, the company’s life is often conditioned strictly, by the legal norms according to which it is created and operates, by the interests of those that work for acquiring the benefits, of those that follow the guaranteeing of recovering their receivables, of those that maintain different relations (such as commercial, civil, and other): employees, creditors, suppliers, clients, etc. The company of the 3rd millennium has been described as being often a disjointed and fragile ensemble under the enormous world-wide competition, a puppet mastered by a supplier or a client that is taking advantage of its dominant position, an organism weakened by the pressure of financial markets or the instability of the legal framework.

The freedom granted to the companies by the Parliament, by implementing the same economic and legal content rules, characterized by a high degree of simplicity and a relative stability in time, determines that upon their incorporation, the fate of companies be governed by the principle of chance equality. And still, the companies that, although benefit of the same "genes" (sufficiency state of the share capital, activity object, adequate number of employees, historic and geographic place, etc.), evolve and transform differently.

Is the company left at the discretion of some conjuncture factors, such as competition, the supplier and client network, bank office, fluctuation of values or a more permanent change of laws? The answer is definitely no, being supported by the success of numerous successful and stable businesses.

---

1 Lecturer PhD, Drăgan European University Lugoj Romania, ion.tudor@yahoo.com
On the other hand, it is also true that such factors are inscribed in the diagnosis image of company failure. However, these factors act constantly and with the same intensity on all entrepreneurs. And then, why is it an incentive for some and a decline prelude for others?

2. FINANCIAL DIFFICULTY STATE. TRAITS, SIZE AND ERADICATION MANNERS

The financial difficulty state a company must face, although undefined by the Parliament, proves the existence of some obstacles in its natural evolution. Given that all companies are subject to the powerful action of the conjuncture factors mentioned above (one must take into account the action of these factors to the company level, regarded as singular entity, and not the measures taken at macroeconomic level), the only thing to understand is that the immense pressure, a consequence of additional quantitative and qualitative accumulations, will create easily some niches that affect the company’s economic independent. They will determine it to perform legal acts or deeds believed as beneficial for surpassing the crisis it has reached. This is the financial crisis of the company; it is the acute lack of money means that serve to the achievement of the purposes followed. The continuous operation of the collections and payments mechanism is the basic condition of the company's viability and reliability, understanding by this the trust granted by the commercial partners confirmed through the commercial relations developed. The "calling card" of each company is valuable by the number, old age and quality of these relations, thus that there is a certainty in the optimum level operation of the payments and collections mechanism, respectively of the good purchasing operations with and from different suppliers and creditors for achieving the activity object on one hand, and with the clients for selling the products, works performed and the services supplied.

From my point of view, the company facing difficulties is a company facing financial crisis. The money available ensure the company comfort; it’s lack emphasize the company’s financial crisis whose existence puts the entire company in critical circumstances that are determined by the evolution of the company's own capitals, the economic or financial evolution of the company or the payments cessation state.

The company’s financial difficulty state is defined in the specialty literature as being "not achieving the profitability and liquidity objectives", the company's inability to pay its debts or the financial imbalance between the financing sources and the economic means that must be covered from these ones, the financial crisis becoming permanent, which can become rapidly dramatic by limiting the activity, diminishing the foreign financing, and massive dismissals.

The existence of some difficulties within the company can be noticed mainly at the level of production and commercial functions of the company. It is obvious that the effects of abnormalities have effects and are felt mainly at the level of activities by which the objectives in the following areas are achieved: manufacturing products, performing works, supplying services, purchasing the necessary materials and selling the products.

It is the occurrence of some abnormalities at the level of the collections and payments mechanism that can be noticed in the company’s accounting books. The almost permanent presence of company's abnormalities, materialized in the impossibility to perform the obligations contracted (connected also to delays or even the
lack of collections from the own debtors) is the word of warning for the company's financial crisis.

Who is interested in finding the company’s financial crisis and, possibly, in finding the solutions for surpassing it? Obviously, firstly the company's manager (in the situation when he / she runs his / her own business or when his / her representatives run it). The company's creditors have the same interest, be they represented by suppliers, banks or different commercial partners. Also, the state, by its public institutions, follows that each company operates adequately.

The interests of the entities mentioned above for finding the company’s financial difficulties are common, having the basic argument of avoiding the own material loss. However, the problem is: which are the indicators these entities must consider firstly, in order to prevent the company's financial difficulties?

Any entrepreneur’s strategic approach must comprise mandatory not only research – development actions of the company’s activity, but also diagnosis, prognosis, prevention, assessment, etc. activities. Thus, the main objective of the diagnostic analysis is the precise determination of the company's state (its health), giving substance to the future strategic directions by the fact that they supply exact information on the weaknesses and strengths, on the possible risks and the company's viability chances. According to such information, the nature and content of the measures that will be applied are set out, and at the same time the entire restoration program applicable in the company, being possible the anticipation of the values the elements subject to diagnostic analysis will hold in the future.

As regards the prevention of company’s difficulties, I believe that its research cannot be detached of analyzing the social, economic and political context in which the company operates, the aspects concerning the deciphering of decisions and the political motivations by considering the assessment of the economic indicators being extremely significant.

The prevention implies creating a favorable cultural environment to the company; it assumes understanding, knowing its problems and its limits. Also, it implies mitigating the social tensions instead of deepening them, creating the expansion economic conditions, and, as consequence, an entire cultural and socio-economic action.

Secondly, the prevention actions of company’s difficulties are included within it, being mistaken for the quality management. The company succeeds because the managers or and employees are competent, and the work is hard and tough, being supported by imagination, and high quality inventively. The company’s performance is the best guarantee for its survival. The manager’s role is primary, this being of ensuring for the company a high performance and compact team. From the same standpoint, it is obvious that prevention and the quality of company’s management are just two aspects of the same reality that offers the possibility to find the best theoretical and practical explanation of the company in its own operation and management.

Thirdly, the prevention actions of the company's difficulties are made up of implementing the system of determining difficulties and the procedures that lead to solving them before they cause the bankruptcy state to the company in an unavoidable manner. From the latter point of view, the purpose of prevention is to avoid on time the company entering the cessation of payments state and its negative consequences.

Preventing the company’s difficulties is thus made up of the regular monitoring of activities developed within the company in order to identify and solve at once the obstacles that would influence the continuity of activity development. More, the
continuation of activity is a basic principle of the company’s accounting whose essence is found in the entrepreneur’s intention to continue the activity in the future, with development tendencies, an aspect confirmed also by the legal norms set out at legislative level. Thus, "the company continues its operation normally, in a predictable future, without entering the impossibility to continue the activity or without diminishing it significantly ".

On the company's financial crisis that render necessary the prevention actions, the debtor and then the representatives of the institutional factors that collaborate with it must supply their opinions considering the interest held in the company. I believe that the debtor holds the main role given that it is the most appropriate for assessing the reality of the business it leads. At the same time, actual and correct information concerning the financial state of the debtor’s company can be supplied by bank institutions and public authorities. The need to observe the confidentiality and information secrecy in connection to such institutions makes the Parliament to create a centralized structure, with informing role, on the financial state of each entrepreneur.

Pertinent information concerning the reality of the debtor’s business, in order to know the possible financial difficulties, can be supplied by the external and internal auditors of the company, statutory auditors, other persons or groups of persons (minority shareholders, board of administration, Chamber of Commerce and Industry, Trade Registry) or the scoring and rating procedures, that are included in the category of prevention actions. As example, I will show that as regards the assessment of a company’s good standing, it is important to know as exact as possible all elements making it up. They are solvability (degree to which the share capital ensures the covering of medium and long-term credits), financial liquidity (ability to execute the short-term contractual payment obligations) and the company’s profitability (indicator that shows the net profit rate of the financial year under analysis; it allows knowing the company’s thriving degree).

The commercial companies seen as economic companies, no matter their nature, form or term, are living organisms. They were created considering the achieving of a determined purpose. They occur on the economic stage in order to live and prosper, being conveyed then to the future generations.

A company's performance depends strictly of its financial management. Its main tool is the financial analysis that allows not only performing a diagnosis of the company's state at different levels, but also following its evolution and foreseeing restoration or activity winding up measures. Because, there must be said, the exceptional or unpredicted events occur sometimes, by will or not, and they extinguish, suddenly or in time, the life of these living organisms, as the companies are deemed.

Assessing a company’s situation depends of the angle from which it is performed because, seen from the point of view of a shareholder, manager or banker, the assessment criteria differ. Banks are concerned especially with the risk of not reimbursing the credits granted and they focus their attention on the clients’ liquidity and solvability problems.

The shareholders are concerned mainly with the financial profitability, this being the dividends that the capital invested by them in the company brings and the share-related benefit.

The company’s manager is concerned especially with the evolution of the turnover, the activity profitability or the ratio of the activity development results and the
turnover. At the same time, it assesses if the added value created by the commercial company it runs can ensure a development of the activity also in the future.

Knowing the causes that made the company face a difficulty allow one to reach a prediction possibility and, at the same time, the possibility to avoid them, understanding the causes from the legal point of view being a prior condition of this phenomenon. During a more detailed analysis, it was noticed that the company’s deficiencies are found in the financial vulnerability due to lack of capital and own funds insufficiency, and on the other hand, to a certain degree, these deficiencies are predictable and they might be avoided on time be a more rigorous management control.

Among the economic causes that can lead to such unwanted situations in the life of a company are the following: economic depressions, financial crises, poor management of the company by the management team, etc. The economic depressions occurred since the oldest time, having specific traits determined by the conditions of the historic period when they occurred. Always, the thriving years lead to fading away of the depression threatening image because, suddenly, an event that does not seem decisive to initiate an avalanche than then leads to financial crash. In connection to crises, as for earthquakes, it was always attempted finding some prediction methods and some fighting means, but satisfactory results have not been reached yet.

As consequence, in the activity of many companies financial difficulties can occur that can lead to their bankruptcy. The failure in the company life can be treated in several manners, according to the problems it involves or the situation that the company must face. Once can encounter an economic failure (when the income does not cover the company’s expenses), as company failure (a company that ceased its activity, which might mean a loss to its creditors), a legal bankruptcy (as the law describes it) or one might witness the company entering a special regime, the restructuring phase (judicial restructuring).

Managing a company facing difficulties is focused mainly on researching and implementing a plan for the activity restoration and restructuring. The financial component of this plan becomes its core element that detects the imbalances that were the bases of the company’s difficulties. This is the general financial imbalance. Following the application of this restoration plan, the company should have new hope to life, this meaning a continuation of the activity development comparable to that of other companies.

When a company faces such problems, it is advisable that its management decide if the situation is temporary and the company is viable or if the problems are sufficiently severe and permanent, thus that the company's life is threatened. The corporation analysis (SWOT analysis) is defined as “a critical assessment of strengths, weaknesses, opportunities and threats in the relation to the internal and external factors that influence the company in the process of setting out the priorities for achieving the plan on a long term “.

Assessing the strengths tries to find some manners of exploiting them to the maximum. It is the case of competence and other such advantages. In connection to the weaknesses, it is followed the finding of some ways for improving them.

When one speaks of opportunities, a series of questions appears. Which are the opportunities of the business environment of which the company is aware? Which is the profit it can acquire as a consequence of these ones? Which is the company's ability to take advantages of some new opportunities?
As well, the threats pose a series of questions: Which threats must the company expect? How will the competitors be affected due to them? What about the company, how will it be affected?

Considering the connections between these elements, below is a matrix that will help catching them:

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Available capital of 100 billion;</td>
<td>✓ The company relies greatly on a small number of clients.</td>
</tr>
<tr>
<td>✓ High production experience and adequate marketing knowledge</td>
<td>✓ Limited range of products, without new products and a market facing decline.</td>
</tr>
<tr>
<td></td>
<td>✓ Small marketing organization</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>THREATS</th>
<th>OPPORTUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Major competitor has entered the market.</td>
<td>✓ Tax incentives from the government for new investments</td>
</tr>
<tr>
<td></td>
<td>✓ Increasing the demand on a new market, though the number of clients is still low.</td>
</tr>
</tbody>
</table>

Figure 1 – SWOT analysis

3. CONCLUSIONS

The company is in an imminent danger of losing the existing market and that is why it will have to diversify its range of products. A new opportunity on the market exists still and it will have to be used to a maximum, and the small number of present-day clients must not be deemed as a barrier, as long as that market has enhancement possibilities.

A strategic plan should be developed right at this time for buying new equipments and using the existing one as efficiently as possible, in order to enter on the new market in force and to achieve a rapid expansion. The SWOT analysis must not be regarded only as a simple operation to set out the information categories, because the most important element is the assessment of the relative importance different factors considered have. The analysis of these internal elements (strengths and weaknesses) will not have the relevance it is worthy of if the company does not understand that it exists by the consumers of its products. As continuation of this idea, the threats and opportunities are considered external conditions to its environment and that is why they should be independent of the company.

Below is the SWOT matrix that can be used also as guide for the strategic planing of the company:
a) connecting the strengths and the opportunities. The strengths that have no conversion with any available opportunity have a limited use, while the opportunities that do not cross any strength have a very low immediate value.

For example, a company that achieved a flat screen specific to the videoconference devices, if it believes that its strengths are focused on research – development and design, will sell the production license for this product to some other companies.

b) transformation. This requires a development of the strategies that will be able to transform the weaknesses into strengths in order to acquire some advantages following which they can extract benefits, or the transformation of threats into opportunities that could then be correlated with the existing strengths.

These four elements that characterize the SWOT analysis can be identified also as possible reasons for the decline of companies. The SWOT analysis is a tool used for assessing the present-day situation of a company (organization) in its environment, in order to draft the most adequate strategies.

REFERENCES

A-I. Sarcane, N. Mihai, Valorificarea activului debitorului in procedura insolventei (Recovering the debtor’s asset in the insolvency procedure), in Phoenix Magazine, Insolvency Magazine no. 24, April - June 2008, page 5;
A. Stan, I. Turcu, Pledoarie pentru o necesara innoire a conceptului de insolventa (Plea for a necessary renewal of the insolvency concept), in Phoenix Magazine, Insolvency Magazine no. 23, January – March 2008, page 10;
A. Avram, Procedura insolventei. Partea generala (Insolvency procedure. General part), Hamangiu Publishing House, Bucharest, 2008, pages 10-12, etc.
COMMUNICATION, THE ESSENCE OF MANAGEMENT OF A NONPROFIT ORGANIZATION

Solomia ANDRES

ABSTRACT
By this paper I wish to underline that even if, non-governmental or nonprofit organizations differ from profitable organizations (the main purpose of which is the maximization of profit); at the level of internal communication, I see the same type of problems. Deficiencies like the lack of personnel motivation, a poor management, the removing of a basic purpose, the lack of communication at the level of departments and inter-departments, appear in a profitable institution and in governmental and non-governmental institutions, but keeping in sight the specific of every organization. The nongovernmental organization the Provitam Association, has supposed the Association of a group of individuals that have the same convictions. The “horizontal” development contains more and more wide domains that have generated dissatisfactions from the part of the founder members, which are not found in the politics used by the organization in evolution. Thus I could prove that in practice, usually, the following step may be the restructuration of the organization on departments, so that every may find his convictions in one of these or the splitting of the organization according to the options of its members. By using directed discussions with the employed personnel and with the general administrative manager, for whom I used questions regarding the philosophy-culture-values of the organization, following the correlation communication-organizational climate-management, I underlined the art of communication and the mastery of management at the level of the organization analyzed.

KEY WORDS: management, organization, communication, organizational culture.
JEL: M14;L31

1. INTRODUCTION

In the management of every organization, communication represents the essence of this organization, but in order to be able to talk about communication in an organization, we must talk about the following aspect: the organization culture. Each organization has a certain type of culture that influences the communication between its members and the external environment. At the level of the organization there are more sub-systems that influence each other: for example – the functional subsystem and the communicational subsystem. These two subsystems are inter-dependent, thus information and communication reside at the basis of the cultural system and the cultural system influences the quality of the communication. In each organization there exists a certain organizational culture, to which a certain type of communicational culture corresponds.

Each organization has a certain organizational culture. Charles Handy defines a few type of organizational culture (Vasile Tran (2001)): the power culture – in

1 Professor Assistant PhD, Faculty of Economic Sciences, “Eftimie Murgu” University Resita, Romania.
organizations that possess this type of organizational culture, the communication takes place on a vertical level, in a descending way; the role culture – is characteristic to an organization with more sectors, with a well structured, formal system of communication; the task culture –is often met in nongovernmental organization, being oriented towards the reaching of a purpose, the fulfilling of objectives; the person culture – is the least met type of culture, the organization being subordinated to the individual. Also, inside of an organization we can meet two types of subcultures according to their organizational belonging and the profession of the employees.

The institutional subculture – is formed from the convictions, aspirations and the behavior manner of the employees. This type of subculture is met mainly in nongovernmental organization. The professional subculture – has at its base the values, norms, rules and behaviors that belong to a specific group of employees, according to their profession or their professional development.

We may speak of internal communication when there is an exchange of message inside the organization, on a vertical level (ascending and descending) and on a horizontal level. Communication can be: formal or informal (Dumitru Iacob, 2002). Formal communication refers to the creation of a system of communication between the structures of the organization. This is realized on a vertical plan (between managers and employees and the other way around) or horizontally between managers on similar positions or departments, respecting hierarchy. An efficient management provides communication on both plans – vertical and horizontal. Nongovernmental organizations, structures characterized through their efficiency, use on a vertical and a horizontal plans. In many organizations communication is made on a vertical plan more often in a descending manner (from superior to inferior levels). By using only a descending communication, the manager may lose contact with realities and the specific problems appeared in the development of the activity in the organization. In other words, in an efficient organization the managers should use a vertical descending communication and in order to update employees with the politics of the organization, its purpose, its purposes and strategies considering subordinates as part of the system. Such a type of communication is necessary, because people are informed and have the feeling of their own value, which is very important. A descending vertical communication is completed in this case with an ascending vertical communication, because, employees may express their opinions and may clarify what was communicated to them at a superior level. But, nor this type of communication is not present in most of the organizations, because managers consider that subordinates don’t have the capacity to understand, are unsure in the decisions taken etc., due to the lack of managerial experience. In an organization it is necessary it have a horizontal communication, which takes place between managers (found in similar positions) or between departments (especially if the activity of a department depends on the activity of another department). Unfortunately this type of communication is also ignored, because managers of departments overlook or pure and simple don’t transmit what is discussed at the management level. The manager’s incompetence and insurance lead to the lack of such a communication, thing that subordinates feel because it affects their work. This situation creates a state of physical discomfort and frustrations, which in time lead to personnel tiredness and demotivation. In organizations, we may also find another type of communication: the oblique one, through which the hierarchical one is avoided (for a short time), for the purpose of solving some urgent problems. These have an informal character.
Informal communication is the one that avoids the formal paths of communication, because the information the subordinates receive are insufficient, truncated or inexistent. Subordinates will use informal paths of communication in order to find out information, because the manager is no longer credible or the circulation of information inside the organization is produced with difficulty. Still this situation has certain advantages, because it reflects on the members’ opinions and attitudes thus offering a feedback. In nongovernmental organizations, like in other types of organizations where these exists an efficient management, informational communication is encouraged, in order to offer positive or negative information about the activity of the organization, its strategy and efficiency, helping at the adapting of the organization in rapport to the necessities resulted from the internal and the external environment. In addition it has a therapeutic role. The fact that people communicate in other manner than formally, makes them become closer, less rigid and more efficient. A direct verbal communication that also implies mimics and gestures is opportune, bringing people together, but pushed beyond the limits, may become harmful for the activity of the organization.

As first conclusions it results that an organization or a system, in order to possess an efficient and healthy communication, it must use a formal communication and pre-established paths, on a vertical and on a horizontal plan, and an informal communication between reasonable and acceptable limits.

External communication. In the development of its activities, the communication communicates with the external environment in different manners and with different purposes: in the offering of services, which implicate the communication of its members with the public from the exterior environment; the collaboration with other organizations; public relations – the informing on products and services offered by the organization, the promoting of the organization, coherent information, pertinent information in the case of a crisis of image; strategic planning, which involves the evaluation of the external environment that may affect the activities of the organization – represents an important point of the organization communication with the external environment. The organization, through its members or through a team of strategic planning, may evaluate the changes or the transformations of the external environment, thus being able to adapt by redefining the purpose, the mission of the organization, the changing of politics, including the personnel one and the choice of a proper strategy so that the organization may survive..

Internal communication in reaching the mission of the nongovernmental organization. An important aspect regarding the nongovernmental organization is the fact that its members are animated by the desire to do something for the society, to represent disadvantaged groups that cannot or don’t know how to promote their interests or just promote ideas, politics that act towards the wellbeing of the society. The internal communication in nongovernmental organizations isn’t more different than other organizations, but by its nature promotes a certain type of relations between its members, fact which makes it more efficient. The organization culture of a task NGO has as result the reaching of a declared mission, by fulfilling the specific objectives. The communication is interactive, based on an open climate, specific to the democratic style of management. Thus, communication is not just formal, but it has a well specified content, it is oriented towards the reaching of a common point and it is developed on an equal level. As in other organizations, communication is developed on different plans (vertical and horizontal); having a formal system of communication already established,
through which information has a continuous flow. The executive team, through its activity it is a part of the elaboration of the organization politics, between the team and the director committee being a permanent balance, based on a continuous communication. In the executive team, each member brings his contribution in the development of the organization activities. According to Lewin’s theory of dynamics regarding the forming of a work group – in this case the executive team – the team is formed around dynamic, competent and performance persons which by provoking disagreements and conflict states lead to progress. The individuals that form the group create a system of inter-dependences, which, together with the surrounding environment, represent the dynamic social field that includes the members of the group, the means of communication, the repartition of the roles etc. (R. Boudon et al., 1996).

Inside and executive team the activities developed through the participation of all its members, between its members being relations of conduct and behavior reciprocally accepted. Each member of the team knows his role. Due to these characteristics, the activity in this system of work may have the advantage that there is a large number of information, each member having a certain experience and professional knowledge and more. But, in the same time, team work may lead to the creation – silent or not – of leaders or social pressures, caused by the socio-affective relations in the interior of the team and/or frequent disagreements. Each executive team has a coordinator (executive director) who has the role of leading it and guiding it in the activity developed. A team is not always easy to manage, because it is formed from persons with different personalities, tempers or professional knowledge. The coordinator must possess the manager abilities that are implicated in the management process and the respecting of the pre-established communication channels, the insurance of the information coherence and their circulation in a continuous flow prevent the communication problems that may appear. An important role for an efficient internal communication is represented by the meeting and gatherings that take place on a cyclic period of time, at the level of both structures of the organization, with a strict respecting of their schedule. Also, the management style is the one that dictates the communication style of the organization, a democratic style ensuring the promoting of new ideas, a positive climate for work, the health of the organization and its efficiency.

The size of the organization may influence the fulfilling or the non-fulfilling of the organization mission, but not in such a negative and non-ethical manner as the masked interested of its leaders on it.

The adapting of projects according to the demands of the investors may be correct, after a process of evaluation and a strategic planning according to the factors that determine changes, by redefining the mission of the organization. Thus, an organization adapts to the changes with which it is confronted, resulted from the internal environment, but mostly from the external one, which will not lead to the removal of the mission declared by the organization, but it will underline the realist and efficient style of management, its flexibility in adapting of the management style to the situations appeared (Andres Solomia, 2006).

2. COMMUNICATION AND MANAGEMENT OF PROVITAM ASSOCIATION

The purpose of this case study is to show the role of communication in a nongovernmental organization of a humanitarian type which in the beginning lead, by
the lack of communication to the removal of its declared mission and after the naming of a person responsible and competent in the communication domain, to the reaching of the purpose and the objectives proposed. The study took place with the agreement of the management of the PRO VITAM charity Association – Romanian legal person with lucrative purpose, with the headquarters in Resita, established in 2003, was established with the purpose of offering community assistance specialized on different domains on the basis of OG. 26/2000.

For the thematic research we used directed dialogues with the employed personnel and the interview with the general administrative manager, his question aimed the philosophy–culture-values of the organization, by following the correlation communication-organization climate- management:

Question 1:
Name at least three methods oh personnel motivation, used inside the organization you manage.
Answer 1:
I have used different methods of positive motivation of the personnel regarding the growth of annual salaries, the insurance of social protection and benefits as services of periodical treatment – free and the insurance of work conditions and spaces at European standards.

Question 2:
Describe the most efficient method of communication inside the departments and between the departments of the organization managed.
Answer 2:
The method most used and with an expected feedback is the direct communication through talking, gesture and mimics, but I haven’t excluded not written communication, an occasion to use the modern technique with performance endowment. The process of communication was realized in an ascending manner, from the lower levels to the superior ones and descending and between departments there was an efficient horizontal communication. My opinion is that I have mentioned an efficient and healthy internal communication, by using a formal communication on a vertical and horizontal plan and an informal one, in the limits accepted.

Question 3:
Which are the basic values that stood at the philosophical basis of the NGO?
Answer 3:
I admit having respected the “red wire” of the NGO evolution, by maintaining the traditional theory and philosophy of the foundation members, their believes and convictions written in the personnel consciousness, the attitudes the employees chose, the initial individual and the group behavior inside the organization, improving where it was needed. The founding members still remain my counselors, their experience in this domain being useful to me.

Question 4:
Name the vertical communication methods between the executive team and the management team.
Answer 4:
Communication takes place in both ways, ascending and descending, in general with the help of the coordinator – manager, who insures a continuous flow of useful information and on different occasions we use gatherings like meetings, discussions regarding the
daily activity etc., the communication having a direct place through dialogue, without any barriers in communication or disturbances of the communication process.

Question 5:
How does the management style behave in the organization climate and in the communication style?

Answer 5:
The most recommended style of management that in my opinion, is the participative, democratic style, which demands the participation of all members in taking decision, opens an interest towards the opinions of others, avoided in the of positions of the managers towards his members, these being stresses by the superior hierarchical position, by the correct appreciation of performances and the growth and the keeping of a relaxed workplace. The style practiced in general inside the organization has promoted a good internal communication, reflecting in the positive evolution of the NGO and the present feedback.

Question 6:
How did you succeed in maintaining the basic values of the organization culture?

Answer 6:
It wasn’t easy, due to the fact that I am also one of the founding members, I have easily identified the dimensions of the organization culture and its levels, by appreciating the basic criteria – the profession of the employees and the organization belonging and by keeping the line of orientations towards process, towards results, centered intra-organizational in rapport to the processional orientation, intra and extra-organizational, by keeping the openness degree of the organization and towards the new comers and by insuring a permanent correlation motivation-performances-satisfaction in work. I also insured a permanent inter-dependence of these, in the exercise of the management function, but I have also oriented towards a reduced control by using more control on the basis of the periodic information and rapport regarding the personnel activity.

Question 7:
If you wish to add anything else…

Answer 7:
To the evolution of the NGO managed have contributed the knowledge and the abilities gained in communication, organization culture and managerial culture, through studies followed in the faculty of relations and communication from SNSPA Bucharest, thus I got to thank from the bottom of my heart my professors that guided me and opened a path of success in my career.

At the same time I have analyzed the main objectives of the PRO VITA charity Association, which are the following: the insurance of integrated socio-medical services, the helping of elder people, the counseling of women and elderly persons, the helping of single mothers that care for minor children and don’t have sufficient means to insure the necessary conditions for them, the helping of gifted children who lack the necessary conditions to value their aptitudes, the organization of seminars, courses of training and trainers on themes regarding social protection and medical house care; he establishing of free financial and economic counseling; the establishing of centers of counseling and easement of business, the establishing of prices for the most important sponsors of the Association; the establishing of centers for activities of body maintenance; the establishing of commercial societies according to the realization of the Association purposes; the cooperation with nongovernmental organization from this country and from abroad, for the purpose of realizing the anterior objectives.
Afterwards, I have analyzed the activities realized in time as a result of the improving of managerial and organizational culture and the changes of the person responsible with internal and external communication, thus of the changing in the management style from authoritative towards communicative, participative and innovational, like: services of house care for all categories of population found in need, in the integrated system, socio-medical, free or with a small price; activities of recuperation and rehabilitation; projects (for example, in 2005 the Association has established the “Center for a day”, in 2006 the Association won the project “the Center of neuro-motor recuperation Pro Vitam, in 2007, the Association won the project “The unity for House Care Pro Vitam” from the program of national interest “the Development of house care services for dependent elderly persons” financed by the Ministry of Work, Family and Equality in Chances and in the year 2008 the Association won two projects regarding the establishing of two centers, a shelter for temporary housing of adult handicap persons, with 12 free spots “the Center Breath Pro Vitam”.

We observe that the management practiced inside the organization was one oriented towards people, the management insuring optimum conditions for an activity developing. From the analysis of the attributions of each organism realized for the good functioning of the organization, we may observe that each has an important contribution in the insurance of a quality communication. The communication is insured by a pre-established system, though the person responsible with communication, even the president of the organization. In parallel, daily counseling meetings took place, where the objectives of each day were discussed; the team expressed its ideas, opinions and talked methods of approach of certain problems regarding their activity. Thus, a permanent and continuous cycle of information was kept. These have the role of stimulating and determining the tem to work efficiently. In the begging the meetings were more formal, because the management didn’t succeed in understanding its role in the organization, in the same situation also finding the president named. Even if the executive has observed the situation, it has accepted it in the interests of the organization activities, because it needed the support of these persons with important functions of the local level. The organization became more and more visible, its existence having an impact on the community. The performances of the organization were perceived well by the community. Inside the organization, the image gained by it became for the personnel a system of reference, maintaining the motivation of work at a high level.

The personnel training was realized by the executive director who was educated in social work, being a university professor in social assistance, thus the team beneficed in the same time from a stimulation management and from a qualitative professional training. In the training of the team, they kept in mind its training at the best standards in order to offer a professional model of practice in social assistance. Thus, besides trainings, the team was sent to different locations were courses were being held by specialist in the domain. The invitation of other organizations of social assistance or from the institutions that had specialized offices of social assistance to participate in courses inside the organization, has lead to the realization of collaboration relations.

Regardless the fact the activity was being realized according to the specific objectives of the projects financed, inside the organization the activity was being developed more and more difficult, due to the lack of managerial experience, gained afterwards, the elimination of communication channels, the daily gatherings, were just for the criticizing of the activity and the finding of guilty persons. At a certain moment
the team couldn’t exchange opinions or believes anymore, nor information or advice, which were very necessary in its activities. The team begun to accuse the person responsible with communication of filtering information and that he is not informed of all that he has to be informed in. besides the elimination of the communication channels, the volume or more difficult and greater work was added, due to the multiple financing appeared, which exceeded the team capacity. As a result of the factors that acted at the same time, personnel tiredness and demotivation also appeared.

The managerial mistakes, together with the personnel tiredness and demotivation, the gossip and the discussions appeared, lead to a crisis in communication, very difficult to control. Inside the team appeared a reciprocal mistrust, provoking a breaking between its members. But the manager didn’t use this breaking in order to provoke a feeling of fear.

In these moments of conflict the role of the person responsible with communication grew, becoming an area of meeting for the team and the director. This person was accepted by both parties, being recognized as being very capable, calm, and honest, with a sense of reality and with the wish of wellbeing of the organization.

On the basis of counseling with the director, the person responsible with communication created a strategy of crisis management, accepted by both parties, which was realized in the following manner: the gathering of the team with the president; the taking of a decision to reintroduce a communication system; the redistribution of tasks and responsibilities with an exact naming of the person responsible; the replanning of activities according to the number of projects developed; the transforming of the person responsible with communication in an administrative director with financial competencies and those necessary to represent the organization; the establishing of a common agreement in the realization of the relaxation activities for the team which were meant to maintain a high moral for the team; their constant sending to courses for personnel training; the keeping of the management board as management structure and its counseling in problems of strategy.

The maintaining of daily consecutive meetings is necessary in a nongovernmental organization and their elimination would only lead to taking the wrong decisions which are based on the words “I am always right”. The rigidity in the realization of activities can only lead to insufficiency. Failures appear and the energy of the coordinator is spent on searching for the persons guilty and their punishment, instead of looking for the cause of these failures. This energy and time must be spent in a constructive manner in order to lead in the fulfilling of the organizational objectives.

Due to the specific of the social assistance work, these meetings also had a therapeutic role, because the team could communicate, express its opinions, believes (positive or negative), which lead to a nervous relaxation for all its members. A nervous person and a tired one cannot think objectively and coherent and this is essential in the practice of social assistance.

The development of the role of the person responsible with communication was realized on the background of a defective communication, a result of the lack of managerial experience of the coordinator. The communication was realized vertically, descending. The information came from the executive team, but only to be informed on the decisions already taken, the establishing of new responsibilities and of new rules. Due to the ambiguity, the unclearness, the trunked information and the fiction of some decisions, a state of general confusion was created and one of a latent conflict. The team demanded clarifications regarding these to the person responsible with communication,
who offered them as he could. The need of clarification of a message is essential in communication, and this didn’t exist. Each person has the individual capacity to decode and interpret messages. In the process of communication these were disturbances – the apparition of informal communication, in order to satisfy the need to understand messages, the indirect communication through the person responsible with communication and just the naming of the new responsibilities and tasks, the late transmitting of messages. The use of the intermediary (responsible with communication) in order to inform and not to consult, creating a favorable field for the starting of a crisis in communication was immediately observed by the manager, who understood that in order to avoid such conflict the coordinator has to approach a style of management that would allow the elaboration of politics and strategies of communication a for the insurance of a continuous flow of information, the responsible with communication had to have a well established role, the maintaining of informal communication in a constructive manner. Communication must be realized on a vertical plan on both ways. The coordinator must take into consideration the informal channels of communication and to use this in the interest of an efficient communication. Thus, the organization is not in danger of not fulfilling its objectives and not removing the mission of the organization. The ambition of the coordinator attracted the initiation of more and more projects (which were not necessary for the fulfillment of the organization mission), which the organization won. The projects elaborated were the perfect reflection of the financing conditions, without a problem regarding the ending of financing. Any new project must have its coordinator. In the case of this organization, the coordinator had 5 projects, which is impossible to realize form a physical and from a psychical point of view. The executive team remained the same. The projects were different, thus were not compatible with the declaration of the organization mission.

In this case, for fear of losing the organization and the power the coordinator had an obsession with finding financing. The enlargement of the activity area of the organization raises new problems of communication inside it, problems that cannot be solved without a competent manager. The tendency to give importance exclusively to an external communication, having as interest the relations with clients, collaborators etc., by ignoring the personnel problems, which are extremely important in the evolution of the organization is obvious. But the new management has understood the priorities and the natural development of the activities of the organization are usually made with a previous training or at least concomitant, of personnel, which doesn’t create confusions inside the organization and determines the personnel motivation. Realizing that the extra-organization environment determines the adapting, he has also understood the necessity of ramification of activities and the initiation of new projects. Though his behavior he didn’t affect only the internal communication system, but also what as most important for the organization – the mission declared – which was one of the most noble, to help people in difficulty.

According to the answers given to the questions of the interview we observe that the present manager knows the art of communication and the mastery of management, especially that of project management.

Due to the managerial team that established the organization, a motivated team could be created, convinced in fighting the organization philosophy. Unfortunately, the same managerial team didn’t succeed in finding from the beginning of a director and a responsible with communication, correspondingly motivated, which in a normal organization come from the founding members, the ones more convinced by the ideas
promoted. The future evolution of the organization was becoming a classical one, but a nucleus of persons lead by the initial conviction, from which the present manager was a part of, in which the conditions of keeping an actuality maintained the organization viable.

Here are the solutions we see for the refreshing of the organization, by avoiding the mistakes presented:

1. The practicing of the organizational statute regarding the rights and obligations of its members, the reorganization according to the changes appeared, of course, strictly according to the statute provisions. If it is considered by some founding members to have had a special contribution in the past of the organization, even if they are no longer active, they will receive at least an honorific spot.

2. The new management is more appropriate in elaborating strategies, on the basis of the decision of the general assembly.

3. A permanent communication in both ways between the executive team and the management is necessary, the executive team furthering from the main purposes of the organization.

4. It is preferable for the members of the executive team to be a part of the organization, to understand and to believe in its philosophy.

5. It is desired that on a periodical basis a financial audit to be realized, at a certain moment, by avoiding long meeting regarding the way in which certain sums have been spent.

6. It is desired that services that are not realized by the organization to be externalized (accounting, the maintaining of the technical equipment etc.

3. CONCLUSIONS

At the level of the nongovernmental organization analyzed the internal communication represents the key of success of the activities realized, being in fact the unity of the members’ convictions. Also, the external communication, on many occasions, has reflected the managerial culture, as a component of organizational culture, has had a special role in obtaining financing, in facilitating fiscal activities regarding the postponing of payment of taxes, the improving of relations with suppliers and client, the involvement of local factors in the improvement of activities and services of the organization and in the creation of partnerships in order to access nonrefundable funds though which the organization extended and developed in time, as structure and as process, developing more activities in the entire county. The organization viability is due to the adaptation of the management style to the situations generated by a continuous change.

REFERENCES


MANAGEMENT ACTIONS IN SOCIAL PROJECTS

Felicia ANDRIONI

ABSTRACT
The purpose of this article is to provide a simplified understanding of the nature of management actions in social project. After general approach and some delimitation concept, this article provide a useful point of view on practical acts of management applied in one of social project from Romania.

KEY WORDS: management, actions, project; social
JEL: Z13

1. INTRODUCTION. GENERAL APPROACH AND DEFINITIONS

Management is essentially a practical activity. All managers use a range of skills that cannot easily be categorized yet need to be integrated into their practice. This integrative task involves achieving synergy, balance and perspective (Harrison (2005)).

Most management activity is undertaken through complex social and political interaction involving a continuous process of adaptation to changing pressures and opportunities. In opinion L. Popp the change itself which represents “the replacement, modification, transformation content form of an product, work, service, activity or process” (2011, p. 61) determine a proper managerial attitude.

Management has to operate across many internal and external boundaries to fulfilled the Government’s emphasis on partnerships, strategic commissioning and the demands of the market economy in social field. Within the turbulent and constantly changing environments of public sector services and the evolving knowledge and evidence base of social work, it is unsurprising that the meaning and parameters of management are also changing.

Social projects are required to constantly respond and adapt to the shifting social, legislative, economic and political influences prevalent at any given time. This inevitably leads to major changes in the way in which social projects are organized and managed. These in turn have impacted on how the social work profession has had to respond and continuously develop its knowledge base, values and skills in practice to meet new roles and challenges generated by social and political structures. (Parker, Bradley, (2009))

Experience of many projects reveals a good performance in terms of scopes, quality, time, and results. “In an very real sense progress is made by spotting opportunities and taking advantage for them. Once identified, the most aggressive way of taking advantage of such opportunities is by establishing a project” (Wideman, (1992), p.4)

Social projects aim to make a change for the better life to beneficiaries. Through management actions, the social projects have the chance to be performance for social organizations, for people, families, community.

In the following chapter we will focus on presenting management actions in a project performance from Romania, project financed by European funds. We can see from following case study that the stage of management acts is very important for performance of entire project.

1 Lecturer PhD, University of Petroșani, Socio-Human Sciences Department, Romania
2. ANALYSING SOCIAL PROJECT MANAGEMENT ACTIONS - CASE STUDY: PROJECT - “WITHOUT BORDERS”

The case study presented below reveals the importance of process of management actions in one of successful social project from Romania that had a good performance at beneficiaries’ level by using connection between theoretical concepts and practical applicability.

The research method used for this case study was data analyses, and research tools used was managerial documents and internal documents from organisation who implemented project.

2.1. Presentation of the organization

The “HOPE” is a non-governmental organization established in 2002 to advocate for equal status of men and women in public life and within family as well as to foster the recognition of women’s rights as human rights. Its main goals are: changing the law and the application of law, as well as the customs and habits which violate gender equality, education and sensitisation of the society about discrimination and violence against women, raising women’s awareness of their rights through publications and by legal assistance.

The HOPE participates in Leonardo projects dedicated solely to the young people. The HOPE cooperates also with The Social Workers School and with the University, Faculty of Sociology. Many of its workers are students - volunteers, especially future lawyers, psychologists, sociologists. The HOPE organizes open legal trainings under a common name “Know Your Rights”, concerning such topics as: divorce, alimonies, rape, violence etc. The trainings are attended by students and by women – clients of our organization.

The HOPE combines free legal services and psychological support for individual women victims of violence and discrimination with more general legislative activities: monitoring of law and institutions and lobbying for changes when necessary. It works also on building coalitions and other forms of cooperation among institutions, organizations and individuals working towards similar goals. The Hope has also a significant publishing programme: it prepared training materials on violence against women and women’s human rights, published a series of legal manuals, brochures, post–cards, stickers and two comprehensive reports on the situation of women. (Source: Internal managerial documents)

2.2. Description of the project

The project had European dimension by involving two countries and three nations and thus promoting the variety of citizens of Pan-European society. It also aims at social exclusion prevention with respect to the girls originating from Roma community and promotes the youth mobility and participation. The project involved events, which are important on a local level while positively contributing towards building a European network of people involved in human rights education.

The project had educational and awareness-raising nature and was based on a principle of cross-cultural dialogue on the human rights issues. It is dedicated to young girls (aged 16-19) from different European country, who are willing to deepen their
knowledge on women’s human rights and to share with each other their experience with the other women. (Source: Internal managerial documents)

The main aims and objectives of the project was:
1. Encouragement of the young women to undertake a cross – cultural dialogue and to break gender and national stereotypes
2. Familiarising them with the history of women’s rights movement and with the current women’s human rights protection instruments
3. Common identification of areas of persistent violations of women’s human rights worldwide and locally in their countries and within Roma community
4. Empowerment of the young women to act on their own against any biases and stereotypes and to freely express their views and opinions on this subject.

2.3. Methodology of the project

The project used a variety of training methods: discussions, case studies, lecture presentations, simulation and brainstorming. During the third part of the project, where the emphasis is put on the processing of gathered knowledge and on deepening the feeling of human person’s dignity, more innovative training methods will be used, such as: drama, poems, protest-songs, proverbs, essays and finally the theatre performance which will be recorded on video.

The whole process was based on a participatory approach, where the learners are actively involved in their own learning. The elements of problem-based method (from the case to general conclusions, self-study of readers) will also be introduced.

Also was used COMPASS, if available, and take advantage of the methods included in this manual for the purpose of explaining the women’s rights issues. The very important thing is that the human rights trainers will not be acting in a hierarchical or patronizing way towards the students and that the girls will be encouraged to follow their own mind – process and to undertake autonomous decisions with regard to many issues, like preparing the performances, hosting the partners or creating personal action plans and evaluating it (what did I learn during the course and how am I going to use it?).

The schemes of some of the activities are taken from Domino – a manual to use peer group education as a mean to fight racism, xenophobia, anti-semitism and intolerance (eg. silent floor discussion - everybody writes everything what comes into their mind or what they associate with the words above. They can respond to something that has been written by somebody else, give counter-arguments, make links, ask questions etc. The basic rule is: nobody speaks. This kind of session can be particularly helpful for persons who take some time to consider their reactions or for whom speaking in a large group is difficult.). Some activities will be recorded on video. (Source: Internal managerial documents).

2.4. Innovative nature of the project

The project was innovative in terms of the target group, which are young girls from three different nations and thus having very different social backgrounds. We hoped that bringing them all together will emphasize their “equality in difference” and contribute to the better mutual understanding of the three nations.

In the light of an ongoing tension between culture and the recognition of women’s human rights emphasising of the human rights’ universality seems to be
fundamental. The project aims to achieve this by using innovative methods (theatrical and other), allowing the girls to find the ideas lying beyond particular human rights in their own conscience. We had gone to convert the usual way of teaching human rights from other countries. Instead, the girls were supposed to learn how to look at the surrounding world in a way which is substantial for human rights awareness: with a sensibility allowing them not to treat injustice as normality. The knowledge of different human rights instruments, regional or universal, was only the final complement of the human rights education that we are going to make with young people. (Source: Internal managerial documents)

2.5. Target group of the project

The project was addressed to young girls aged 16 – 19. It had chosen this target group for two reasons: firstly, because the knowledge on women’s rights should be disseminated among whole society, the main group interested in this subject are women. It is they, basically, who should be aware of their rights and defend them, if necessary, and, secondly, because the girls, as well as women in general, should be encouraged to undertake their own actions: artistic, political or any other, in order to empower themselves. This is especially live issue for Roma girls, whose status in society is very low. The theatrical and human rights actions can be very strong and consciousness – generating experience for all of them. (Source: Internal managerial documents).

2.6. The principal management actions of the project:

1st Action - Introduction into women’s rights area.

The first part of the project consisted of two meetings (2 hours each) on which few central for women’s rights topics will be discussed. These were: Sex and gender – the meaning of the notions and relationship between them and Women’s Rights Movement – an overview through the history of world’s.

2nd Action - Women’s Rights as Human Rights

During this block the girls identified on a basis of individual cases found in newspapers and articles, certain areas of women’s vulnerability. Subsequently, having the areas in mind, they should define women’s rights corresponding to them and, finally, examine the basic human rights instruments to check whether their legal intuition was true. Such exercise enables to reveal the universal character of human rights, having their roots in a feeling of human’s dignity. The block will end with the discussion on the sources and substance of discrimination, during which we will try to develop a common language to talk about these issues (introducing notions of sexism, homophobia, racism, anti-semitism, ageism, fascism, stereotype, prejudice). (Source: Internal managerial documents)

3th Action - Towards an Action

During the third part of the programme an emphasis is put not merely on the acquisition of knowledge, but rather on processing it into action. On the basis of the hitherto readings, discussions and own considerations the girls are supposed to create their own works, inspired by women’s rights subject matters. These can be e.g. protest songs, dialogues, scenes, poems, manifests, and paintings. All of the works will be subsequently put together in a form of a theatre performance. (Source: Internal managerial documents)
4th Action - Partners meeting

The fourth part was a coronation of the programme, enabling the girls to exchange their experience of being a young woman in different countries. Enriched in the newly gained gender awareness, the girls had the opportunity to look at their own situation from the different perspective, to compare it, to find differences and similarities. From the more global perspective they also had to face and get rid of the possible nationality prejudices about being women. Meeting at the level of art and fun makes cross-cultural communication easier and will enable the girls to find in each other the most universal dimension of humanity. (Source: Internal managerial documents)

5th Action - Evaluation and reporting

During this part an evaluation among the girls and the trainers was made. All the participants of the project answered few questions (preferably in an essay form), like: What are my personal achievements and development? What were the difficulties I found during the project realisation? What are my proposals for the project’s improvement? What did I get out of project? What are my ideas for better promotion of women’s human rights? What should be the main topic for the future human rights projects? - All the opinions was gathered together in form of a report, which was delivered. (Source: Internal managerial documents)

2.7. Results of the project

The project contributed to deeper understanding of human rights and, particularly, women’s rights ideas among the young. The project provided the girls with the specific knowledge on women’s human rights issues, to enable them to define the meaning and rationale for certain women’s rights in order to feel better the ideas lying behind them and, finally, to empower the girls to promote their rights and to act in their defence, if violated.

Also the project demonstrated that human rights are not only written on paper, but are living ideas originating from the universal feeling of human’s dignity.

Through this project the young girls has become co-responsible for the whole project and actively contribute to its course by self – studies, creation, presentations as well as by an ongoing evaluation. By strengthen their feeling of autonomy by making them realise that they are in power to promote and defend the human rights and that thanks to their actions and reactions the world we live in can be a better one.

There was two countries and three nations involved in the project. By bringing them all together an concentrating on one, common task was result in making them understand each other better, finding the similarities and respecting the differences. Also some international friendships were made – and there is no better intercultural learning than among friends.

The project contributed to the creation of European network of people involved in human rights training by involving different institutions interested in human rights education. Also, the links established between the girls involved in the project contributed to European networking. (Source: Internal managerial documents).

3. CONCLUZII

This article was covered just a few aspects about importance management actions in social projects. The practical research reveals help us to understanding and appreciation of the issues having a direct impact on social work practice at the organizational level.
The ability to adapt and redesign managerial structures in response to the actual change is very important to the success of organizations delivering social actions and social support.

The success of change is also very dependent on whether the softer ‘human’ issues are considered, and how these are integrated with ‘hard’ structures and systems (Buchanan and Huczynski, (2004)). In finally we can say that if we have good management actions we can have performance projects in social work fields.

REFERENCES

***Hope Organization, Internal documents, 2002-2006
***Hope Organization, Managerial documents, 2002-2006
REDUCING THE EFFECTS OF THE GLOBAL CRISIS ON SME’S BY IMPLEMENTING AN ENVIRONMENTAL MANAGEMENT SYSTEM

Alin Emanuel ARTENE¹,

ABSTRACT
Small and medium sized enterprises represent “the backbone” of the European economy. The effects of the global crisis can be seen mostly on SME’s because of their size and their difficulty to access finance. We consider that a lifeline in this time for this type of entities would be the implementation of an Environmental Management System so that SME’s would not miss the opportunity to exploit economic advantages created by better environmental management and ecoinovation.

KEY WORDS: SME, environment, EMS, resources.
JEL M41

1. INTRODUCTION

Small and medium enterprises are in a changing environment on all plans. This requires a significant effort to adapt quickly to new situations as to feel still competitive and efficient on the markets in which they operate.

These and other factors, cause substantial changes that occur in organizational culture, with the new horizons of management centring organizational interests.

Environmental problem regards not just a particular country, being a global action with the major objective of environmental protection.

SME’s shall always have well established directions toward which they are heading when it comes to the environment and the goals they want to reach.

SMEs have a fundamental role in redirecting the European economy to more sustainable patterns of production and consumption

SMEs have a considerable impact on the environment while not being fully aware of the impact that their activities have on the environment

SMEs may miss the opportunity to exploit economic advantages created by better environmental management and ecoinovation

The economic crisis has made it more difficult for small and medium-sized enterprises (SMEs) to access banking credit. The proportion of unsuccessful loan applications rose between 2007 and 2010 in 19 of the 20 Member States for which data are available. The largest increases in unsuccessful loan applications were observed in Bulgaria (from 3% in 2007 to 36% in 2010), Ireland (from 1% to 27%) and Latvia (from 4% to 26%). Unsuccessful applications fell only in Sweden (from 9% to 6%).

¹ Assistant PhD, Faculty of Economics, Tibiscus University of Timisoara, Romania, artene_alin@yahoo.com
2. RANKING OF ENVIRONMENTAL ISSUES

SME’s must take into account all the aspects of their activities, its products and services and decide, on the basis of criteria laid down in national legislation, which have a significant impact on the environment as a basis for establishing environmental objectives and targets. SME’s should take into account both direct and indirect environmental aspects of the activities, products or services.

2.1. Direct environmental aspects

Direct environmental aspects relate to the activities of SME’s over which they have management control and may include, but are not limited to:

- air emissions;
- water spills;
- avoidance, recycling, reuse, transportation and disposal of solid waste or otherwise, in particular hazardous waste;
- use and contamination of land;
- the use of natural resources and raw materials (including energy);
- local issues (noise, vibration, odour, dust and other problems that could be perceived visual etc.);
- transport issues (both for goods and services, as well as of employees);
- the risks of environmental accidents and impacts arising, or may result from incidents, accidents and potential emergency situations;
- effects on biodiversity.

2.2. Indirect environmental aspects

Indirect environmental aspects relate to the activities, products and services of SME, which shows the significant environmental aspects, on which the SME does not have full control, and may include, but are not limited to:

- product related issues (design, development, packaging, transportation, use and waste recovery/disposal);
- capital investments, granting loans and insurance services;
- new markets;
- the choice of services and their nature (for example, activities of transport or the catering);
- administrative and planning decisions;
- the composition of the product mix;
- environmental performance and practices of contractors, sub-contractors and suppliers.
3. IMPLEMENTATION OF AN EMS

3.1. Environmental planning activities

To implement an Environmental Management System in an SME is important to define and establish a strategy to develop all the process of implementation.

Once the strategy defined, an initial planning of the process is accomplished which is conditioned by different factors, such as:

- Resources available to the company, both human and material
- Costs of implementing and maintaining system
- Support from the outside, such as subvention
- Time required for the process of implementation
- Identification of environmental problems

As an example of direct aspects we can consider the toner cartridge from the printer or the dirty cotton cloths with oil from machinery maintenance.

Regarding the indirect aspects we can consider the management of packaging products once they reach the consumer or the emissions from subcontractor’s vehicles.

3.2. Establishing a degree of meaning

- Evaluate the characteristics of the environment to which we assign a score
- We set a minimum impact on the evaluation criterion for which an environmental aspect is considered significantly
  
*Magnitude*: quantity, volume, frequency, probability

  x

*Hazard*: harmless, toxic = Degree of meaning

4. ENVIRONMENTAL POLICYS IN SME

By implementing an environmental management system SME’s can establish their own environmental policies depending on their resources.
If we consider the waste of water an alternative would be to collect water in the rainy period, which can then be used to wash cars. A system could be done at a low cost, such a system of “storm water collection”

To protect the environment and reduce consumption of resources, it makes sense to use recycled paper products certified or those that come from sustainable forest management.

Despite the improvements in electronic data processing and continuous evolution towards a vision of a paperless office, the consumption of paper has not been decreased.

Waste must be prevented and reduced. Those wastes that cannot be prevented we classify them at materials and energy recovery, and recycling. Irreversible waste final disposal is a final option.

In order to reduce the cost of water consumption, SME’s can install a simple mechanical devices which allow the flow of water from the tap and thus increases its volume. As a result, less water is consumed while it is quote the same utility or they can install optical sensors on the water taps in sanitary rooms, ensuring that water flows only when it is really necessary.

5. CONCLUSIONS

Trough implementing a Environmental Management System SME’s can reduce the costs of maintenance, repair and operating, reduce costs associated with waste and losses of material. They also increase revenues by converting waste and they are reducing the use of materials through improved and timely follow-up materials and reporting systems.

Other benefits that emerge from the implementation of an EMS are the use natural resources effectively, the limitation of emissions of pollutants by optimizing costs.

We can think also at reducing the costs of environmental monitoring, control and remediation costs, but also to ensure public health trough EMS not to mention the improvement of public policy making in relation to the environment and last but not least at the improvement of the information used in the enlargement context for the evaluation of environmental performance.

REFERENCES

THE IMPORTANCE OF MARKETING FOR FINANCIAL-BANK SERVICES

Persida CECHIN – CRISTA ¹
Timeea – Maria DUMESCU²

ABSTRACT

Beyond any practical or theoretical considerations, the most important factor in the marketing of financial institutions is trust. No matter how well it divides the market and no matter how many methods and techniques of advertising and promotion it brings, no organization will have a durable success as long as it does not succeed into gaining its customers’ trust. It is expected that the customer’s demands should increase and they become more exacting, not only towards the services offered to them but also towards the quality of the received services.

KEY WORDS: financial-bank services, marketing process, customer segmentation, quality of services.
JEL: G21

1. INTRODUCTION

Along with the development of the bank system the customers’ demands became more complex, marketing being a necessity. Marketing should gather from the environment relevant information, it should „feel” the needs manifested at a certain moment, to anticipate future development, to react in due time, to maintain equilibrated different influences from the environment, to learn from it’s own experience and to adapt.

In order for a bank to be successful it is essential that it should comercialize its products and services in view of its continuous development. The bank will succeed only if its potential clients know, buy and trust its products and services.

2. PARTIES INVOLVED IN THE PROCESS OF MARKETING

In a bank the activity of marketing is usually organized by the central of the bank which has the responsibility of establishing the marketing strategy, the way in which the marketing activity becomes operational inside the network, to conceive and establish the strategy for launching new services which are to be introduced on the market.

Any marketing activity requires that the bank should hold information about the market, its evolution, possible reactions. Because the market extends, the competition increases, the people’s incomes change and the used marketing instruments become more sophisticated, organizations will continue to need the monitoring of these fields so that they can react and take decision at the right moment. The study of the market is

¹ Professor Phd, Drăgan European University Lugoj, Romania
² Assistant, Drăgan European University Lugoj, Romania, persidacc@yahoo.com
valuable for any organization because it can be used for finding the information related to the attitudes of the clients and their motivations. This allows the organization to understand better the needs of the customers. A better understanding of the customer's needs may lead to a more profitable marketing activity. Once the information is gathered it is important to use it correctly in order to obtain the optimal value from the research.

The needs and the wishes of the customers change with the changing of the economical and political context, with the standard of living and the social position. Therefore there will be many opportunities for the bank to obtain profit by satisfying the requests of the clients. It is important to understand that each employee of a bank is implied in the process of marketing and sale, independently of the position that they hold inside the bank. The banks will have to react at the wished of the customers and to offer them an acceptable level of services. There are two key elements in fulfilling these issues – the customers and the employees of the bank. The relation between the customer and the bank is very important and it needs to be maintained in order to ensure the loyalty of the customers and to develop long lasting relationships with them.

There are two most important advantages for the bank institution which use a relational strategy oriented towards the bank-customer relationship:

- The first advantage views the obtaining of a long-term stable profitability because the client himself is the source of profit for the bank;
- The second advantage refers to the preference of the customer for the bank with which he has the most stable and strong relationship in the case in which he is offered similar products, with similar execution and costs.

The marketing techniques may become sophisticated, though, fact that requires the making of some bank departments specialised in marketing and coordination of sales.

3. THE ROLE OF THE MARKETING DEPARTMENT

To make marketing mixes means to allocate financial resources and to combine explaining variables of sales, so that the effect obtained on the market under the form of the sales volume or profit should be favorable, as high as possible and to satisfy the requests of the shareholders.

The attitude of the banks as regarding the marketing has evolved, slowly but surely, and went through five stages, according to the American researcher Philip Kotler:

- marketing means advertising, promotion of sales and publicity;
- marketing means smile and bright atmosphere;
- marketing means segmenting and renewal;
- marketing means positioning on the market;
- marketing means analysis, planning and control.

In a narrow sense, bank marketing is the “management processes that leads to customers' financial needs in a profitable manner for the bank.”

Four elements must be taken into account at the base of strategic and tactical decisions taken by the banking institution's management:

- customers satisfaction of desires;
- profitability of the banking institution;
- incentives for employees so that they understand the importance of marketing and work in the spirit of the marketing concept;
- bank's social responsibility.
Practical implementation of banking marketing implies a judicious combination of elements of marketing services with those imposed by the objects of the category of consumers affected and the nature of markets where trading takes place.

The central component of any marketing plan is represented by the elaboration of a marketing mix, a perfect aspect true in the case of banking institutions. Its components influence to a large extent the consumer’s experience with a banking service and therefore its satisfaction. These components, called “4Ps” of marketing mix are the product, the price, the promotion and the distribution (placement). Banking institution's marketing managers make decisions on these variables in order to implement marketing strategies, more specifically, they use the marketing mix variables to create a clear position on the market and to demonstrate how their services meet the needs of consumers in the target segment.

In the specialty literature, in terms of services, it is claimed that the existence of an extended marketing mix to that applicable to goods and materials in addition to the “four P” remember (product, price, placement or distribution and promotion) contains other three elements, namely staff, tangible elements that participate in the process of providing the service.

The company’s banking staff is considered a separate variable of the marketing mix taking into account the important role it plays in providing these services and ensuring customer satisfaction. Bank staff who have direct contact with customers has a key role in anticipating customer needs, in adapting to their needs and service provision and personalize relationships with customers which can lead eventually to their loyalty.

The tangible elements associated with supply of banking services, such as bank premises, staff clothing, documents and forms needed, equipment used etc., in turn, have an important role in assessing its quality and consumer satisfaction and training are considered as being a separate component of bank marketing mix.

The process of carrying out, another component of the marketing mix in retail banking, refers to the sequence of activities involved in delivering a service.

Given its importance, the process of providing a banking service must be scheduled, planned and implemented carefully to ensure the effectiveness of each stage. As a result it can avoid customer complaints and its own staff, which may be caused by congestion, bureaucracy, duplication of stages, a lot of waiting time.

The contribution of the marketing department is essential to the total success for the bank, for the planning and the continuous monitoring of its efficiency.

In our acceptation a functional structure of a marketing department must contain, at least, the following units of:

- Bank products and services (having the purpose of developing and implementing the commercial plan, the strategy for products for all categories of customers, the direct sale campaigns as well as the assurance of the offers dedicated to the partners of the bank);
- Support for the alternative bank channels (Online Banking, SMS banking, BNA; ATM; mobile banking) and the developing of a platform specific for telephone sales (Call Center);
- Management of the customer with the purpose of analysing the existing customer data base in order to elaborate statistic analysis, customers segmentation and campaign implementation;
- Communication deals with the development of the strategy and the communication plan for the bank products and services.
In most of the cases, inside the marketing department, the customers are segmented on physical persons (for example: mass customers with medium on economy incomes; customers above the medium level; top customers) and legal persons (IMM and corporates) depending on more criteria: the level of the monthly incomes for physical persons, respectively the level of the annual turnover for legal persons; the total volume of the assets hold by the customer and/or their family in the bank; quality criteria, etc.

The customer segmentation’s main scope is to serve the customers on high standards by creating products and products packages specific for the needs of each group of customers.

Marketing is a continuous process which evolved in the direction of satisfying the more and more sophisticated needs of the customers. Attracting new customers may be more expensive than maintaining the existing ones. It is acknowledge that, in market economies, the price for attracting new customers is four or five times higher, in financial costs and effort, than the developing and the maintaining the relationship with the existing customers. This is why for any bank the maintaining of the existing stock of customers is a crucial part of the marketing strategy. The strategy must contain a component directed towards the maintaining and the developing of this stock of customers by anticipating their needs.

The key in maintaining the customers’ fidelity is to keep them satisfied. If a customer is satisfied he will remain in relation with the bank, he will use more and more services in order to satisfy his needs and he will reccomend the bank to others, too. They will not desire to work with the competitors for similar services even if, sometimes, they can offer less expensive services or can offer more active interest rates.

The more contacts with the bank and its personnel a client has, the easier it will be for him to evaluate his needs and to build the relation. Knowing the client by the bank often means that some of his needs may be anticipated and therefore, appropriate services can be offered to him before he becomes aware of his own banking needs. Nowadays, the customers have become much more informed about what the market should offer them. The necessity for the quality of the service is a real problem for the finance-bank service suppliers. The banks must monitor the level of service and to ensure that it is sufficiently high in order to capture the interest of the customer for the bank offer.

The quality of services and the continuity in the offer of products and services will help increase the fidelity of the customers, these being less tempted to evaluate the alternative of using the services of the competition.

In general, banks offer two types of services to their customers: singular transactions and continuous services. The singular transactions are established, as their name says it, when a customer comes to the bank, buys the service and do not have another contact with the bank afterwards. These singular services must be sold to the customer any time he needs them. Services with having a character of continuity appear when the customer has a long term relation with the bank. Anyway, all customers are important for a bank even if they visit it once or more than one time. Any customer must have a feeling of satisfaction which, ultimately, could lead him to using more services and, if he does it, he could become a loyal, long-term customer.
4. CONCLUSIONS

By extending and diversifying the bank services the banks must pursue the raise of bank profit but also the supporting of the customer, facilitating its access to the needed services.

In their rush for profit, banks must not forget that they have ethical obligations towards their customers but also towards the entire society because they hold a privileged position due to the fact that the members of society often need their services. A healthy bank system must ensure the profit expected by both sides, in normal conditions from the point of view of opportunity, legality and efficiency.

The commentary directives referring to the financial-bank domain are more and more numerous, but \textit{they have not been conceived as models for the creating of a unique financial-bank sector}. Nevertheless, the member states or the countries in process of integration in the UE must harmonize their legislation and institutional structure in order to comply with the requests imposed through these directives.

The Directive 89/646/CEE referring to the coordination of the administrative norms and provisions concerning the ongoing of the activities of the credit institutions establishes fundamental rules regarding the foundation and the liberty to provide bank services inside UE. The liberty to provide services was accepted in the context of mutual acknowledgment and of respecting the laws which protect the „general well-being” in the host-country.

The European Court of Justice established the conditions on which a member state may invoke „general well-being” as a barrier to the free movement of services. In the field of banking there are some arguments as a basis for invoking the „general well-being” and which require special attention: protection of customers, correctness of commercial transactions; integrity of the financial system; efficiency of fiscal supervision.

The legislation of UE emphasizes the appropriate informing of customers so that they may decide upon buying some services to full knowledge. However, in case the customers do not develop their skills and knowledge necessary to the correct perception of the financial products and services (more and more complex) by themselves, the decisions of purchasing them cannot be substantiated accordingly.

REFERENCES

COMPARATIVE ANALYSIS REGARDING THE ECONOMIC IMPACT OF TOURISM

Mirela COSTENCU¹
Claudia-Nicoleta DOBRESCU²

ABSTRACT
The paper aims at highlighting the role and importance of tourism in a country’s economy, with referrals to Austria, Bulgaria, Hungary and Romania, countries with a high potential of tourism development. The analysis is based on data extracted from the regional reports of WTTC related to certain macroeconomic indicators focused upon both touristic economy and touristic industry of these countries. Furthermore, we remark the fact that touristic economy and industry have a great contribution to the formation of the European Union’s GDP – grace to tourism many jobs may be created, and the investments in the field contributes to the sustainable development of this sector of activity.

KEY WORDS: economic impact, tourism satellite account, tourism percentage in the GDP, touristic industry, investments in tourism, jobs in tourism

JEL: O50, O52, O57

1. INTRODUCTION

Distinct branch of a country’s economy, tourism supposes both providing certain activities and an agreeable spending of leisure time, with positive influences both at the national and the international level. Representing one of the essential components of the third sector, tourism is constituted mainly of services providing by the target groups. The literature recommends approaching tourism in a trans-disciplinary manner, due to its effects in a country’s economy. These effects are divided into three categories:

✓ The first category contains the global effects on economy in general due to the possibilities of stimulating manufacture and efficient use of labour force.

✓ The second category refers to the partial effects on the dimension of the payment balance (by its equilibration), the level of exchange rate, monetary mass and money circulation, manner of revenue distribution, regional development, rural environment or demographic movement.

✓ The external effects upon tourism represent a third category of effects and we refer here to the quality of the environment, quality of professional training of human resources, consumption habits of customers, training and education, social and cultural changes.

Consequently, the diversity of the activities incorporated into the content of the touristic services / industry, as well as the presence of some of them in the structure of other economy branches, confer tourism the character of a branch of interference and

¹ Deputy Professor PhD., Faculty of Economics, University “Eftimie Murgu” Reşiţa, Romania, m.costencu@uem.ro
² Assistant Lecturer PhD candidate, Faculty of Economics, University “Eftimie Murgu” Reşiţa, Romania, c.dobrescu@uem.ro
In this respect, tourism is defined by some authors as being a geographic phenomenon represented by the movement from the starting point to the destination, the geographic research supporting the touristic phenomenon by identifying and analysing the existence of the regions functional for tourism; whereas other authors define tourism as a business, a source of revenue for those who are active in this field, because it brings revenues, grace to tourists, both to the providing organisation and to the regions to which it belongs. Tourism represents a human experience by knowing the manner in which individuals make decisions related to the tourist products they choose, what sources of information they use and especially the possibility to evaluate information.

These dimensions of tourism approached in a trans-disciplinary manner reveal the interdependence between economic growth and tourism development. From the economic viewpoint, this process triggers a growth of demand for certain goods and services, which otherwise would not have been produced or supplied. The evolution of tourism in these last decades has gradually and increasingly turned into a complex industry, with economic and social clear effects upon the human community. The tourism contribution to the economic and social life varies from one country to another, according to the development level and the policy promoted in relation with these activities. (McGee J.H. and Wilson D., 2005)

2. THE ECONOMIC IMPACT OF TOURISM IN THE EUROPEAN UNION’S COUNTRIES

The economic impact of tourism may be measured by direct, indirect or induced evaluations, depending on the available sources of statistic information collection. As the economic effects of tourists’ expenditure exceed the sphere of returns statistically reported by the services providers, the World Tourism Organisation (W.T.O.), in co-operation with the World Travel and Tourism Council (W.T.T.C.) with the Statistic Office of the European Union (EUROSTAT) and with other regional touristic organisms, initiated the system of **tourism satellite account (T.S.A.)**. The WTO’s recommendations for the adoption by the EU member states of the tourism satellite account constituted the object of one of the main items on the agenda of the International Conference regarding statistics and measurement of economic importance of tourism, held in Nice. (Neaşu N. et al., 2006). The literature (Minciu R.et al, 2007) considers that there has been no instrument yet allowing to measure the real economic advantages of tourism. T.S.A. contributes to the remedy of this situation, allowing the assessment of the tourism weight in world economy, in value terms and concrete dimensions comparable on the international level.

The tourism satellite account T.S.A. of a country may supply reliable evaluations regarding:

- The share represented by the touristic activities in the gross domestic product (GDP) of a nation (the GDP represents the ensemble of all goods and services produced annually by a certain country);
The dimensions of the touristic activity branches, compared to the dimensions of other sectors of economy, for instance, health, national defence etc.;

The number of jobs directly and indirectly engaged in the touristic activity;

The volume of public and private investments related to the tourism activity;

The value of public revenues generated by tourism. (Neacșu N., et al., 2006)

In order to verify the usefulness of T.S.A., the World Travel and Tourism Council WTTC initiated a study performed through Oxford Economic Forecasting in order to estimate the structure of the Tourism Satellite Accounting TSA on the global level. It is interesting to study the comparison of TSA indicators, by groups of countries, but also on a country’s level, in order to draw conclusions on the opportunities of the touristic industry development option, the efficiency of the strategy adopted for this purpose and on the future action directions within the policy of economic-social development. (Cristureanu C., 2006)

On the European Union level, tourism represents a development priority by the reaching of major objectives such as economic growth, sustainable development or job creation, as well as economic and social cohesion of regions. (Cooper et al., 2005)

The role of tourism in the European Union’s economy is extremely important because it generates millions of jobs and contributes with a significant percentage to the formation of the GDP, being considered an industry with a huge potential of future growth, the focus being placed on sustainable development by consolidating the existing action frame and choice of the best methods for its implementation.

The countries selected for this analysis were Austria, Bulgaria, Hungary and Romania, and the macroeconomic indicators considered refer to:

- The travels and tourism contribution to the formation of the GDP,
- The growth of the GDP due to travels and tourism,
- The contribution of travels and tourism in services,
- The contribution of international visitors in total exports,
- The investments in travels and tourism,

data extracted from the regional reports of the World Travels and Tourism Council (WTTC).

In the European Union, the analysis of the impact of travels and tourism are related only to some of Romania’s neighbouring countries, with a remarkable touristic potential. These countries are Austria, Bulgaria and Hungary, and their selection was made for several reasons; these refer to the following aspects:

- The contribution of tourism as economic activity to the GDP of these countries is significant
- From the geographic viewpoint, these counties resemble Romania;
- From the touristic perspective, in these countries we find the most important forms of tourism: mountain tourism, seashore tourism, spa tourism, similar to Romania;
- Other aspects considered in this analysis refer to surface, number of inhabitants, labour force both in the touristic industry and touristic economy.
The economic impact of travels and tourism in Austria was estimated for the 2010 to bring a contribution to the total GDP of 12.5% (EUR 35.2 mil) and of 15.4% (EUR 62.0 mil) until 2020. Thus, the growth of GDP grace to travels and tourism was expected to be -3.9% in 2010, reaching an average of 4.1% per year until 2020. The contribution of travels and tourism in services was expected to increase by 13.4% of the total services, representing 559,000 jobs, to 17.5% until 2020, representing 753,000 jobs. The earnings from touristic exports was expected to generate 10.1% of the total exports (EUR 14.8 mil.) in 2010, increasing (in nominal terms) to EUR 28.0 mil (9.6% of the total) in 2020. Furthermore, the investments in tourism and travels were estimated to reach 12.6% of the total investments in 2010 (EUR 7.5 mil), predicted to reach EUR 13.3 mil, that is 12.5% of the total investments until 2020. (Cuciureanu C.N., 2011)

Table 1

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>The 10-year trend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contribution of travels and tourism to the Gross Domestic Product</td>
<td>12.5%</td>
</tr>
<tr>
<td></td>
<td>GDP increase due to travels and tourism</td>
<td>-3.9%</td>
</tr>
<tr>
<td></td>
<td>Contribution of travels and tourism in services</td>
<td>13.4%</td>
</tr>
<tr>
<td></td>
<td>Contribution of international visitors in total exports</td>
<td>10.1%</td>
</tr>
<tr>
<td></td>
<td>Investments in travels and tourism</td>
<td>12.6%</td>
</tr>
</tbody>
</table>

(Source: extract from the WTTC regional report, 2010 (World Travel & Tourism Council))

From the economic viewpoint, tourism and travels in Bulgaria were expected to reach a percentage of 11.9% of this country’s GDP in 2010, i.e. BGN 7,873.5 mil, registering a slight decreased until 2020 of 10.7% of the GDP, i.e. BGN 16,273.2 mil. The real growth of travels and tourism was expected to be of -0.7% in 2010 and to grow by 4.4% in the following 10 years. The contribution of travels and tourism in total jobs of economy was expected to reach a percentage of 10.2% in 2010 that is 324,000 jobs (1 job in tourism to 9.8 jobs in economy). Until 2020 a slight decrease is predicted, i.e. one job in tourism to 11 jobs in economy. This drop represents a percentage of 9.1%, meaning 270,000 jobs until 2020. The foreign visitors’ exports were expected to generate a percentage of 16.9% in total exports, that is BGN 6,165.3 mil in 2010, decreasing in nominal terms to BGN 4,891.9 mil (10.7% of the total) in 2020. The investments in travels and tourism are estimated to BGN 2,340.2 mil, representing 12.0% of total investments in 2010. For the year 2020, the predictions show that investments increase to BGN 6,035.6 mil, representing 15.2% of total investments. (Cuciureanu C.N., 2011)
From the economic viewpoint, tourism and travels in Hungary were expected to drop to 7.4% of the Gross Domestic Product in 2010, that is HUF 1,843.0 mil, registering until 2020 a percentage of 6.4% of the GDP, i.e. HUF 3,326.3 mil. The real growth of travels and tourism was expected to be -0.8% in 2010 and to increase by 3.5% in the next 10 years. The contribution of travels and tourism in total jobs in the economy was expected to decreased to a percentage of 7.0% in 2010, i.e. 263,000 jobs (1 job in tourism to 14.4 jobs in total economy). Until 2020 a slight decrease id predicted, meaning one job in tourism to 15.2 jobs in economic in general. This drop means 6.6%, that is 252,000 jobs until the year 2020. The international visitors’ export was expected to generate a percentage of 6.2% of total exports, that is HUF 1,425.7 mil in 2010, increasing in nominal terms to HUF 2,491.7 mil (4.8% of the total) in 2020. The investments in travels and tourism were estimated to HUF 350.6 mil representing 6.8% of total investments in 2010. For 2020, the predictions who that the investments increase to HUF 921.4 mil, representing 8.2% of total investments. (Cuciureanu C.N., 2011)

### Table 2

<table>
<thead>
<tr>
<th>Impact of touristic industry and economy in total economy of Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Unorganised travels and tourism</td>
</tr>
<tr>
<td>Business tourism</td>
</tr>
<tr>
<td>Capital investments in travels and tourism</td>
</tr>
<tr>
<td>GDP from tourism industry</td>
</tr>
</tbody>
</table>
From the economic perspective, in Romania the contribution of tourism and travels was expected to grow to 5.1% of the GDP in 2010, that is RON 25.9 mil, registering until 2020 a percentage of 6.4% of the GDP, i.e. RON 78.8 mil. The real growth of travels and tourism in economy was expected to be of -5.4% in 2010 and to increase to 7.3% in the following 10 years. The contribution of travels and tourism in total jobs in economy was expected to grow up to 6.1% in 2010 that is 519,000 jobs (1 job in tourism to 16.3 jobs in economy). Until 2020 a slight growth is predicted, that is one job in tourism to 13 jobs in economy. This increase represents a percentage of 7.7%, meaning 670,000 jobs until 2020. Foreign visitors’ exports were expected to generate 2.4% of total exports, that is RON 4.5 mil in 2010, increasing in nominal terms to RON 16.3 mil (2.6% of the total) in 2020.

The investments in travels and tourism were estimated to RON 10.3 mil, representing 7.4% of total investments, and for the year 2020, the predictions shows that the investments will grow to RON 38.4 mil, representing 7.8% of total investments.

**Table 3**

Impact of tourism industry and economy in total economy in Romania

<table>
<thead>
<tr>
<th>Romania</th>
<th>2010</th>
<th></th>
<th></th>
<th>2020</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RONmil</td>
<td>%</td>
<td>growth*</td>
<td>RONmil</td>
<td>%</td>
<td>growth **</td>
</tr>
<tr>
<td>Unorganised travels and tourism</td>
<td>12.8</td>
<td>3.8</td>
<td>-6.1</td>
<td>28.8</td>
<td>4.5</td>
<td>4.2</td>
</tr>
<tr>
<td>Business tourism</td>
<td>2.2</td>
<td>0.4</td>
<td>-7.1</td>
<td>5.2</td>
<td>0.4</td>
<td>4.8</td>
</tr>
<tr>
<td>Capital investments in travels</td>
<td>10.3</td>
<td>7.4</td>
<td>-7.1</td>
<td>38.4</td>
<td>7.8</td>
<td>9.5</td>
</tr>
<tr>
<td>and tourism</td>
<td>9.8</td>
<td>1.9</td>
<td>-3.5</td>
<td>32.3</td>
<td>2.6</td>
<td>8.2</td>
</tr>
<tr>
<td>GDP from tourism industry</td>
<td>25.9</td>
<td>5.1</td>
<td>-5.4</td>
<td>78.8</td>
<td>6.4</td>
<td>7.3</td>
</tr>
<tr>
<td>GDP from tourism economy</td>
<td>267.1</td>
<td>3.2</td>
<td>-2.1</td>
<td>346.5</td>
<td>4.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Labour force in tourism industry ***</td>
<td>518.6</td>
<td>6.1</td>
<td>-4.7</td>
<td>670.1</td>
<td>7.7</td>
<td>2.6</td>
</tr>
</tbody>
</table>

*the real growth must be adjusted to inflation (%)

**the real growth from the year 2011-2020 must be adjusted to inflation (%)

*** '000 jobs

(Source: data provided by the WTTC regional reports)
3. CONCLUSIONS

The most significant impact of travels and tourism in economy was exhibited by Austria, this industry contributing by a percentage of 12.5% in 2010 and 15.4% until 2020 to the total country's GDP. In Bulgaria’s economy, travels and tourism generated a percentage of 11.9% of the total GDP for the year 2010, but the prognoses for the year 2020 show a drop of the contribution of this industry, the percentage reaching 10.7% of the country’s total GDP. Hungary had a 7.4% estimated percentage of travels and tourism in the GDP in 2010, following a descendant trend in the following 10 years, the contribution being of 6.4% of the total GDP until 2020. The contribution of travels and tourism to total jobs in the economy was estimated for Austria at 13.4% in 2010, having the tendency to grow in the next 10 years up to 17.5% of the total. In the case of Bulgaria, the estimation was of 10.2% for 2010, the percentage having the tendency to drop down to 9.1% of total jobs.

In Hungary, the contribution of travels and tourism to the total jobs in the economy was of 7.0% in 2010, having also a descendant trend until 2020, the percentage reaching 6.6% of the total. It follows from these data that, only in the case of Austria, the contribution of travels and tourism in total job is positive in a 10-year span. This situation may be explained due to the contribution that travels and tourism will have in the country’s total GDP; in the case of Austria, the percentage is positive, whereas in the case of Bulgaria and Hungary it is negative. Related to the contribution of international visitors’ exports in total exports, in all three analysed countries a decrease of these contributions is predicted for the next 10 years. Moreover, the investments in the industry of travels and tourism present a differentiated picture for the three countries. Thus, in Austria the contribution of investments in travels and tourism represented 12.6% of the total investment in 2010, predicted to reach 12.5%. This drop of 0.1% for a 10-year period is very small in comparison with other countries. Hence the fact that in Austria the value of investments in travels and tourism is maintained to approximately the same values in a 10-year interval.

In the case of Bulgaria, the investments in travels and tourism generated a percentage of 12.0% (rather similar to the case of Austria), in the total investments for 2010, and it will reach a percentage of 15.2% until 2020. A simple calculation shows that Bulgaria will invest more (3.2%) in the industry of travels and tourism in the following 10 years, compared to Austria and Hungary. In the case of the latter (Hungary), the investments in travels and tourism represented a percentage of 6.8% of total investments in 2010. And it is estimated to reach, in the next 10 years, a percentage of 8.2% of the total.

In our country, the contribution of travels and tourism in the country’s total GDP was estimated for the year 2010 to a percentage of 5.1% following an ascendant trend, for the following 10 year the percentage reaching 6.4% of the total GDP. This aspect shows that the industry of travels and tourism will begin to grow slightly, the percentage being of 1.3%. Moreover, the growth of the GDP due to travels and tourism registered a negative percentage for the year 2010 (-5.4%), and it has the tendency to grow in the next 10 years. Thus, the percentage of only 1.3% for the GDP growth in a 10-year period is explained.

Compared with the other analysed countries, Romania registers the highest (negative) percentage of GDP growth due to travels and tourism. Estimations show that for 2010 travels and tourism contributed by a 6.1% percent of total jobs in economy,
that is 519,000 jobs, and in the 10 years the number of jobs is expected to grow only by 2.6% of the total, representing 670,000 jobs. In this respect also, Romania has the lowest percentage of the contribution of travels and tourism in total jobs in the economy compared to Austria, Bulgaria and Hungary.

The picture of estimations and predictions for Romania shows a growth on the level of other two macroeconomic indicators. Thus, the contribution of foreign visitors’ exports in 2010 was of 2.4% of total export in economy, and until 2020 this percentage is expected to reach 2.6%. Moreover, the investments in travels and tourism in total investments were estimated to 7.4% for 2010, these investments being expected to have only a slight growth, the percentage being of 7.8% until 2020. It follows that in the next 10 years the investments in the industry of travels and tourism in our country are small compared to the other analysed countries from the European Union. It is likely that the investments in travels and tourism in Romania will be focused, according to the Master Plan for the Development of National Tourism for 2007-2027 on the six zonal groups of potential development of Romanian tourism: Bucharest, the Black Sea, the Danube Delta, Maramureș, Suceava and Transylvania.

As a result of the analysis of these indicators significant for the country's economy in general, for the tourism industry and the tourism economy especially, we appreciate that for Romania the development trend of this industry is ascendant for the next 10 years, which represents a positive aspect for the attempt to redress Romanian tourism, even if these indicators are only slightly increased. Moreover, the industry of travels and tourism contribute significantly to the European Union’s GDP, and among the three analysed countries, Austria had the highest contribution of travels and tourism to the total country GDP, generated the most jobs both in the tourism industry and in the tourism economy and performed the highest investments in travels and tourism compared to Bulgaria and Hungary, at least for the year 2010.

REFERENCES


Cuciureanu C.N. (2011) ”Strategii de marketing privind resursele umane din turism/ Marketing strategies regarding human resources in tourism”, Teză de doctorat/PhD Thesis, Facultatea de Economie și de Administrarea Afacerilor/ Faculty of Economics and Business Administration, Universitatea de Vest / West University Timișoara


http://www.wttc.org - World Travel & Tourism Council - forum for business leaders in the Travel & Tourism industry

http://www.globaltraveltourism.com – official page of Global Travel & Tourism
EVOLUTION OF ELECTORAL MARKETING IN ROMANIA

Gabriel DINU

ABSTRACT
A serious analysis of the political market is impossible without studying consumer behavior (or user) offers political, macro-environment is an essential component of marketing that can be influenced by marketing actions of the political structure. The study of human behavior is essential for understanding how people will react - most often very different - methods of marketing of that structure.

KEY WORDS: voters, candidates, electoral marketing, consumer behavior.
JEL: M31

1. INTRODUCTION

Considering the political marketing objectives, it can be defined in terms of operational efficiency as a methodology or image campaign a political organization or person in the political sphere.

Make marketing in politics is, first, to apply principles of managerial efficiency in relation to political parties and candidates to voters and electoral environment in general. Because these relationships are happening in the political market, the instruments will be those in marketing, applied to this market.

2. POLITICAL MARKETING IN ROMANIA

Make marketing in politics is, first, to apply principles of managerial efficiency in relation to political parties and candidates to voters and electoral environment in general. Because these relationships are happening in the political market, the instruments will be those in marketing, applied to this market.

In Romania, political marketing is only the beginning. He is still regarded, unlike commercial marketing, and he recently applied in Romania, with a lot of resistance, both by politicians and by an electorate that fears of manipulation and is about to be saturated by commercial advertising, on the one hand, and political demagogy on the other.

Marketing election from this point of view, a field that requires collaboration of several disciplines. As a logical consequence, it can hardly be claimed by a single domain, as can belong with equal rights, more: political science, management, sociology, communication sciences, social psychology, etc.

To subscribe to the general rules of marketing, the situational context of the analysis is considered a fundamental role to play electoral environment component analysis. These can be grouped into components that are general and have the particularity that can not be influenced by the candidate, because it does not come into contact with them, such as public bodies, the cultural, economic, social, religious

1 Lecturer, Faculty of Economic Sciences, Eftimie Murgu University of Resita, Romania, g.dinu@uem.ro
option, components in proximity to the candidate, voters, candidates, campaigners, prescriptors competitors with whom it interacts so that mutual influences occur. First up macroenvironment election and other electoral microenvironment.

As regards market policy organizations, the most important aspects are related to the electoral market. In this regard, there is the temptation to define it by the number of persons having voting rights in a particular constituency.

In the context of electoral offer discusses the potential or actual consumers to evaluate. They are transformed during the election campaign, in true communication goals; for both political communicators and the media, understood as a special communicator, which has its own system of norms, values and representations. The electorate is seen in a quadruple aspect: public, public opinion, political communication and the recipient of the generic presence.

3. ELECTORAL MARKETING IN ROMANIA

Also in the differences between the political and electoral marketing we went minus electoral marketing, to not make visible the mechanisms of political communication, politics conflict, negative show, which lead to a perverse effect on the voting behavior, and namely, increased absenteeism due saturation that exposes the often incongruous messages, confusing.

Among the concepts implemented in theory have emphasized the strategic elements related to the marketing mix, product policy, pricing policy, investment policy and promotion.

The first element of the marketing mix product is electoral politics. Product, the marketing concept of election is the candidate or party, its ideology and doctrine. In close correlation with segments of the electorate who have become targets voters should determine the major themes of the campaign (which causes the product to become politically communicate, on the one hand, and the range of products to be launched election voters, on the other.

If electoral marketing, the price of a candidate is the degree of acceptance of the candidate, which depends on its credibility among voters. Specifically, in marketing mix price election vote, to associate mental action as a product candidate election and acceptance or tolerance provided by its promises.

The essence of distribution policy is the physical presence of the candidate in all places where something important is happening (problems, events, meetings, prominent public places, etc.). Product being the candidate and his ideas, the most convincing form of distribution is direct contact between the product (candidate) and its beneficiaries (voters).

What distinguishes the two policies essentially is that voters are more volatile products and their image is the vehicle of another type of intermediate (opinion leaders, formal leaders, zvoners, party militants, volunteers, media) that can however, had a major influence on the results of distribution policy.

Strategies of the campaign is analyzed in terms of promoting the interaction of all the political interpretations that make sense and are focused on the political context.

Common to different definitions of political promotion is intentionality: political communication is understood as an action-oriented purpose designed for specific political purposes. Another element that attracts attention in these definitions is the heterogeneous conditions that facilitate production of political communication. This is
why some authors and subscribe to this view, associated with an area or field of political communication relations.

3.1. Electoral behavior of Cărășeni

Consumer behavior is required, we consider a special field of study of marketing as methods of market analysis - with complex issues and continually adapt - requires knowledge of the mechanism of transformation of social needs in bidding policy.

Romanian society, like all contemporary societies, is in, let's say, a natural and continuous change, amplified by the news and untimeliness of the transitional period. The pace of change is becoming greater, which makes us believe that it could become downright insurmountable, having already seen the consequences of human behaviors and attitudes that are showing their inability to cope.

By studying the literature, explanatory models based on existing inventory by then and a comprehensive analysis of factors that could interfere in the electoral decision, we conceptualized a general structure of an ideal explanatory model of electoral behavior: an individual vote is as a result of interactions between political attitudes of the individual on the one hand, and on the other hand, offer effective election (number and characteristics of candidates).

Therefore, we highlight a pattern of behavior on voter cărașean. Area voters are not informed. Regarding turnout, are not influenced to come to vote. Before deciding to vote, some of them consult with family, some friends, but most still rely on their own preference. When you want to choose a political product of a positive impression that appeals to information, but above all, retain their option to vote. Caras-Severin county residents vote based on culture, group membership or preference. Cărășenii also considers that the standard of living is closely linked to success in political candidates. They are aware of the lack of communication between candidates and voters after the elections, behave as true supporters of party supporters.

To treat the problems studied and consistent support to ensure a proper scientific work, we used some scientific research methods that can be mentioned among the methods of data collection and organization of the interview, questionnaire, observation, information visits and direct observation, statistical analysis the questionnaire, the distribution of values of a variable, numerical procedures for testing normality, univariate statistical analysis of data, the correlation method, regression, testing the difference between two proportions.

4. CONCLUSIONS

Are highlighted in the literature a number of differences compared with the market concept as the economic disparities that give specific electoral market both as a tool for analysis and the actual reality through a set of features, such as its size, development model (extensive or intensive), ambition, discontinuous nature of electoral activity, whether the act involved very station or break-even as fixed.
REFERENCES

Boboc, I. (2006), Marketing politic și consultanță guvernamentală, București: Editura Universitară
Lindon, D. (1986), Le marketing politique, Paris: Dalloz Gestion,
ABSTRACT
In order to form an opinion as fully and as clearly related to the tourist area studied, in addition to the presentation of tourist potential of the area is necessary to perform a SWOT.

KEY WORDS: promotion, tourism, SWOT analysis.
JEL: M31

1. INTRODUCTION

SWOT analysis is to reveal the area's strengths, weaknesses, and measures to transform the latter into opportunities

2. SWOT ANALYSIS OF THE "PORTILE DE FIER" TOURIST AREA

Tourism is an activity which is in an early stage in the Upper Danube area, border localities and regime security rigors imposed discouraging visitors until recently tourism injustices of much value and beauty of the area and the importance of traditions that have remained anonymous.

Natural and human tourism resources above enable existing practice several forms of travel (road, transit, cruise, rest and recreation, spa, mountain hiking, scientific, water sports, sport fishing and hunting, tourism) although the infrastructure and tourist accommodation structures are not sufficiently developed nor in terms of capacity, nor in terms of quality.

Strengths:
• The unique character of the area;
• natural and anthropogenic developed tourism potential;
• satisfactory condition of nature reserves;
• The possibility of multiple forms of tourism practice;
• The high number of attractions and tourist resources;
• Representation of all possible categories of tourist resources;
• existing mountains in the area, with their rich flora and fauna, natural landscapes provide great attraction, while providing the opportunity to practice scientific tourism, caving and hunting;
• Dams Portile de Fier I and II have created a series of bays that you can practice water sports and fishing tourism;
• The identity of recognized national and international spa resort Baile Herculane for treating various diseases;
• Dispersion territorial tourist attractions around the area makes it possible itinerant tourism;

1 Lecturer, Faculty of Economic Sciences, Eftimie Murgu University of Resita, Romania, g.dinu@uem.ro
2 Assistant Lecturer, Faculty of Economic Sciences, Eftimie Murgu University of Resita, Romania, l.dinu@uem.ro
• low population density;
• Hermann's test, and four horned viper species of water birds are the stars of the area, as well as tiny black scorpion, but no less dangerous, mountainous and plateau Severin;
• Positioning the tourist area on the main railway Bucharest-Timisoara International and European Road E70;
• The interest of private entrepreneurs for development of tourism in the area;

Weaknesses

• Lack of communication and cohesion between human communities to achieve objectives of common interest, the mentality of people to make quick money, rather than provide quality services, human indifference to the environment;
• Technical infrastructure is inadequate road;
• Insufficient access roads;
• Offer reduced activities and services;
• Approval is not up to the offer of other destinations;
• belongs to the county administration Mehedinti and Caras-Severin;
• Lack of an action program, consistent and stable tourism development in Romania;
• Lack of investment funds for infrastructure development and rehabilitation change the general and specific, due to the slow and complicated process of privatization, inadequate taxation policy implementation, lack of facilities in bank loans, etc.;
• Low purchasing power of population and reordering priorities;
• The relatively low training guides / professional staff that manages the accommodation;
• Nonperception of tourism area as a source of additional financial community;
• Lack of awareness / education of what the national natural heritage and its importance in the present but especially future;
• The application of marketing in the area is low especially locally, resulting in an ignorance of their value;
• Lack of promotion of the area in the country and abroad;
• The lack of conclusive information materials accessible;
• Lack of tourist information centers;
• Lack of an annual calendar of events in the area;
• Lack of road signs to facilitate access to major tourist attractions;
• Lack of street electronic tourist information point;

Opportunities:
• Reconstruction of the county road network, giving priority to providing access to the sights;
• Encourage new forms of tourism (adventure cruise);
• Creating new jobs and opportunities to make career appearance in the hospitality industry;
• Improvement of infrastructure;
• Making the Rhine-Main-Danube link allows its use for all European countries for tourism between the North Sea and the Black Sea, and on this route Portile de Fier is
the richest and diverse area from all points of view (flora, fauna, landscape, folklore, etc.);

- Increase the number of tourists / visitors who have the motivation ecotourism;
- training opportunities through EU programs;
- Opportunities to disseminate information through newspapers and local newspapers;
- It can promote the idea of cooperation in tourism by motivating partners in Romania and Yugoslavia. In this sense can already outline the prospects for private sector investment;
- Consideration should be given to coordinate joint actions involving local communities on both banks of the Danube (the celebration of events, common religious holidays, given the predominance of Orthodox etc). An action is necessary to collect data in rural communities remaining biodiversity and local cultural and religious traditions;
  - Promotion of events based on "calendar of nature";
  - Identification of common cultural values and resources that can help support conservation action;
  - have explored the possibilities of collaboration with local politicians and other influential people who can contribute to the development area;
  - Establishment of a network of tourist information centers near major tourist attractions;
  - Building a new Simian Ada-Kaleh island;

Threats
- Increased competitiveness between regions;
- The Danube River is nominated for the World Wide Fund for Nature (WWF) among rivers whose existence is threatened by the damming work, pollution and climate change. There is a risk that more than 85% of the Danube does not meet the objectives of the EU Water Framework Directive, which requires achieving good ecological quality for all waters on the continent by 2015;
  - Some negative reactions from people;
  - All types of programs offered by Romania to face fierce competition on Western European markets;
  - Romanian tourists' preferences for spending holidays abroad;
  - Competing destinations offer a wide range of facilities for all categories of tourists;
  - Low income communities in the following specific areas restrict economic activities;
  - Insufficient financial resources for modernization of tourist specific;
  - Reduce availability of free time;
  - Changing consumer preferences;
  - Instability of government policies regard tourism and taxation;

4. CONCLUSIONS

A good knowledge of the area would lead to increased tourist traffic and hence the tourism development area. It is noted that except for the tourist potential, natural and anthropogenic area, promotion is essential to its choice as a tourist destination.
REFERENCES

Niță I., Niță C.(2008), Piața turistică a României, București: Editura Economică
Stâncioiu A.F.(2000), Strategii de marketing în turism, București: Editura Econimcă
Stâncioiu A.F.(2004), Strategii de marketing în turism, București: Editura Economică
PROMOTION OF "PORTILE DE FIER" TOURIST AREA

Loredana DINU¹
Gabriel DINU²

ABSTRACT

This paper aims to highlight the importance of promoting tourism of "Portile de Fier" Tourist Area, to prove whether research in this area and the need to intensify them, being convinced that only such "Portile de Fier" Tourist Area can become a tourist haven, as it deserves and we all want.

KEY WORDS: promotion, tourism, forms of tourism
JEL: M31

1. INTRODUCTION

Tourism is a great chance of rapid economic development of Romania. He has yet to respond adequately Romanian option of integration into European structures and international. Recovery tourism is beneficial throughout the country and its international promotion can become an element of recovery of Romania. Basis of existing material can be effectively used only by professionals who have mastered the techniques operations and domestic and international tourism.

2. THE CURRENT STATE OF TOURISM IN ROMANIA

Branch with multiple meanings, mainly economic, social and cultural, tourism is now a relatively small percentage - the country's gross domestic product, namely 5.8% in 2008 according to figures from the World Travel and Tourism Council (WTTC). Its resources are not available in the fourth value. There is, therefore, theoretically and practically significant potential to reach the tourism economic activity.

Of course, this potential must be developed, modernized and diversified through the overall government policy and economic sector, tourism to make a credible public domain and attractive to investors.

Romanian tourism decline has various causes such as economic crisis, low consumption, exchange rate, low quality of services, poor management, marketing almost nonexistent, the lack of strategy and development concept clearly enough field, myopia government policies, dilapidated state of infrastructure, significant investments, competition in the area etc.

Effective exploitation of tourism potential can not be achieved with current national infrastructure.

Tourism is a great chance of rapid economic development of Romania. He has yet to respond adequately Romanian option of integration into European structures and international. Recovery tourism is beneficial throughout the country and its international

¹ Assistant Lecturer, Faculty of Economic Sciences, Eftimie Murgu University of Resita, Romania, l.dinu@uem.ro
² Lecturer, Faculty of Economic Sciences, Eftimie Murgu University of Resita, Romania, g.dinu@uem.ro
promotion can become an element of recovery of Romania. Basis of existing material can be effectively used only by professionals who have mastered the techniques operations and domestic and international tourism. Without tax incentives, without aggressive promotion without quality services without modern infrastructure, Romanian tourism will remain only a perpetual chance. It is clear that, for Romania, tourism is a big chance that it must be capitalized at the beginning of the third millennium.

One of the possible ways of relaunching tourism is the development and implementation of effective marketing strategies and policies based on an analysis of marketing environment. They believe that we must address:

• raising the quality of tourist services, especially for leisure services, where appropriate and their diversification;
• Expanding the Romanian travel agencies offer to succeed capture the interest of a large number of tourists in this regard will focus on introducing or designing tourism products to meet the motivational profile of tourists;
• reshaping the relationship between quality and price, so that higher tariffs applied to be justified as a quality;
• intensifying the promotion of tourist products and services offered;

Currently, the hospitality industry in Romania faces problems such as steep decline of domestic and foreign tourism demand, tourism product obsolete, low standard of services which meet the expectations of tourists, rates and prices too high in relation to quality provided, insufficient promotion.

Tourism is one of the Romanian economic sectors, despite so many issues that dominate our society, it seems that he finally found the path towards sustainable development. This area in the near future, to the extent that they would implement a series of marketing strategies and policies, could become a leading provider of benefits for the benefit of our country.

Romanian tourism success depends on the design and implementation of an aggressive marketing-positive, by creating strategies to promote the regions and to build strong brands that will be imposed on a market characterized by fierce competition.

Promotional activities require significant investment in tourism because of the large geographical extent of tourist market, fierce international competition event and intangible nature of tourism product. From this last perspective, one can say that the intangible nature of tourism services increases the importance of promotional strategy, the main element of its investment consisting of (association) with tangible attributes of services by linking them to some specific benefits. The means of communication to suggest speed and efficiency of services provided by tourism facilities, the high degree of comfort provided by them, the images used in exterior and interior playing of accommodation, restaurants and modern entertainment centers.

3. "PORTILE DE FIER " TOURIST AREA

"Portile de Fier " Tourist Area is so varied and spectacular landscape and human resources with historical meanings, and folk art so interesting. Natural and cultural heritage tourism opportunities unlimited for most of the year.

Turning these opportunities into reality and exploit them to maximum efficiency are fundamental duties of our people today and in the near future.
Natural and human potential is the "source" of various forms of tourism, where "Portile de Fier" Tourist Area are brought together in a very wide range.

The main categories of tourist resources in "Portile de Fier" Tourist Area generates basic forms of tourism in the area: mountain tourism (recreation, winter sports, hiking, speology, climbing, scientific knowledge, etc.), spa (spa treatment, climatism, rest), hunting and fishing, sports and recreational tourism, cultural tourism (of knowledge, educational and instructive) business, scientific, congress, etc.

It noted that many forms of tourism is the tourism potential given the complexity and on the other hand, that in the area, these forms complement each other, contributing to optimal recovery potential.

With all the richness, variety and value management of natural cure factors "Portile de Fier" Tourist Area, as their undoubted efficiency, and widely recognized internationally, their capitalization is below balneoturism possibilities.

For the "Portile de Fier" Tourist Area near future can not reserve radical changes in terms of investments in the access roads and upgrading of private accommodation structures are reduced. Noticeable changes require attention to the government, substantial investments, clear strategy and image of the product or promotion.

Through everything I said in the paper, we demonstrated throughout or only made, we aim to support tourism development on "Portile de Fier" Tourist Area, to prove opportunity of research in this area and the need to intensify them, being convinced that only such "Portile de Fier" Tourist Area can become a tourist paradise, as we all deserve and want.

4. CONCLUSIONS

"Portile de Fier" Tourist Area meets all the conditions to define personality together with other areas of the country. To achieve such an objective, no effort, no matter how high and sustained it is not unjustified.

REFERENCES

Niță I., Niță C.(2008), Piața turistică a României, București: Editura Economică
Stâncioiu A.F.(2000), Strategii de marketing în turism, București: Editura Econimică
Stâncioiu A.F.(2004), Strategii de marketing în turism, București: Editura Economică
ELABORATION OF THE OCCUPATIONAL STANDARD
“MARKETING SPECIALIST” IN TOURISM

Claudia-Nicoleta DOBRESCU¹
Mirela COSTENCU²

ABSTRACT

This paper intends to point out the role and importance of elaborating occupational standards for human resources in the field of tourism. The analysis of the occupational area represents the starting point in the construction of an occupational standard able to describe the specific professional activities for which it was elaborated. The proposed occupational standard refers to the marketing specialist in the field of tourism, starting from the identification of the units of competency, the establishment of the units of competency types, identification of competency elements and elaboration of the content of units of competency, based on the methodology of occupational standards' elaboration.

KEY WORDS: human resources, occupational standards, units of competency, competency elements, occupational area

JEL: J24

1. INTRODUCTION

In the second half of the ‘90s, Romania adopted the use of occupational standards as a mechanism of co-operation between the suppliers of professional training, on the one hand, and the employers from patrimonial entities, on the other hand, so that education and professional training be able to respond to the labour market requirements. In this period, it is necessary that the system of elaboration of occupational standard in our country be in accordance with that of the European Union, by aligning it to the European Qualifications Frame (EQF) which represents a reference frame with the role of correlating the national qualification systems in the European space, offering institutions of education/training and employers the possibility to understand more easily the qualifications obtained in another European country and to transpose them in their own system of qualifications. The occupational standards define the major functions or positions within an occupational area. Each major position is represented by an item presenting the criteria of achievement that must be met for a person to be declared competent, at the standards recognised within the sector of activity, at the place of work. Moreover, the occupational standards define the main roles and responsibilities in a field of activity, providing a clear description of what is expected from the employees. The occupational standards’“comprise a detailed description of tasks, knowledge and silks necessary for an efficient activity at the place of work, including legal liability” (www.skillsactive.com/training/standards).
The occupational standard is the "document describing the professional activities specific to occupations in an occupational area and the quality cornerstones associated to the successful achievement of such in accordance with the labour market requirements" (definition of the occupational standard adopted by ANC for the elaboration of a National Qualifications Frame). The occupational standards are focused on what must be achieved in order to reach the expected results in a professional activity and not on the modality of obtaining them. The Learning and Skills Council of Great Britain (council for learning and competencies) defines occupational standards as being "statements regarding the practical skills, theoretical knowledge and capacity of understanding necessary to an individual in order to fulfil the standards required on employment" (www.lsc.gov.uk).

The unit of competency represents the first step in the elaboration of an occupational standard and defines an important activity leading to a concrete result that can be evaluated. In an occupational standard each unit of competency must include the following specific elements: title, competency elements, the sub-activities comprised in the activity presented, criteria of achievement supposing the description of certain landmarks for the successful fulfilment of the activity comprised in the competency elements, the range of variables referring to the description of methods, procedures, documentation or infrastructure used in the activity deployment. Moreover, the unit of competency must also comprise the description of contexts or situations to which the achievement criteria refer, but also the set of knowledge necessary to the successful achievement of the activity described in the unit of competency. A special attention must be granted to the level of responsibility and autonomy specific to each unit of competency, level that a competent person should detain in the relation with the activity he or she carries on at the place of work. The key unit of competency refer to the set of elements that are transferable to all sectors of activity, on the same level of autonomy and responsibility, in order to support the integration into the labour market, social inclusion and lifelong learning. The general units of competency represent a group of transferable elements of competency, associated to certain related occupational areas that belong to the same field, whereas the specific units of competency represent a sets of elements of competency associated to an important activity in a specific occupational area.

2. THE OCCUPATIONAL STANDARD "MARKETING SPECIALIST"

The occupational standard "Marketing Specialist" (Cuciurean, C.N. 2011), was elaborated as a result of the development of the occupational analysis for the occupational area "Marketing Specialist", group COR, 241921. The present occupational standard describes the activity of the marketing specialist employed by a patrimonial entity. The marketing specialist carries on his or her activity within the marketing compartment/department within the patrimonial entity, in close co-operation with the other structures of the organisation and is focussed on the activities of: promotion of the organisation's image, management and administration of specific documents, organisation of specific events, study of the products and services market, demand evaluation, elaboration of marketing strategies, performance of advertising campaigns, elaboration of marketing programmes, promotion of products and services of the organisation, elaboration of promotion programmes, consulting in the specific marketing issues, elaboration of reports.
The marketing specialist works independently and in co-operation, in accordance with the theoretic and practical knowledge his specialisation is based upon, for the grounding of decisions necessary of the good operation of all activities corresponding to the major positions for the reaching of the final goal. Moreover, he or she may coordinate the activity of the other persons from the organisation’s marketing compartment / department, if is exists in its organigramme. The occupational standard "Marketing Specialist" is made of 15 units of competency with a certain level of responsibility and autonomy for each unit. Thus, the units of competency are grouped into three categories: (Cuciurean, C.N. 2011).

- Key units of competency: assertive communication at the place of work, work in multi-disciplinary teams, use of IT technique; communication a foreign language;
- General units of competency: organisation of activity, professional development, administration and management of documents, promotion of the organisation's image;
- Specific units of competency: market study, organisation of events, performance of advertising campaigns, elaboration of marketing programmes, promotion of products/services, elaboration of promotion programmes, elaboration of marketing strategies.

The assertive communication at the place of work identifies as elements of competency general communication at the place of work, interpersonal communication at the place of work, interactive communication at the place of work. The work in multi-disciplinary teams supposes the participation in the team building, discussions on professional topics and fulfilment of the team’s tasks, performance of the specific activities together with the team members, as well as the evaluation of the team members. The use of IT technique refers to the identification and establishment of the necessary elements of informatic resources, introduction, updating and preservation of information and, last but not least, the use and processing of information for professional purposes. The communication in a foreign language refers to the comprehension of the verbal and written messages in a foreign language, participation in conversation and oral discourse, as well as the written rendering and message conveyance in a foreign language. The organisation of activity refers to the planning of the activity of the marketing compartment/department, setting and assignment of roles and responsibilities for the human resources in the marketing compartment/department, assuring the optimum conditions for the carrying on of activity and participation in the process of human resources recruitment for the marketing compartment/department. Professional development means identifying one’s own professional training needs, setting the sources and forms of professional training, participation in diverse modalities of professional training, administration and management of documents refers to the reception and recording of the documents specific to the activity carried on in the marketing compartment/department, elaboration and editing of documents, verification and transmission of documents as well as their classification and archiving. Promotion of the organisation’s image refers both to the identification of the modalities to promote the organisation’s image and the implementation of the promotion actions.

The market studying starts from the analysis of the organisation’s market, qualitative and quantitative analysis of the products or services market, study of the supply and demand for products or services. Organisation of events supposes the research of the needs for the event realisation, elaboration of the programme and plan of
events, co-ordination of the activity of preparation and deployment of events. The performance of advertising campaign is focused on the preparation of the advertising campaigns, preparation and participation in the work meetings, co-ordination of the deployment of advertising campaigns and assessment of their efficiency. Elaboration of the marketing programme is done by elaborating the marketing programme, elaborating the marketing plan, implementing and correcting the marketing plan. The promotion of products and services refers to the presentation of the organisation’s products or services to all customers, promotion of new products or services or products specific to the organisation. The elaboration of promotion programmes aims at setting the promotional budget, selecting the promotion modalities, identifying the distribution channels for promotion and identifying the adequate promotion modalities. The last unit of competency refers to the elaboration of the marketing strategies, which supposes in a first stage designing the marketing strategies according to the set goals, whereas the second stage supposes the rigorous grounding of marketing strategies and then their implementation, followed by their evaluation. To each unit of competency corresponds a certain level of responsibly and autonomy. The lowest level (five) corresponds to the administration and management of documents, whereas level seven, the highest level in the construction of this standard, corresponds to the promotion of the organisation’s image and elaboration of marketing strategies. Level six of autonomy and responsibility is afferent to the other units of competency identified in the elaboration of this standard. The descriptors for each level of responsibility and autonomy are set based on the EQF level descriptors set in the European Qualification Frame.

3. CONCLUSIONS

In our country it is equally important that all occupational standards elaborated up to the present, as well as those to be elaborated in the future, should be matched with the occupational standards from the other European Union countries, and grace to the European Qualification Frame one should be able to correlate the systems of elaborating occupational standards from our country with those from the European area. The occupational standard "Marketing Specialist" for the domain of Tourism, Hotels and Restaurants is elaborated keeping in mind the necessity identified on the level of touristic organisations to create market departments or compartments, and the marketing specialist should carry out in an efficient manner the activity specific to the field based on this instrument. Furthermore, this occupational standard may be a landmark for the elaboration of the job position charts for human resources specialised in the field of marketing who work in the marketing department or compartment of any touristic organisation.

REFERENCES

Cuciurean, C.N. (2011), Strategii de marketing privind resursele umane din turism/Marketing strategies regarding human resources in tourism", teză de Doctorat/PhD thesis, Facultatea de Economie și de Administrarea Afacerilor, Universitatea de Vest/ Faculty of Economics and Business Administration, West University Timișoara


***The Learning and Skills Council from Great Britain available on-line at www.cnfpa.ro

***Methodology of elaboration of occupational standards available on-line at www.cnfpa.ro

168
ABSTRACT

This complex process is not just something for corporations or public organizations, but for any activity whether short or long term.

Whole benefits and opportunities should be seen not only in relation to its business activities but also in relation to stakeholders who are directly affected.

Over time they have outlined several ways to achieve specific objectives at risk. Because of their multiplicity is almost impossible to summarize in a single document.

KEY WORDS: risk, management, analysis, business, organization, consequences.

JEL: G32

1. INTRODUCTION

Risk management can be defined as a combination of an unwanted event and its consequences unpredictable.

For all types of businesses there are many events and consequences that are either opportunities or the major benefits.

Risk management deals with both the positive and negative aspects specific to this phenomenon.

Consequences of its production may have a pronounced negative impact on businesses, and therefore requires a careful risk management, focusing on prevention and mitigation of potentially harmful effects.

2. RISK MANAGEMENT

Risk management is the core of any strategic management of organizational units. Following this process, organizations can identify methodically all the risks in order to obtain benefits from the activities. Proper risk management involves identifying and solving them in their event.

The major objective is to bring added value to activities undertaken in the organizational unit.

This increases the probability of success in parallel with reducing the probability of failure and uncertainty regarding the overall objectives of companies.

Therefore, risk management should be an ongoing process currently under development and which runs permanently in the process of adoption and implementation of strategies at the organizational level. It will have to systematically analyze all current and future risks faced by business activities.
Risk management must be integrated into organizational culture, based on an effective strategic policy. This strategy should result in the development of tactical and operational objectives appropriate and important responsibilities in the allocation of staff directly involved. Hence the possibility of assessing individual performance and reward, thus promoting operational efficiency at all levels.

Multitude of risks facing the economic entity organizational factors may result from both internal and external organizational factors.

Classification of these risks can be made according to their typology, such as:

- Strategic risks.
- Financial risks.
- Operational risks etc.

Risk management process enhances organizational unit value by meeting all business objectives, as follows:

- Providing a framework for an organization that enables future activity to take place in a consistent and controlled manner.
- Improving decision making, planning and prioritization by comprehensive and structured understanding of business activity, volatility and project opportunity/threat.
- Contributing to more efficient use/allocation of capital and resources within the organization.
- Reducing volatility in the non-essential areas of the business.
- Protecting and enhancing assets and company image.
- Developing and supporting people and the organizations knowledge base.
- Optimizing operational efficiency.
Risks are identified according to ISO/IEC as a global process of analysis and evaluation of them.
The methodology requires the determination of exposure to risk and uncertainty, this implying a detailed knowledge of the organization, acting on the enterprise market, the legal environment, social, political and cultural current, accurate understanding of strategic and operational objectives of the company, the opportunities and threats related to direct their implementation.

The procedure for identifying risks must be systematically addressed to ensure a thorough analysis of the entire complex of existing risks of the organization. Also, all related activities of the enterprise must be identified and classified.

Classification of business activities and classification of decisions can be made in a variety of ways:

- **Strategic.** These concern the long-term strategic objectives of the organization. They can be affected by such areas as capital availability, sovereign and political risks, legal and regulatory changes, reputation and changes in the physical environment.
- **Operational.** These concern the day-to-day issues that the organization is confronted with as it strives to deliver its strategic objectives.
- **Financial.** These concern the effective management and control of the finances of the organization and the effects of external factors such as availability of credit, foreign exchange rates, interest rate movement and other market exposures.
- **Knowledge management.** These concern the effective management and control of the knowledge resources, the production, protection and communication thereof. External factors might include the unauthorized use or abuse of intellectual property, area power failures, and competitive technology. Internal factors might be system malfunction or loss of key staff.
- **Compliance.** These concern such issues as health & safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues.

Although risk identification process can be done by external consultants, however, an internal approach to risk is considered to be more effective because their analysis is more systematic and more structured. Detailed risk can be used to facilitate evaluation.

Existence of complex structures is absolutely necessary to be determined and evaluated global risk monitoring procedure. It requires that the significant risks that appear to be analyzed more in detail.

Manifested risks can be classified as:

- **Strategic risks.**
- **Tactical risks.**
- **Operational risks.**

Integration risks should be done early in the primary stage of a project business:

- **Scope of risk** (qualitative description of the events, their size, type, number and dependencies).
- **Nature of risk** (strategic, operational, financial, knowledge or compliance).
- **Stakeholders** (stakeholders and their expectations).
- **Quantification of risk** (significance and probability).
- **Risk tolerance/Appetite** (loss potential and financial impact of risk, value at risk, probability and size of potential losses/gains, objectives for control of the risk and desired level of performance).
- Risk treatment & Control mechanisms (primary means by which risk is currently assumed, levels of confidence in existing control, identification of protocols for monitoring and review).
- Potential action for improvement (recommendations to reduce risk).
- Strategy and policy developments (identification of function responsible for developing strategy and policy).

Regarding the likelihood of risk and its possible consequences, estimates on it can be: quantitative, semi-quantitative or qualitative. Also, opportunities and threats arising from this process can be classified as high, medium or low. It should be noted that organizations will adopt measures that best suit their interests.

**Consequences - threats and opportunities:**
- **High:**
  - Financial impact on the organization is likely to exceed x €.
  - Significant impact on the organization’s strategy or operational activities.
  - Significant stakeholder concern.
- **Medium:**
  - Financial impact on the organization likely to be between x € and y €.
  - Moderate impact on the organization’s strategy or operational activities.
  - Moderate stakeholder concern.
- **Low:**
  - Financial impact on the organization likely to be less that y €.
  - Low impact on the organization’s strategy or operational activities.
  - Low stakeholder concern.

**Probability of occurrence – threats estimation and description:**
- **High (probable):** likely to occur each year or more than 25% chance of occurrence.
- **Medium (possible):** likely to occur in a ten year time period or less than 25% chance of occurrence.
- **Low (remote):** not likely to occur in a ten year period or less than 2% chance of occurrence.

**Probability of occurrence – opportunities estimation and description:**
- **High (probable):** favorable outcome is likely to be achieved in one year or better than 75% chance of occurrence.
- **Medium (possible):** reasonable prospects of favorable results in one year of 25% to 75% chance of occurrence.
- **Low (remote):** some chance of favorable outcome in the medium term or less than 25% chance of occurrence.

A variety of techniques can be used to analyze complex risks. They can be used both in good situations and bad situations.

Results can be the basis to develop a "risk profile" to systematize each risk and allowing a business to identify areas with problems, to describe in detail procedures for primary control and state investment is the organizational unit.

Managerial responsibility make risks encountered can be identified and be allocated the necessary resources to resolve them.

If the risk analysis was conducted, it is absolutely necessary to compare the estimated risks with risk criteria that were established by company management. These criteria may include: associated costs and benefits, socio-economic requirements, environmental factors etc.
Within an organization is imperative that all levels have sufficient and complete information about risk management process.

The Board of Directors should:
- Know about the most significant risks facing the organization.
- Know the possible effects on shareholder value of deviations to expected performance ranges.
- Ensure appropriate levels of awareness throughout the organization.
- Know how the organization will manage a crisis.
- Know the importance of stakeholder confidence in the organization.
- Know how to manage communications with the investment community where applicable.
- Be assured that the risk management process is working effectively.
- Publish a clear risk management policy covering risk management philosophy and responsibilities.

Business Units should:
- Be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and the consequences other areas may have on them.
- Have performance indicators which allow them to monitor the key business and financial activities, progress towards objectives and identify developments which require intervention.
- Have systems which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken.
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

Individuals should:
- Understand their accountability for individual risks.
- Understand how they can enable continuous improvement of risk management response.
- Understand that risk management and risk awareness are a key part of the organization’s culture.
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures.

Economic entity under review shall prepare a report on the parties directly concerned to establish policies on risk management and efficiency and achieve goals. Effective corporate governance entails a thorough approach to risk, which:
- Protects the interests of their stakeholders.
- Ensures that the Board of Directors discharges its duties to direct strategy, build value and monitor performance of the organization.
- Ensures that management controls are in place and are performing adequately.

The main risk reporting arrangements should be clearly stated and be subject to stakeholder analysis. These reports must include:
- The control methods – particularly management responsibilities for risk management.
- The processes used to identify risks and how they are addressed by the risk management systems.
- The primary control systems in place to manage significant risks.
- The monitoring and review system in place.
Major deficiencies found in the whole economic entities should be reported together with proposed measures to combat them. Thus, risk control measures must be implemented immediately.

The central element of risk control phenomenon is the development of risk system to provide at least:

- Effective and efficient operation of the organization.
- Effective internal controls.
- Compliance with laws and regulations.

The process of risk analysis and synthesis support the effective functioning of the organizational unit by presenting those risks that require high attention from management. Managers will need to prioritize risk control actions in the field.

The effectiveness of internal control involves reducing or even eliminating the negative effects of risk.

Cost effectiveness of internal control refers to the direct costs of implementing control measures against the benefits arising from the undesirable effects of risk reduction.

Thus, the proposed controls must be measured in terms of potential economic effect. The enterprise must determine the cost of implementing specific measures to combat these risks. This cost must be calculated with great precision and accuracy, and, depending on its amount, management can decide whether or not to implement these measures.

Organizational units will need to understand and comply with legislation in force and implement a flexible system of controls to achieve compliance with current reality. Occasionally some flexibility may occur if the cost reduction of risk categories could be grossly disproportionate.

The modern method of protection against financial risk is the risk capital, which includes insurance. However, not all categories of risk can be provided:

- The costs associated with work;
- Health costs,
- The state of safety;
- The costs of environmental incidents etc.

Effective risk management process involves the existence of a specialized reporting, analysis and control located in the economic entity. Periodic internal audits take place to determine compliance with company policies and performance standards updates of companies to identify new opportunities.

3. CONCLUSIONS

Organizations are dynamic entities operating in dynamic environments. Assembly amendments to the structure and operating environment and operating enterprises should be properly reflected in the systems. Thus, monitoring and review process should provide sufficient information about the complex business and organizational units to determine whether: the measures taken were correct and timely ways to improve them were appropriate, a better knowledge of them would have been useful for the future.
REFERENCES:


MODEL OF THE SCIENTIFIC AND TECHNOLOGICAL ACTIVITIES MANAGEMENT IN BULGARIAN AUTOMOTIVE ENTERPRISES

Victoria GEDINACH¹
Diana ANTONOVA²

ABSTRACT
The purpose of this paper is to present the results from a study in the field of scientific and technological activities (STA) within the value chain of the industrial enterprises, producing parts and accessories for motor vehicles (EPPAMV). A model for management of the STA in the process of creating innovations as part of the value chain in the automotive industry has been developed. The model has been tested by correlation and regression analyses and approbated by expert opinions. Fifty-two industrial enterprises registered by the classifier C29 (subsection “Production of motor vehicles, trailers and semi-trailers”) according to the National Classification of Economic Activities – 2008 have been investigated.

KEY WORDS: scientific and technological activities (STA), value chain, automotive industry, globalization, state funding, innovations.

JEL: L62, O31, O32

1. INTRODUCTION
The postindustrial society is characterized by intensive globalization of the scientific and technological activities (Shelyubskaya (1999)). Such a process results in innovation, which is increasingly becoming a common effort of a global scale and adopting new non-technological forms (Sturgeon et al (2008-2009)). The characteristics of the globalization of value chains are: (1) increasing flow of direct foreign investments in research and development (R&D) by creating new research centers, acquiring access to foreign laboratories, etc.; (2) formation of strategic alliances that allow partners jointly to develop new ideas, to economize on scale and reduce risks, whereupon each company retains complete autonomy; (3) growth of cooperation between national and foreign universities, industrial organizations in order to enhance the competitiveness of the domestic industry, and (4) creation of local S&T clusters based on scientific parks, incubators, technological poles and regional unions (Pil and Holweg (2006); Programme co-funded by the EU (2010); Memedovic (2004); Saloila and Zanfei (2007)).

With regard to the continuous improvement of the R&D activities and the successful implementation of product and technological innovations, the automotive

¹ PhD candidate, Ruse University “Angel Kanchev”, Faculty of Business and Management, Bulgaria – summarizes the theoretical treatments, makes questionnaires, carries out the fieldwork, and processes the statistics and expert assessments and conclusions.
² Prof., PhD, Ruse University “Angel Kanchev”, Faculty of Business and Management, Bulgaria – develops the logical framework, structure and problem formulation; formulates the main hypothesis and phases of the study.
industry outpaces other industries (Athern and Fournier (2007); Wyman (2007); Liker (2004)). With about 20 billion euros (about 5% of the industry’s turnover) invested into research and product development, the automotive industry is the largest industrial investor in R&D in Europe in absolute terms (OECD (2007); The world’s automobile industry, www.oica.net). The listed factors are decisive in choosing the industry – the subject of this study. The aim of this paper is to investigate the proportion of the S&T activities in the creation of value chain in Bulgarian EPPAMV. The tasks are as follows: (1) to formulate the basic hypotheses of the scientific elaboration; (2) to assess the significance of a model of the STA management in the process of creating innovations as part of the value chain in the automotive industry through statistical tools (correlation and regression analyses); (3) to verify the applicability of the model in real terms (through expert assessments approbation) (Antonova and Hoveskog (2011); Gedinach (2011)).

2. EXPOSITION

The research results show that in terms of the companies’ ownership forms, 100% of them are private property (48% are the property of foreign companies, for example Belgium, England, Germany, Turkey etc.): 23 of the investigated organizations (55%) are subsidiaries of large auto companies. They are contractors and/or suppliers of large international companies that outsource a certain activity (outsourcing contract). According to the investigation, R&D activities are realized in 14 of the surveyed enterprises (33%), 16 enterprises (38%) realize R&D activities in cooperation with parent companies, and the remaining 12 enterprises (29%) do not currently perform such activities. The reasons are high STA costs and/or lack of highly qualified staff in the field of automotive industry (it is important to note that the latter enterprises used to have R&D and engineering departments in the past)

2.1. Conceptual framework of the study

On the basis of theoretical analysis (Goldenshteyn (2000); Petkova (2007)), defining the importance of the STA in the value chain creating, was formulated the main hypothesis: “The significance of R&D costs in the industrial EPPAMV is in direct correlation to the significance of the production and supply costs in the value chain of the company”. Figure 2.1. presents a matrix of the hypotheses to this paper.
Results of statistical analysis with SPSS

2.2. Correlation analysis

The correlation analysis is used in order to demonstrate the relationship between the share of the STA, the importance of R&D costs and the innovation activity of the company (Stoyanov (2008); Pallant (2002); Tabachnick and Fidell (2001)).

In the correlation analysis the statistical correlation between two variables is expressed by the coefficient of Pearson (r), which represents the numerical equivalent of the direction and strength of linear relationship between dependent and independent variables (Pallant, 2002). In this case, the dependencies with medium and high degree of statistical significance are selected and interpreted because of the relatively small size of the excerpt (Lecheva (2011)). The key factors of the model and hypotheses are summarized in table 2.2.:
Table 2.2. Coefficients of a linear correlation

<table>
<thead>
<tr>
<th>Variables</th>
<th>RDC</th>
<th>PC</th>
<th>SC</th>
<th>STC</th>
<th>IA₁</th>
<th>JDI</th>
<th>VEC</th>
<th>TW</th>
<th>GFI</th>
<th>TR</th>
<th>IA₂</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RDC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.666(**)</td>
<td>.543(**)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
<td>.309(*)</td>
</tr>
<tr>
<td>n</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>SC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>STC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.399(**)</td>
<td>.393(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
<td>.523(**)</td>
</tr>
<tr>
<td>n</td>
<td>.009</td>
<td>.010</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>IA₁</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.399(**)</td>
<td>.600(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
</tr>
<tr>
<td>n</td>
<td>.009</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>JDI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.321(*)</td>
<td>.393(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
<td>.690(**)</td>
</tr>
<tr>
<td>n</td>
<td>.038</td>
<td>.010</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>VEC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.523(**)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>TW</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.309(*)</td>
<td>.310(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
<td>.404(*)</td>
</tr>
<tr>
<td>n</td>
<td>.046</td>
<td>.046</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
<td>.008</td>
</tr>
<tr>
<td><strong>GFI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.726(**)</td>
<td>.702(**)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
<td>.366(*)</td>
</tr>
<tr>
<td>n</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>TR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.306(*)</td>
<td></td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
<td>.327(*)</td>
</tr>
<tr>
<td>n</td>
<td>.048</td>
<td>.048</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
<td>.035</td>
</tr>
<tr>
<td><strong>IA₂</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation (Sig. (2-tailed))</td>
<td>.373(*)</td>
<td>.356(*)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
<td>.726(**)</td>
</tr>
<tr>
<td>n</td>
<td>.015</td>
<td>.021</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

**  Correlation is significant at the 0.01 level (2-tailed)   *  Correlation is significant at the 0.05 level (2-tailed)

**RDC** (R&D costs) – significance of R&D costs in the value chain;
**PC** (production costs) – significance of production costs in the value chain;
**SC** (supply costs) – significance of supply costs in the value chain;
**STC** (S&T costs) – share of the STA costs;
**IA₁** (innovation activity) – share of new or improved products/services;
**IA₂** (innovation activity) – share of new or improved production processes;
**JDI** (joint development of innovations) – share of innovations developed in cooperation with other companies;
VEC (vocational education costs) – share of the costs for improving the vocational education level of the staff;
TW (teamwork) – degree of the teamwork principle application;
GFI (government funding for innovations) – share of the government funding for innovations;
TR (territorial remoteness) – degree of the territorial remoteness between firms.

2.3. Model of the STA management in the innovation development as part of the automotive value chain

On the basis of the correlation analysis the basic relationships between the factors included in the model are established (Figure 2.3). The main dependent variables in the model are: (1) share of the STA expenditures from the general corporate budget; (2) share of innovations developed in cooperation with other companies and (3) share of the government funding for innovations. The independent variables, affecting the above dependent variables are: (1) share of new/improved products/services (as a part of innovation activity of the company); (2) share of new/improved production processes (as a part of innovation activity of the company); (3) degree of teamwork principle application and (4) degree of territorial remoteness between firms.

Figure 2.3. - Model of the STA management in the innovation development as part of automotive value chain
2.4. Testing of the model by regression analysis

The results of the regression analysis are presented in tables 2.4.1., 2.4.2. and 2.4.3.:

**Table. 2.4.1.** Testing the share of government funding for the innovations

<table>
<thead>
<tr>
<th>Variables</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Beta</th>
<th>Part</th>
<th>Sig.</th>
<th>Adjusted R</th>
<th>Sig.2</th>
<th>Std. Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>GFI</td>
<td>0.451</td>
<td>2.215</td>
<td>0.481</td>
<td>0.323</td>
<td>0.002</td>
<td>0.574</td>
<td>0.000</td>
<td>-1.902</td>
</tr>
<tr>
<td>IA_1</td>
<td>0.397</td>
<td>2.520</td>
<td>0.324</td>
<td>0.147</td>
<td>0.003</td>
<td>0.157</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TW</td>
<td>0.793</td>
<td>1.261</td>
<td>-0.148</td>
<td>-0.132</td>
<td>0.048</td>
<td>0.204</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TR</td>
<td>0.939</td>
<td>1.065</td>
<td>-0.164</td>
<td>-0.159</td>
<td>0.204</td>
<td>0.128</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Independent variables: (Constant); IA_1, IA_2, TW, TR
Dependent variable: GFI

In terms of the first dependent variable from the model (share of the government funding for innovations) the following results are obtained: (1) The value of the Tolerance indicator is above 0.10, and the VIF (Variance inflation factor) value is less than 10. Hence, there is not violated the multi-co-linearity assumption. (2) The value of the standardized Beta coefficient for the first independent variable (0.481) – the share of new/improved products/services is the highest, compared with other independent variables: share of new/improved production processes (0.234); degree of the teamwork principle application (-0.148) and degree of a territorial remoteness between firms (-0.164). The negative values of the last two independent variables are due to the back proportional dependence on the dependent variable. Therefore, the share of new or improved products/services makes the strongest contribution to explaining the dependent variable. (3) 56.8% from the change of the share of the government funding for innovations is due to the share of new/improved products/services. Respectively, 38.3% from the change of the share of government funding for innovations is due to the share of new/improved production processes. It is found that the share of the government funding for innovations does not affect the change in the degree of the teamwork principle application and the degree of territorial remoteness between firms. Thus, greater part of the change of the share of government funding for innovations is due to the change of the share of new/improved products/services (coefficient Part). (4) The Sig. value of the first independent variable (IA_1) is less than 0.05 (0.003), therefore, it is making a statistically significant unique contribution to the prediction of the dependent variable. The second independent variable (IA_2) is not making a statistically significant unique contribution to the prediction of the dependent variable, because its value is 0.157. The Sig. values of the last independent variables (TW and TR) are respectively 0.204 and 0.128, so there is not a statistically unique contribution. The share of new/improved products/services provides higher individual contribution, which explains the need to increase the share of the government funding for innovations. (5) 57.4% from the change of the dependent variable (share of the government funding for innovations) is explained by the model (Adjusted R coefficient). (6) The statistical significance Sig.2 is 0.000, i.e. the implied statistical error is 5%. Consequently, p<0.005 and the model reaches statistical significance. The null hypothesis is accepted.
(7) There are no deviations from the mean of the dependent variable in the model. The standardized residual value are between -0.3 and 0.3 (Std. Residual coefficient).

Table 2.4.2. Testing the share of STA expenditures in the general corporate budget

<table>
<thead>
<tr>
<th>Variables</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Beta</th>
<th>Part</th>
<th>Sig.</th>
<th>Adjusted R</th>
<th>Sig.2</th>
<th>Std. Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>STC</td>
<td>0.750</td>
<td>0.094</td>
<td>0.106</td>
<td>-2.453</td>
<td>2.370</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IA₁</td>
<td>0.451</td>
<td>2.215</td>
<td>0.317</td>
<td>0.213</td>
<td>0.160</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IA₂</td>
<td>0.397</td>
<td>2.520</td>
<td>0.165</td>
<td>0.104</td>
<td>0.488</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TW</td>
<td>0.793</td>
<td>1.261</td>
<td>0.043</td>
<td>0.038</td>
<td>0.798</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TR</td>
<td>0.939</td>
<td>1.065</td>
<td>0.117</td>
<td>0.113</td>
<td>0.452</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Independent variables: (Constant), IA₁, IA₂, TW, TR
Dependent variable: STC

In terms of the second dependent variable from the model (share of the STA expenditures in the general corporate budget) the following results are obtained: (1) The value of the Tolerance indicator is above 0.10, and VIF value is less than 10. Hence, the multi-co-linearity assumption has not been violated. (2) The value of the standardized Beta coefficient for the first independent variable (0.317) - share of new/improved products/services is the highest compared with other independent variables: share of new/improved production processes (0.165); degree of the teamwork principle application (0.043) and degree of a territorial remoteness between firms (0.117). The low values of this coefficient for the last two independent variables are due to the fact that between them and the dependent variable no correlations have been found. Therefore, the share of new or improved products/services makes the strongest contribution to explaining the share of the STA expenditures from the general corporate budget. (3) 46.2% from the change of the share of the STA expenditures in the general corporate budget is due to the share of new/improved products/services; 32.3% - to the share of new/improved production processes; 19.5% - to the degree of the teamwork principle application and 33.6% - to the degree of territorial remoteness between firms. Thus, the greater part of the change of the share of STA expenditures in the general corporate budget is due to the change of the share of new/improved products/services. (4) In this case, there is not a statistically significant unique contribution to the prediction of the dependent variable (the Sig. value of the independent variables is above 0.05), which can be explained with low degree of significance/importance of the share of STA expenditures in the general corporate budget in Bulgarian automotive enterprises. (5) 9.4% from the change of the dependent variable (share of STA expenditures in the general corporate budget) is explained by the model. (6) The statistical significance Sig.2 is 0.106 (i.e. is above 0.05), therefore, the model does not reach statistical significance. The null hypothesis is rejected and the alternative hypothesis is accepted. (7) There are no deviations from the mean of the dependent variable in the model.
Table 2.4.3. Testing the share of the joint innovation development

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficients</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Beta</th>
<th>Part</th>
<th>Sig.</th>
<th>Adjusted R</th>
<th>Sig.2</th>
<th>Std. Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>JDI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IA1</td>
<td>0.451</td>
<td>2.215</td>
<td>0.251</td>
<td>0.168</td>
<td>0.084</td>
<td>0.017</td>
<td>0.632</td>
<td>0.000</td>
<td>-</td>
</tr>
<tr>
<td>IA2</td>
<td>0.397</td>
<td>2.520</td>
<td>0.517</td>
<td>0.326</td>
<td>0.001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TW</td>
<td>0.793</td>
<td>1.261</td>
<td>-0.116</td>
<td>-0.103</td>
<td>0.283</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TR</td>
<td>0.939</td>
<td>1.065</td>
<td>-0.151</td>
<td>-0.146</td>
<td>0.132</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Independent variables: (Constant), IA1, IA2, TW, TR
Dependent variable: JDI

In terms of the third dependent variable from the model (Share of innovations developed in cooperation with other companies) the following results are obtained: (1) The value of the Tolerance indicator is above 0.10, and VIF value is less than 10. Hence, the multi-co-linearity assumption has not been violated. (2) The value of the standardized Beta coefficient for the second independent variable (0.468) - share of new/improved production processes is the highest compared with other independent variables: share of new/improved products/services (0.217); degree of the teamwork principle application (-0.314) and degree of territorial remoteness between firms (-0.226). The negative values of the last two independent variables are due to the back proportional dependence on the dependent variable. Therefore, the share of new or improved production processes makes the strongest contribution to explaining the share of innovations developed in cooperation with other companies. (3) 57.1% from the change of the share of innovations developed in cooperation with other companies is due to the share of new/improved production processes; 41.0% - to the share of new/improved products/services; 32.1% - to the degree of the teamwork principle application and 38.2% - to the degree of territorial remoteness between firms (the last two independent variables are affected inversely). Thus, the greater part of the change of the share of innovations developed in cooperation with other companies is due to the change of the share of new/improved production processes. (4) The share of new/improved production processes provides the highest individual contribution to the prediction of the share of innovations developed in cooperation with other companies (Sig=0.001). (5) 79.5% from the change of the dependent variable (share of innovations developed in cooperation with other companies) is explained by the model. (6) The statistical significance Sig.2 is 0.000, i.e. the implied statistical error is 5%. Consequently, $p<0.005$ and the model reaches statistical significance. The null hypothesis can be accepted. (7) There are no deviations from the mean of the dependent variable in the model.

2.5. Approbating of the model by expert opinions

On the basis of the information collected from the expert opinions a general profile of the surveyed companies can be formulated:
- 50% of the companies are subsidiaries operating in cooperation with international organizations and the rest are the enterprises with independent
production of end products (without the participation of foreign partners).
- 50% of the respondents are general executives of the companies, while the others are managers. In term of education: 67% of the respondents have higher technical/engineering education, and 33% - higher economic one.
- The average age of the automotive companies in Bulgaria is 12 years.

Table 2.5. presents the results of interviews with experts in the field of automotive industry:

Table 2.5. Matrix of the results from expert assessments

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Degree of confirmation</th>
<th>Arguments</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>50%</td>
<td>50% of experts agree with the statement that the degree of importance of the R&amp;D costs is in a right proportional dependence from the degree of importance of the production and supply costs. The disagreement of the remaining 50% of experts is due to the assertion that most of the investigated companies subsidiaries that don’t allot significant funds for their own R&amp;D development.</td>
</tr>
<tr>
<td>H2</td>
<td>100%</td>
<td>There is an absolute agreement with the thesis that increasing the share of the STA expenditures in the general corporate budget leads to increasing the share of the general innovation activity costs.</td>
</tr>
<tr>
<td>H3</td>
<td>100%</td>
<td>The hypothesis defining statistical relationship between the share of the intra-firm innovation activity and the share of the joint innovation activity (in cooperation with international companies) has been fully confirmed.</td>
</tr>
<tr>
<td>H4</td>
<td>67%</td>
<td>67% of experts confirm the thesis that the increase of the share of the costs for improving the vocational education level of staff leads to a similar increase in the share of the S&amp;T activities costs. The disagreement of the 33% of the respondents is based on the opinion that the training costs for young Bulgarian specialists in the filed of automotive industry are minimal. In this connection, the experts suggest the following ways for solving the problem: (1) increasing the young professionals’ motivation for their continued involvement in the automotive sector of Bulgaria and (2) introduction of specialized disciplines in the sphere of machinery construction at the universities.</td>
</tr>
<tr>
<td>H5</td>
<td>50%</td>
<td>There are different opinions of experts regarding the statement that the innovation creation in cooperation with international organizations reduces the team work principle in the subsidiaries. The discrepancy in the experts opinions is due to the company profile. The executive directors of the investigated companies (50% of respondents) who manage the enterprises with the independent production of finished products consider that the team work principle should be strictly controlled, and the discipline principles should be kept. The second half – managers of young companies, carrying out the outsourcing orders, find some gaps in the team work principle building because of the reasons described above.</td>
</tr>
<tr>
<td>H6</td>
<td>100%</td>
<td>In outsourcing activities fulfillment the Bulgarian EPPAMV receive full funding from the parent companies. The investigation shows that the product innovations, developed in cooperation with foreign companies (the financial source are foreign direct investments) are not implemented truly on the Bulgarian market. Their origin and place of implementation is foreign and is oriented to external markets. So, the participation of the country where the production process is carried out has little significance. The only role of the government in this case consists in controlling law and constitutive processes, but not in funding.</td>
</tr>
</tbody>
</table>

The discrepancy in the experts opinions on the occasion of the first, fourth and fifth hypotheses is a precondition for further examination of the significance of the statements and an opportunity for future research in which long-term analysis will be made.
3. CONCLUSIONS

(1) The proposed model of the STA management in the innovation development as part of the automotive value chain reflects the actual state of the EPPAMV in Bulgaria.

(2) All correlations between dependent and independent variables in the model are statistically significant. The model approbation is carried out through the regression analysis. It shows a statistically unique distribution between dependent and independent variables and the absence of multi-co-linearity and standard deviation from the average values of the dependent variables.

(3) It is found that the following independent variables have the most positive influence on the dependent variables in the model: share of new/improved products/services (as a part of the innovation activity of the company) and share of new/improved production processes (as part of the innovation activity of the company).

(4) The dependent variables are influenced negatively by: the degree of the teamwork principle application and the degree of territorial remoteness between firms.

(5) The factor “relative share of new/improved products/services (as part of the innovation activity of the company)” contributes most to a prognosis of the dependent variables magnitude of the “share of STA expenditures in the general corporate budget” and the “share of the government funding for innovations”, while the factor “share of new/improved production processes (as part of the innovation activity of the company)” contributes significantly to predicting the magnitude of the “share of innovations developed in cooperation with other companies”.

(6) The majority of the total change of the dependent variables “share of the STA expenditures in the general corporate budget” and “share of the government funding for innovations” is due to the share of new/improved products/services (as part of the innovation activity of the company), while the share of new/improved production processes (as part of the innovation activity of the company) fixes the change of the share of innovations developed in cooperation with other companies.

(7) The factors: company reputation, basic company competences in the industry, share of new technologies exported to foreign markets, share of licenses for access to new technologies and share of the costs for improving the vocational education level of the staff exert an indirect influence on the model of the STA management in the innovation development as part of automotive value chain.

(8) The applicability of the developed model is evaluated and approved as significant one by experts in the field of automotive industry. As a result, the strongest influence on the dependent variables has the factor “share of the innovation activity of the company”

REFERENCES


Gedinach, V. (2011) „Studying the share of scientific and technological activities in the value chain of the automotive industry (methods and descriptive statistics)”. Scientific journal „Industrial management”, TU-Soﬁa /in the press/
National statistical institute (2008) „The economic activities classification (EAC-2008)”
OECD (2007) “Moving Up the Value Chain: Staying Competitive in the Global Economy; Main Findings”
Shelyubskaya, N. (1999) „Globalization and regional cooperation in the sphere of R&D”. MGIMO MID RF
Stoyanov, A. (2008) „Processing and analysis of data with SPSS”. Notes, Data management
The world’s automobile industry, www.oica.net
ABSTRACT
The paper presents several strategies to increase the performance and quality of local police public service. In this respect a case study was conducted from which only the questions pertaining to the service quality were extracted and processed.

The study highlighted the views of citizens on the assessment of service characteristics, the existence of corruption and abuse of office and local police behaviour in relation to citizens. The proposed strategies are focused on the staff involved in services providing, and the personnel members participated actively in its implementation.

KEY WORDS: strategy, quality assessment, behaviour, professional training.
JEL: M3, M31

1. BRIEF PRESENTATION OF THE LOCAL POLICE PUBLIC SERVICE IN THE MUNICIPALITIES FROM ROMANIA’S WESTERN REGION

Institutional status of the Local Police Public Service
The Local Police Public Service was established according to Law 155 of July 12, 2010 – The law of local police, published in the Official Gazette, Part I, no. 488 of 15 July 2010. This law, in Article 45, paragraph (1) puts into application the transformation of Community Police into Local Police, beginning with 1 January 2011.

We should remark that the local police took over the structures inherited from the community police, its personnel as well as the personnel from the Mayor’s specialised compartment in charge with the discipline in building control, environmental protection and trade, according to Article 71 and Article 74 of Government Decision no. 1332 of 23 December 2010 - the approval of the framework of local police organisation and operation, published in the Official Gazette, Part I, no. 882 of 29 December 2010. Due to many municipalities’ lack of funds available to local public budget, this law was implemented after 1 January 2011. We should point out that further duties were added related to the traffic on public roads and in the field of persons’ evidence and recording.

Mission, purpose and objectives of the Local Police Public Service
The main mission of the Local Police Public Service is to act in the interests of the local community, to ensure public order and safety, to guard objectives, assets and values of local public and private interest, exclusively on the basis and in the enforcement of the law, as well as the enforcement of the acts of the deliberative and executive authorities of the local public administration. The local police public service operates on the following principles: legality, reliability, predictability, proximity and

1 Assistant, PhD candidate, Faculty of Economics, University “Eftimie Murgu”, Romania, l.gherghina@yahoo.com
proportionality, openness and transparency, efficiency and effectiveness, accountability and responsibility, impartiality and non-discrimination.” (According to Article 1. (2) of the Law 155 of July 12, 2010).

The main goal of the Local Police Public Service, in the exercise of the attributions assigned to it, is to defend the fundamental rights and freedoms of individuals, private and public property, to prevent and uncover infringements of the law and contraventions. Thus we may say that the Local Police Public Service has the following purposes: to ensure public order and peace; to increase the efficiency of objectives guarding, the guarding of assets and values of public and private interest of the administrative units established by the local council, according to security public order plans approved by the Romanian Police; to identify violations of the law and apply sanctions for disturbing the peace and order, to ensure legal trade, environmental protection, traffic on public roads, discipline in constructions and street display, track people and deeds affecting the social climate; to apply to decisions of the Mayor and local council. It aims also at improving the mission and affirming the teams of agents (police workers) through co-operation activities between the local police public service with the Romanian Police, the Romanian Gendarmerie, the Romanian Border Police, the General Inspectorate for Emergency Situations and other central government authorities and local NGOs, with natural and legal persons under the law, for any events beyond its powers.

The general objective of the Local Police Public Service is to ensure the peace and safety of the community in full accordance with the imperatives of a modern European policy. One of the specific objectives is to affirm the public service on the local plane and beyond by a new dynamics of the quality of the services provided, so that it corresponds to the requirements that have to be met in the interest of the community, i.e. to have the capacity to operate with state-of-the art IT technique, equipment and uniforms corresponding to a European citizen. Another specific objective is focused on the improvement of management and adequate enforcement of the legislation in vigour, approaching thus a flexible strategy by the intensive development of the services accredited to operate at present, as well as the establishment of new services and training supply for the persons who wish to assure the guarding of objectives and assets from the public and private domain.

Based on its mission, goals and objectives, in terms of marketing we may define the Local Police Public Service as “the set of all material assets and services capable of ensuring public order and peace, guarding of objectives, assets and values of public and private interest, able to fight against the illicit trade activities and deeds which affect the social climate, to assure the protection of the environment, the traffic on public road, persons’ evidence and recording, as well as the discipline in constructions and street display of the community, 24 hours per day, 365 days a year. “(adapted legislation and apud Cristescu and Gherghina Liliana I. (2009), p. 209).

We should point out that all Local Police Public Services of Romania’s Western Region were organised as Directions / Divisions. These services may have legal personality or not, are funded from the local budget, thus they are services of the municipality / Mayor’s Office. The information related to the Local Police Public Service of the four municipalities of the Romanian Western Region were taken from the websites of the respective municipalities / Mayor’s Offices or of the local police, were processed and then described below.
The City of Timisoara. The headquarters of the Local Police Public Service in the city of Timisoara are located at the address 54, Imbroane Avram Street, postal code 300129, telephone / fax.: +40-256-246112, e-mail and website: dpctim@gmail.com; http://www.polcomtim.ro, http://www.primariatm.ro; personal data operator code: 12 748; slogan “Law and Order”; single emergency telephone number 968. The Timisoara Local Police Public Service was organised according to the aforementioned legislation, and the Timisoara Local Council Decision no. 441 of 20.12. 2010, as a public institution of local interest with legal personality. The total staff of the Timisoara Local Police Public Service is of 333 persons, of which 19 managerial officials and 314 execution personnel. The organigramme structure and the Frame Regulation for the organisation and operation comprise eight services, six offices and twelve compartments.

The City of Arad. The headquarters of the Local Police Public Service in the city of Arad are located at the address 18, General Ion Dragalina Street, ap. 34, telephone: +40-357-445937(38), fax: +40-357-445939 and web page: http://www.politialocalaarad.ro; http://www.primariaarad.ro, personal data operator code: 12 748, slogan “Concern and Persistence”; single emergency telephone number 0257-939. The Arad Local Police Public Service was organised and operates in accordance with the above legislation and Arad Local Council Decision no. 11 of 27.01.2011, being a local public institution with legal personality. The total staff of the Arad Local Police Public Service is made of 185 persons, of which 17 managerial officials and 168 execution personnel. The organigramme structure and the Frame Regulation for the organisation and operation comprise four services, seven offices and three compartments.

The City of Resita. The headquarters of the Local Police Public Service are situated at the address 39, Alexandru Ioan Cuza Avenue, building 3, 1st floor, Postal Code 320 118, telephone / fax.: +40-255-225445, dispatch phone: +40-255-226515, 0730-107962, e-mail: politialocala@primariaresita.ro and web page: http://www.politialocalaresita.ro, http://www.primariaresita.ro; personal data operator code: 5374. The Resita Local Police Public Service was organised and operates in compliance with the above legislation, as well as the Resita Local Council Decision no. 23 of 25.01. 2011, as a local public institution with legal personality. The total staff of the Resita Public Local Police Service is made of 83 persons, of which 5 persons in leadership positions and 78 execution staff. The organigramme structure and the Frame Regulation for the organisation and operation does not include any services, as it itself is considered a considered himself a service, i.e. the Local Police Public Service, and its structure includes four offices and seven compartments.

The City of Deva. The headquarters of the Local Police Public Service are situated at the address 12, Mihai Viteazu Street (near Deva Mall); telephone number: +40-254-232777, no e-mail address, as the information related to it may be found on the municipality website: http://www.primariadeva.ro/politia-locala. The local police dispatcher uses one emergency phone number, i.e. 0254-232777. Local Police Public Service was organised and operates in compliance with the aforementioned legislation and the Deva Local Council Decision no.1 of 07.01.2011, as a public service of local interest without legal personality, as it is part of the Mayor’s specialised apparatus. The total staff of the Deva Public Local Police Service is made of 65 persons, of which one person in managerial position and 64 execution employees. The organisational structure includes one service, two offices and eight compartments.
2. STRATEGIES RELATED TO THE QUALITY OF THE LOCAL POLICE PUBLIC SERVICE IN THE WESTERN REGION MUNICIPALITIES

The quality of the services provided by the Local Police Public Service is one of the strategic objectives of product policy, it can be verified by periodic checks on staff and marketing studies on public opinion. On will verify whether the quality of services meets customers’ requirements, i.e. if customers’ expectations have been met or perhaps exceeded, which leads to the satisfied quality or ideal quality of the service provided. There are certainly times when customers’ expectations are not fulfilled, which leads to an unsatisfied quality of the respective service. In close connection with the citizens’ complaints one will improve the service quality, so that it should offer performance, reliability, security, promptness, safety, as well as other customer requirements.

“In order to determine the services quality it is recommended to use the operational elements such as the marketing process, the design process, the service providing process and the service evaluation process”. (Gherghina L. (2009), p. 106).

In the case of the marketing process we should take into account: the quality of market analysis and research, the supplier’s obligations, the description of the service and its management, and the quality of advertising. During the design process one will describe the services to be provided, the means and methods used for its implementation and the assessment procedures for the service quality characteristics. The service providing process has a crucial role, because if the service provided does not meet the requirements of the expected service, the assessment process by the customer will be negative. Consequently, the focus should be placed on the external marketing, internal marketing and interactive marketing, studying thus the customers’ behaviour as well as the competency and loyalty of the public service employees.

The marketing research on the strategies aimed at improving the quality of the local police public services was based on questions Q12, Q14, Q15, Q18 and Q19 extracted from the 25-question questionnaire conceived for case study no. 4 of the PhD thesis - Marketing Strategies for the Local Police Public Service, elaborated by the author of this paper in view of its public presentation.

The case study was conducted on 1067 subjects, and when applying the questionnaires, the subjects were selected from parent population (625,698 persons, of which 293,581 males and 332,117 females). It used the quotas method along selection criteria such as: locality, gender, age and occupation. The analysis of responses was performed according to the above criteria, as well as the studies / education criterion, the subjects’ distribution being performed in accordance with the response rate on the application of the questionnaire along the following criteria: locality, gender and age. Thus, from the calculations made in consideration of the locality and gender criteria 531 subjects were determined (248 M+283 F) for Timisoara City (311,440, of which 145,462 M and 165,978 F), 281 subjects (131 M+150 F) for city Arad City (165,014 persons, of which 77,114 M and 87,900 F), 142 subjects (68 M+74 F) for Resita City (82,879 persons, of which 39,748 M and 43,131 F) and 113 subjects (53 M + 60 F) for Deva City (66,365 persons, of which 35,108 M and 31,257 F).

The scales used in the research were: ordinal scale (nonparametric) - Likert's scale (Q12), nominal scale (nonparametric) with binary variables (Q14 and Q15) and multiple variables (Q18). For question Q19, the results have been centralised in relation
with the subjects’ answers, which exhibited similar nuances of expression in certain cases, and consequently the most representative answers were considered.

Given the extraction of the above questions from the study questionnaire, in this paper we consider as **research hypothesis or assumptions that:**

- people are not aware of the Local Police attributions, powers which decisively contribute to the improvement of the service quality, i.e. its image, and of the satisfaction degree with local police members;
- there were no abuses and corruption among local police;
- citizens have felt an improvement in service quality due to the presence of the local police staff in the neighbourhoods, considering that public order in the urban areas is very important;
- citizens consider as important the psychological, social, moral, physical and professional qualities a local police officer should have, as they influence in a positive manner the behaviour of the local police officials towards citizens.

Following the centralisation of information, based on the questionnaire, the respective information was processed, analysed and certain conclusions were drawn regarding the marketing research. Based on the research results strategies were proposed to improve the quality of the Local Police Public Services in the four municipalities of Romania’s Western Region, strategies, which are presented below.

**Q12. Do you consider that the local police in your town is a police force that:**

<table>
<thead>
<tr>
<th>Evaluation</th>
<th>Timișoara</th>
<th>Arad</th>
<th>Reșița</th>
<th>Deva</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics of local police</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Favourable statements / unfavourable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A12.1. provides a close and constant contact with citizens</td>
<td>0.3615</td>
<td>0.3131</td>
<td>0.2042</td>
<td>0.3097</td>
</tr>
<tr>
<td>A12.2. is able to contribute to solving citizens’ problems within their competency field</td>
<td>0.3295</td>
<td>0.3665</td>
<td>0.6338</td>
<td>0.3628</td>
</tr>
<tr>
<td>A12.3. provides a climate of peace and safety for citizens</td>
<td>0.4896</td>
<td>0.4982</td>
<td>0.5774</td>
<td>0.4955</td>
</tr>
<tr>
<td>A12.4. gives contravention fines to citizens abusively</td>
<td>0.5687</td>
<td>0.4412</td>
<td>0.4084</td>
<td>0.4424</td>
</tr>
<tr>
<td>A12.5. fails to fulfil its duties appropriately</td>
<td>0.7608</td>
<td>0.6476</td>
<td>0.3661</td>
<td>0.6460</td>
</tr>
<tr>
<td><strong>Total score obtained</strong></td>
<td><strong>0.5021</strong></td>
<td><strong>0.4534</strong></td>
<td><strong>0.4380</strong></td>
<td><strong>0.4513</strong></td>
</tr>
</tbody>
</table>

From the above situation, we found that the scores in all localities, including the total score, are positive, which means that the inhabitants of the four county capitals appreciate the activity of the local police in a positive way. To improve the quality of services provided by the Local Police Public Service certain **strategies are proposed:**

- employing more staff, i.e. increasing the number of personnel, so that they could provide a close and constant contact with citizens, in particular in Resita and Deva;
- improving the competence of solving citizens’ problems, in Timisoara, Arad and Deva;
• ensuring a climate of enhanced peace and security for citizens, particularly in Timisoara. These measures can be achieved by increasing the number of staff;
• Reducing the number of fines that are perceived by citizens as being improperly applied, particularly in Timisoara;
• Applying ad hoc and repeated verifications of local police personnel regarding the adequate fulfilment of their duties and tasks, in Timișoara, Arad and Deva.

Q14. Are you aware of cases when local police officers of your city exercised any form of abuse while on duty?

Variants of response: [(A14.1.) Yes; (A14.2.) No]

After the centralised analysis by localities of the answers given to question Q14, we may state that:

• in Timișoara City most of the subjects are not aware of situations when local police officers exercised any abuse while on duty, the largest share is represented by the pensioners (93.98%), followed by employees (92.48%, of which workers-100%, office workers-97.06%), unemployed (90.91% of the unemployed-94.03%), females (48.96%), persons aged 60 and over 60 years (93.79%) and 40-59 years (93.22%), with doctoral degrees (100%), followed by persons with master graduates (95%) and general / compulsory education (92.11%).

• in Arad City the majority of subjects are not aware of situations when local police officers exercised any abuse while on duty, the largest proportion being made of the unemployed (94.29% of this category), followed by pensioners (94.29%), employees (91.43% of which workers and employees 100%), females (49.11%), persons aged 40-59 years and 60 to 60 years (93.62%), with master studies (100%), followed by people with doctoral degrees (100%) and general compulsory education graduates (95.45%).

• in Resita City most subjects are not aware of situations when local police officers exercised any abuse while on duty, the largest proportion being represented by the unemployed (95.65% of the unemployed-100%), followed by pensioners (95.65%), females (49.30%), persons aged 40-59 years (95.74%) and 60 and over 60 (93.75%), with compulsory and secondary education, post-secondary and doctoral degrees (100%).

• in Deva City the majority of the subjects are not aware of situations when local police officers exercised any abuse while on duty, the highest percentage being exhibited by the unemployed (96.43% of the unemployed-100%), followed by employees (89.66% of the workers and people with other occupations-100%), females (49.56%), persons aged between 14-39 (92.11%) and between 40-59 (91.89%) , graduates of compulsory and secondary education, of post-secondary studies and doctoral degrees (100%).

As regards the improvement of the quality of services provided by the Local Police Public Service while exercising the service (while on duty), in order to eliminate any abuse we forward strategies to be implemented related to:

• efficient communication of local policemen with young people, especially with school pupils, students and employees aged between 14-39, as well as with senior citizens – pensioners, aged over 60, both men and women, with graduates of compulsory, secondary and university education;
• monitoring the process of services provided by the employed personnel.
Q15. Do you have information about corruption among the local police members in your city?

Variants of response: [(A15.1.) Yes; (A15.2.) No]

After the centralised analysis by localities of the answers given to question Q14, we found that:

- in Timisoara City most of the subjects have no information that local police are corrupt, the largest share being represented by employees (98.50%, 100% employees-other occupations, 100%) and pensioners (98.50%), followed by the unemployed (96.21%, of which persons with no occupation, 98.51%), female subjects (50.47%), people aged 60 and over 60 (98.87%) and between 40-59 (98.31%), with doctoral degrees (100%), followed by those with secondary and vocational education (98.15%) and master graduates (97.50%).

- in Arad City most of the subjects have no information that local police are corrupt, the highest percentage being exhibited by employees (100% of the workers-100%, office workers-100%, intellectuals-100% other occupations-100%) and pensioners (100%), followed by the unemployed (97.14% of the unemployed-100%), females (50.18), persons aged 60 and over 60 (100%) and persons aged between 40-59 (97.87%), with higher education and PhD degrees (100%), followed by graduates of compulsory education (95.45%).

- in Resita City most of the subjects have no information that local police are corrupt, the largest proportion being made of students (100%) and unemployed (100% of the persons without occupation -100%, the unemployed -100%), followed by pensioners (95.65%), females (50%), persons aged 60 and over 60 (95.83%) and between 14-39 and 40-59 years of age (95.74%), with compulsory education, secondary education, college graduates, persons with university or PhD degrees (100%), followed by persons with secondary education (95.65%).

- in Deva City of the subjects have no information that local police are corrupt, the largest proportion being made of students (100%) and employees (100% of workers-100%, office workers-100%, intellectuals-100%), 100% persons with other occupations, followed by the unemployed (96.43% of the unemployed and persons without occupation-100-93%, 33%), females (50.44%), people aged between 14-39 (100%) and 40-59 (97.30%), with compulsory education, vocational education, secondary education and higher education (master or doctoral studies) (100%), followed by secondary school graduates (95.65%).

In order to eliminate corruption during the exercise of their serves (while on duty), for the improvement of the quality of the services provided by the Local Police Public Service we propose strategies focused on:

- elimination of corruption by all conceivable means;
- monitoring customers’ complaints;
- motivation of the employed staff by offering them awards, prizes, distinctions and a higher salary.

Q18. How do you evaluate the conduct of the local police officers towards citizens?

Variants of response: [(A18.1.) Very good; (A18.2.) Good; (A18.3.) Acceptable; (A18.4.) Inadequate]

From the centralised analysis by localities of the answers given to question Q18, we may conclude that:
• **in Timisoara City** the largest proportion of unemployed subjects (37.12% of the unemployed-38.46%), females (11.11%), persons aged between 40-59 (27.68%), graduates of higher education (27.96%) assessed the local police behaviour as very good; the pensioners (52.63%), male subjects (16.01%) and females (16.38%), persons aged between 60 and over 60 (51.41%), with compulsory education (52.63%) consider them to have a good behaviour; part of the students (75.19%) and employees (39.85% of the intellectuals-42.42%), males (21.09%) and females (24.11%), aged 14-39 (63.84%), graduates of secondary and vocational education (53.70%), believe that the local police behaviour is acceptable; whereas at the opposite pole part of the employees (3%, of which other occupations, 8.82%), males (0.94%), persons aged 14-39 (3.95%) and between 40-59 (3.95%), with secondary education (3.47%) and higher education (3.23%) assessed the local police conduct as inadequate.

• **in Arad City** the largest share of the unemployed subjects (34.29%, of which those with no occupation-34.29%), female subjects (10.32%), persons aged between 40-59 (25.53%), with higher education degree (30%), assessed the local police behaviour as very good; pensioners (54.29%) and employees (38.57% of the workers-56.25%), males (15.66%) and females (17.44%), aged between 60 and over 60 (51.06%), with doctoral studies (60%) and compulsory studies (40.91%), consider that the local police has a good behaviour; students (78.87%) and employees (41.43%, of which persons with other occupations-62, 50%), males (22.42%) and females (22.20%), aged between 14-39 (67.74%), with secondary education (51.52%), believe that the local police have an acceptable behaviour, whereas at the opposite pole we find part of the unemployed (5.71%, of which unemployed-8.57%), males (0.71%), people aged between 14-39 (3.23%) and between 40-59 (3.19%), with secondary education (3.79%), who think that the local police conduct is inadequate.

• **in Resita City** part of the retired subjects (10.87%) and of the unemployed (8.70% of the unemployed-8.33%), females (6.33%), people aged 60 and over 60 (10.42%), with higher education degree (15.38%), consider that the local police behaviour is very good; the unemployed (47.82% of the unemployed-72.73%), males (20.43%) and females (20.42%), aged between 60 and over 60 (45.83%), with master degrees (62.50%), consider that the local police have a good behaviour; school pupils-students (58.33%), employees (54.05%, of which intellectuals-office workers -60% and 60%), males (25.35%) and females (24.65) persons aged between 14-39 (59.57%), graduates of post-secondary school (85.71%) believe that the local police have an acceptable behaviour, and at the opposite pole we find part of school pupils and students (2.78%) and some of the pensioners (4.35%), males (2.12%), people aged between 14-39 (2.13%) , person aged between 60 and over 60 (6.25%), with compulsory studies (3.57%) and with higher education degrees (7.69%), who assessed the local police conduct as inadequate.

• **in Deva City** the largest share of the subjects with no jobs (28.57% of the unemployed-33, 33%), females (11.50%), persons aged 40-59 (21.62%), post-secondary school graduates (27.27%) consider that the local police behaviour is very good; part of the pensioners (39.29%) and employees (27.58% of the intellectuals-25%), males (15.93) and females (15.93%), persons aged 40-59 (35.14%) and 60 and over 60 (34.21%), persons with PhD degrees (50%)
consider the local police have a good behaviour; school pupils-students (67.86%), employees (55.17% of the intellectuals-75%), males (24.78%) and females (23.89%), people aged between 14-39 (60.53%), with compulsory education (63.20%) and master graduates (55.56%) believe that the local police have an acceptable behaviour, whereas at the opposite pole some of the unemployed (3.57% of the unemployed-67%) and some of the pensioners (3.57%), females (1.77%), of people aged between 40-59 (2.70%) and persons aged 60 and over 60 (2.63%), persons with compulsory education (5.30%) consider that the local police conduct is inadequate.

For the improvement of the behaviour of local police officers from inappropriate and acceptable to good and very good, we propose for the Local Police Public Service certain strategies focused on:

- direct marketing research, regarding the degree of perception and satisfaction of customers;
- actions meant to prevent the repetition of the mistakes occurred during the execution of the service;
- drawing up a high performance Plan of Professional and Specialisation Training of local police members, based on a well-established curriculum and syllabi, which should comprise specific police notions related to: professional training, juridical training (general legislation), technical training, physical training, as well as practical activities in the position of local police officer;

From the methodological viewpoint, the training should be performed in two forms: theoretical activities, i.e. teaching and learning theoretic information based on the legislation in vigour, with examples, individual study; applied activities, such as practical rehearsed activities, demonstrations etc. During the training one should use posters, demonstrative materials, films for practical presentations and exemplifications.

Q19. Please describe briefly the behaviour a local police officer should have:

From the answers given by the subjects we can remark that they placed the accent on the psychological, social, moral, physical and professional qualities of the local policemen, the subjects from the county capitals Timișoara, Arad, Reșița and Deva want that the local policemen should have an exemplary conduct which honours the institution, i.e.:

- to prove a better psychical, physical and professional training;
- to be much more correct, receptive, just, communicative, serious, honest, sociable, kind, polite, impartial, prompt, respectful, moral devoted, courageous;
- not to be arrogant and a liar and to exhibit civil spirit, with a positive attitude towards citizens;
- to commit no abuse while on duty and to refuse to be corrupted;
- to solve within the optimum delay the citizens’ problems, without favouring any of them;
- to enforce the law in accordance with the citizens’ interests;
- to have an impeccable tenure and to use an adequate language;
- to assure a climate of public peace and order and to confer confidence to citizens;
- to be present in large numbers at diverse events and in the neighbourhoods;
- to focus on the citizens’ needs and to have a closer contact with them;
• to fulfil and respect their job tasks in an appropriate manner;
• to impose respect by posture, truthfulness, civilised conduct and adequate language;
• to be operative and objective in his duty, able to adapt to any situation.

In this respect we propose a **strategy of permanent communication** with the citizens by all means and channels, in order to find out what their discontents are as regards the behaviour of local policemen.

### 3. CONCLUSIONS

So we may conclude that in order to provide high quality public services one must implement an informational system able to centralise and eliminate all the drawbacks occurred in the system of service providing. Thus, based on the above, one may take a series of measures and apply **strategies** regarding the increase of the number of qualified staff, trained in one of the schools of the Ministry of Administration and Internal Affairs, so that they participate actively in the solving of problems in their field of competency, assuring a better climate of peace and safety to citizens; furthermore, one needs to have an efficient communication between local policemen with the citizens, especially with the youth, assuring thus a closer and permanent contact with them; moreover, it is crucial to eliminate corruption by all means possible, and to monitor the citizens’ complains regarding any abuse in the execution of the services and beyond; one needs to monitor the process of service providing by the employed personnel, to motivate the employees by offering them awards, prizes, distinctions and other incentives. One must monitor the customers’ degree of perception and satisfaction with the help of direct marketing research, actions meant to prevent the repetition of mistakes occurred during the services, and one must elaborate a high performance plan of professional and specialisation training.

As a result of the service providing / consumption, the public services may be perceived as being: **below the accepted level**, which provokes the consumers’ disappointment, **within the tolerance zone**, considered to be satisfactory by the consumers, or **above the expected**, which surprises consumers in a pleasant manner.

Consequently, the supply of public services must be of high quality, a service satisfying the customers’ requirements at a high performance level in relation with other entities providing the same type of services. It is known that the providing of an excellent public service, permanently situated above the expected level is essential for the building and increase of the citizens’ confidence in the respective service.

### REFERENCES


Gherghina L., “Marketingul serviciilor-sinteze, teste, aplicații” / “Marketing of services –


REGIONAL ECONOMY AND PUBLIC ADMINISTRATION

Horia IRIMIA

ABSTRACT
The process of "regionalization" is a "top down" process, while "regionalism" has more of a "bottom up" sense. Regionalism is determined by history, culture, collective mentality. Regionalization requires a political decision at the level of the state, of the Parliament. Relevant inter-regional disparities are found (between counties which are parts of a region). There are opinions that favor a greater number of regions, with a greater homogeneity. One can find a significant dispersion of indicators that assess the level of development within the Development Regions.

After in 2007 the EU approved the POR 2007-2013 Regional Operational Program, the practical problem of establishing national growth poles, in order to finance the development projects with priority, was raised.

KEY WORDS: regionalization, regional development, growth poles, regions, counties

JEL: H83

The economy does not develop uniformly in space. It is a finding that led to a scientific approach to analyze the causes for which some regions are economically well developed and some have a very slow growth rate, or even regress. The first analysis of regional economic elements appear in the 19th century - the location of investments, exchange of goods between regions - in the 20th century structuring the regional economy is structured as a branch of economical sciences.

The evolution of scientific analysis on the regional, spatial economy, was followed by the elaboration of public policies on regional development. Obviously, public policies have also a political and administrative determination.

A year ago I published in "The Economic Tribune" the article "Regions - history, politics and economy" in which I argued the need to make a decision on regionalization of Romania until 2012, which is more difficult to achieve after the adoption of the EU financial framework for the period 2014-2020. This debate began this year and is very "lively".

The process of "regionalization" is a "top down" process, while "regionalism" has more of a "bottom up" sense. Regionalism is determined by history, culture, collective mentality. Regionalization requires a political decision at the level of the state, of the Parliament.

Regionalization can have a triple determination:

a) historical
b) political
c) economical.

We can distinguish several historical stages of the administrative-territorial organization of Romania (presented also in the maps attached):

- Until World War I - in the Kingdom of Romania counties are operational. In the territories "subordinated" to the Kingdom of Hungary (part of the Austro-Hungarian

1 PhD Candidate, University “Eftimie Murgu” of Reșița, Faculty of Economics Sciences, Romania
dualism) administrative units are represented by “districts” (Bucovina is directly "subordinated" to Austria).

- The interwar period was marked by the Law of administrative unification in 1925, into force from 1st of January 1926, which organized Romania in 71 counties. The Constitution of Carol II meant for two years (1938-1940) the organization in 10 "lands" (named after the rivers – the Sea land, the Danube, Dniester, Prut, Siret, Suceava, Mures, Cris, Timis, Jiu Arges).

- The "communist" period, when the counties are dropped (which was returned after the abdication of Carol II) and the regions were set up after the "Soviet model". In 1950, 28 regions are established, gradually reducing their number to 16. In 1968, the counties are reinstated. Initially 35 counties are proposed, but after much debate, 39 counties are set (the counties of Braila, Mehedinti, Covasna and Salaj are set up). In the 80’s, the counties of Calarasi and Giurgiu are established.

- After 1989, the organization on counties is kept. In the first decade after 1989, there was a move for the re-establishment of the "abusive abolished counties," but without success.

The First Regional Development Act of 1998 is the basis for the operation of 8 Development Regions, proposed by the Green Book of 1995-1997: North-East, South-East, South-Muntenia, Bucharest-Ilfov, South-West - Oltenia, West, Central, North West.

This delimitation is questionable from several points of view: historical, economic, sociological, cultural. I attended the first National Conference in 1997 which introduced this "regionalization". Indeed, NUTS 2 units, levels at which the EU regional policy of the EU is elaborated, requires regions with a population between 800,000 and 2,000,000. The counties are too small. But one could design a structure on 12 to 16 regions. Between counties and parts of a region there should be connections, real flows – cultural, goods, people, and infrastructure of truly regional interest. What connection is, for example, between Buzau and Constanta or Tulcea, both part of the South East Region? In the Western Region, the Hunedoara County has closer links with Transylvanian space than with the Banat one ... Although there may be an economic similarity with Caras Severin, - metallurgy, mining.

For better or worse, the regions and institutions necessary to carry out EU regional development programs have been set up. But in making the decisions, in selecting the projects that have received funding, in most cases the reasons were related to county priorities.

The current discussions about a new organization of regions mainly addresses two issues:

1) **The Regions to become also administrative regions**, with elected public authorities. There are two sub-variants:
   - keeping the counties
   - abolishing the counties.

   This is also a Constitutional matter. The Constitution should be modified.

2) **A new configuration of the regions**. Relevant inter-regional disparities are found (between counties which are parts of a region). There are opinions that favor a greater number of regions, with a greater homogeneity.

   One can find a significant dispersion of indicators that assess the level of development within the Development Regions. If we exclude from the calculation the "richest" Region, Bucharest - Ilfov, the disparity indices calculated within the current
development regions confirm that the internal gaps are larger in the bigger regions than
the ones between the regions (tables attached).

The current political context (up to this article) only allows for two options:
- Keeping the current situation
- Transforming the existing developing regions into administrative regions, with a name
to "counties" because "regions" are not provided in the Constitution, which one
predicts will be revised soon.

Below, I will present a different aspect of the regional economy and political-
administrative reality. Theories of growth poles have influenced the practical actions of
policy and administrative decision makers. Over the past 10 years, the European
institutions have placed an increasing emphasis on a balanced territorial development,
based on a polycentric development. There have been numerous studies that have aimed
to analyze the development potential of urban centers in the EU.

The first piece of legislation on the classification of urban centers in Romania
was Law 351 / 2001, concerning the approval of National Territory Planning -
Section IV – Network of localities, with subsequent updates. Bucharest is the only 0
rank locality, the following 11 municipalities being 1st rank urban localities: Bacau,
Brasov, Braila, Galati, Cluj-Napoca, Constanta, Craiova, Iasi, Oradea, Ploiesti, Timisoara.

The first official document mentioning the "indicative development poles" of
Romania was the 2007-2013 National Development Plan, which in December 2005
defined a number of "poles" as follows:
- 4 urban poles (according to ESPON) - European metropolises included in the
  continental network: Bucharest, Timisoara, Iasi, Constanta
- 4 transnational or national poles: Cluj-Napoca, Craiova, Brasov, Galati
- A number of regional or local poles.

During 2008, after in 2007 the EU approved the POR 2007-2013 Regional
Operational Program, the practical problem of establishing national growth poles,
in order to finance the development projects with priority, was raised. To substantiate
their decisions, specialized studies (GEA Group for Applied Economics) were developed.

A simplified model used was that by assigning each pole in Romania, with
European and national importance, a score from 0-5 (5 being the highest score). The
results of this exercise were as follows:

<table>
<thead>
<tr>
<th>0 and 1st rank municipalities</th>
<th>Population</th>
<th>Accessibility</th>
<th>Entrepreneurship Investments</th>
<th>Human Capital</th>
<th>Innovation</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacău</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Iaşi</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Braşov</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Oradea</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Cluj Napoca</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Brăila</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Galaţi</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Constanta</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>19</td>
</tr>
<tr>
<td>Craiova</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>17</td>
</tr>
<tr>
<td>Ploieşti</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>Timişoara</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>21</td>
</tr>
<tr>
<td>Bucureşti</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>23</td>
</tr>
</tbody>
</table>
Score 4 was assigned to Braila and Galati because they have together more than 500,000 inhabitants, and to the municipality of Ploiesti, which according to ESPON studies, together with Bucharest makes up a potential MEGA pole.

The accessibility criterion took into consideration the connection to the European transport networks - roads, railways, airports, ports. The innovation and human capital criterion placed high relevance on the power of university and research centers.

According to ROP, one national pole for each of the 8 development regions had to be established. In some Regions, the pole was obvious - Bucharest, Timisoara in Western Region, Craiova in South-West, Brasov in the Central Region, Ploiesti in Southern Muntenia. In other Regions there was some competition - between Cluj Napoca and Oradea in the North-West, between Iasi and Bacau in the North-East, between Constanta and Braila-Galati in the South East.

In order to implement Axis 1 of ROP 2007-2013, the Government Decision 998/2008 was adopted, to designate national growth poles, which was later on supplemented by GD 1149/2008. It provides:

1. The municipalities of Brasov, Cluj, Constanta, Craiova, Iasi, Timisoara and Ploiesti are designated as national growth poles in which investments from EU funded and national program are a priority;

2. The municipalities of Arad, Baia Mare, Bacau, Braila, Galati, Deva, Oradea, Pitesti, Ramnicu.Vâlcea, Satu Mare, Sibiu, Suceava, Tg. Mures, are designated as urban development poles in which ROP Priority Axis 1 investments are a priority.

Bucharest-Ilfov pole is considered of European importance and has a sub-domain specific of Axis 1 of the ROP 2007-2013.

In conclusion, analyses and studies in the field of regional sciences influence the political-administrative decision making process, decisions which in their turn have an effect on the subsequent evolution of the regional economies.

REFERENCES

Constantin , Daniela Luminiţa – Economie Regională , Teorii, modele, politici Editura ASE , 2010

Irîma, Horia – Regiunile – istorie,politică şi economie , Tribuna Economică nr.50 dn 2010

Irîmiţa, Horia – Descentralisation and Regional Development in Romanian’s West region , in the Perspective of European Union Integration.Intra and Inter-Regional Disparities, 46 Congress ERSA – Volos – Grecia, august 2006
Counties before World War I

Appendix 1

THE 64 COUNTRIES OF THE KINGDOM OF HUNGARY IN 1876

Appendix 2

THE 64 COUNTRIES OF THE KINGDOM OF HUNGARY IN 1876

The circle on the left bank of the Danube contains 13 counties:

- Baranya
- Békés
- Győr
- Szombathely
- Tata
- Tolna
- Vas
- Veszprém
- Zala

The circle on the right bank of the Danube contains 13 counties:

- Nógrád
- Pest
- Somogy
- Tolna
- Vas
- Veszprém
- Zala

The circle between the Danube and the Tisza contains 3 counties:

- Bács-Kiskun
- Borsod-Abaúj-Zemplén
- Szabolcs-Szatmár-Bereg

The circle on the left bank of the Tisza contains 11 counties:

- Borsod-Abaúj-Zemplén
- Baja
- Baranya
- Csongrád
- Győr-Nógrád
- Hajdú-Bihar
- Konopce
- Nógrád
- Somogy
- Tolna
- Veszprém

The circle on the right bank of the Tisza contains 11 counties:

- Borsod-Abaúj-Zemplén
- Baja
- Baranya
- Csongrád
- Győr-Nógrád
- Hajdú-Bihar
- Konopce
- Nógrád
- Somogy
- Tolna
- Veszprém

Transylvania contains 15 counties:

- Alba
- Brașov
- Cluj
- Covasna
- Hunedoara
- Maramureș
- Neamț
- Olt
- Prahova
- Sălaj
- Satu Mare
- Teleorman
- Vâlcea
- Vâlcea
- Vârosin

The circle between the Tisza and the Mezö contains 9 counties:

- Arad
- Caraș-Severin
- Timiș

203
Appendix 3

After Law of administrative unification in 1925-1926 – 71 counties

Appendix 4

Constitution of Carol II (1938-1940) the organization in 10 "lands"
Appendix 5

Regions 1950 - 1952

Appendix 6

Regions 1952-1956
Appendix 7

Regions 1960-1968

Appendix 8

1968 the counties are reinstated Initially 35 counties are proposed
1998 - 8 Development Regions

Appendix 9
EMOTIONAL INTELLIGENCE IN LEADERSHIP

Raul MALOȘ

ABSTRACT
This paper tries to highlight the connection between emotional intelligence and successfully or effective leaders, on one side, and how the emotional intelligence could determine the performance in a company on the other hand. It shows that effective leaders possess a high degree of emotional intelligence. Along with IQ and technical skills, emotional intelligence is the entry-level requirements for executive positions. Nowadays emotional intelligence is playing an important role at the highest levels of the company, and is often linked to exceptional performance. Social skill, part of emotional intelligence is another key component to successful leadership.

It has been examined the relationship between emotional intelligence and effective performance, especially in leaders. Also the paper points out that emotional intelligence shows itself on the job. So that, you can find in the paper an analysis of each component in emotional intelligence: self-awareness, self-regulation, motivation, empathy, and social skill.

KEY WORDS: leadership, emotional, intelligence, motivation, organization.

JEL: M20

1. INTRODUCTION

The nowadays studies show that emotional intelligence has become a vital part of how today's leaders meet the significant challenges they face. Emotional Intelligence can help leaders in an evermore difficult leadership role, one that fewer and fewer people seem capable of fulfilling. At the highest levels in organizations, emotional intelligence can give developing leaders a competitive edge.

Emotional Intelligence does not fit the classic historical models of leadership. The latter are usually associated with great figures of military history and conjure up charismatic and sometimes despotic images. However, people often use the same language for leadership today: brave and tough with a strong sense of purpose and resolve.

Successfully leaders possess a high degree of emotional intelligence. Along with IQ and technical skills and emotional intelligence are the entry-level requirements for executive positions. Emotional intelligence is playing an important role at the highest levels of the company, and is often linked to exceptional performance. Social skill is another key component to successful management.

Everyone knows a story about a highly intelligent, highly skilled executive who was promoted into a leadership position only to fail at the job. And they also know a story about someone with solid intellectual abilities and technical skills that was promoted into a similar position and then soared.

Recent studies show also that the most successfully leaders are alike in one crucial way: they all have a high degree of what has come to be known as emotional intelligence. It's not that IQ and technical skills are irrelevant. They do matter, but mainly as threshold capabilities, that is, they are the entry-level requirements for executive positions. Recent studies, clearly shows that emotional intelligence is the sine

---

1 Lecturer PhD., Faculty of Economics, Eftimie Murgu University of Reșița, România, r.malos@uem.ro
qua non of leadership. Without it, a person can have the best training in the world, an incisive, analytical mind, and an endless supply of smart ideas, but he still won't make a great leader.

2. THE COMPONENTS OF EMOTIONAL INTELLIGENCE

During the last decade interpersonal skills have become more integral to effective leadership (Goleman, (1998)). Where leaders were once seen to control, plan and inspect the overall running of an organization, in today’s more service-oriented industries, leadership roles are also to motivate and inspire others, to foster positive attitudes at work, and to create a sense of contribution and importance with and among employees (Hogan et al., (1994)). These contemporary leadership requirements have placed new demands on leadership training programs to develop these skills in evolving leaders and on organizations involved in leadership selection to identify them in potential candidates (Fulmer, (1997)). As a result, researchers has been exploring the underlying attributes and behaviors of leaders who successfully perform these contemporary leadership roles in order to identify leadership selection and training criteria for the recruitment and development of effective leaders (Sternberg, (1997)).

One variable that has recently gained much popularity as a potential underlying attribute of effective leadership is the construct of emotional intelligence (Sosik and Megerian, (1999)). Emotional intelligence is described as a set of abilities that refer in part to how effectively one deals with emotions both within oneself and others (Salovey and Mayer, (1990)). It has been proposed that in leadership, dealing effectively with emotions may contribute to how one handles the needs of individuals, how one effectively motivates employees, and makes them feel at work (Goleman, (1998)). Today’s effective leadership skills have been described to depend, in part, on the understanding of emotions and the abilities associated with Emotional intelligence (Ryback, (1998)).

Recent literature has sought to highlight the utility a priori, of this potential relationship, and drawn important theoretical links between emotional intelligence and leadership performance. Knowledge regarding exactly how emotional intelligence relates to leadership may lead to significant advances in leadership training and development programs, and the ability to select potentially effective leaders (Palmer et. al., (2001)).

In most organizational contexts, transformational as compared to transactional leadership is considered a more effective leadership style and is consistently found to promote greater organizational performance (Lowe and Kroeck, (1996)). In the present study effective leaders were considered to be those who reported themselves as having a transformational rather than transactional leadership style (Avolio et al., (1995)). Transformational leadership is more emotion-based compared to transactional leadership and involves heightened emotional levels (Yammarino and Dubinsky, (1994)).

It is predicted that there will be a stronger relationship between emotional intelligence and transformational leadership than between emotional intelligence and transactional leadership. If differences in emotional intelligence were to be found between transformational and transactional leaders it could be argued that they would most likely been seen in the higher, more complex skills of emotional intelligence. The ability to monitor emotions in oneself and others and the ability to manage emotions in
oneself and others are claimed to be later developing and psychologically more complex abilities of emotional intelligence (Mayer and Salovey, (1997)).

According to Goleman the components of emotional intelligence are (Goleman, (1998)):
- Self-awareness;
- Self-regulation;
- Motivation;
- Empathy;
- Social skill.

a) Self-Awareness

Self-awareness is the first component of emotional intelligence which makes sense when one considers that the Delphic oracle gave the advice to "know thyself" thousands of years ago. Self-awareness means having a deep understanding of one's emotions, strengths, weaknesses, needs, and drives. People with strong self-awareness are neither overly critical nor unrealistically hopeful. Rather, they are honest - with themselves and with others.

People who have a high degree of self-awareness recognize how their feelings affect them, other people, and their job performance. Thus a self-aware person who knows that tight deadlines bring out the worst in him plans his time carefully and gets his work done well in advance. Another person with high self-awareness will be able to work with a demanding client. She will understand the client's impact on her moods and the deeper reasons for her frustration. "Their trivial demands take us away from the real work that needs to be done," she might explain. And she will go one step further and turn her anger into something constructive.

How can one recognize self-awareness? First and foremost, it shows itself as candor and an ability to assess oneself realistically. People with high self-awareness are able to speak accurately and openly, although not necessarily effusively or confessional about their emotions and the impact they have on their work.

Such self-knowledge often shows itself in the hiring process. Ask a candidate to describe a time he got carried away by his feelings and did something he later regretted. Self-aware candidates will be frank in admitting to failure - and will often tell their tales with a smile. One of the hallmarks of self-awareness is a self-deprecating sense of humor.

Self-awareness can also be identified during performance reviews. Self-aware people know their limitations and strengths, and they often demonstrate a thirst for constructive criticism. By contrast, people with low self-awareness interpret the message that they need to improve as a threat or a sign of failure.

Self-aware people can also be recognized by their self-confidence. They have a firm grasp of their capabilities and are less likely to set themselves up to fail by, for example, overstretching on assignments. They know, too, when to ask for help. And the risks they take on the job are calculated. They won't ask for a challenge that they know they can't handle alone. They'll play to their strengths.

Senior executives don't often give self-awareness the credit it deserves when they look for potential leaders. Many executives mistake candor about feelings and fail to give due respect to employees who openly acknowledge their shortcomings. Such people are too readily dismissed as "not tough enough" to lead others.
In fact, the opposite is true. In the first place, people generally admire and respect candor. Further, leaders are constantly required to make judgment calls that require a candid assessment of capabilities, their own and those of others.

b) Self-Regulation

Biological impulses drive our emotions. We cannot do away with them but we can do much to manage them. Self-regulation, which is like an ongoing inner conversation, is the component of emotional intelligence that frees us from being prisoners of our feelings. People engaged in such a conversation feel bad moods and emotional impulses just as everyone else does, but they find ways to control them and even to channel them in useful ways.

Trying to find out why does self-regulation matter so much for leaders, we see that first of all, people who are in control of their feelings and impulses are able to create an environment of trust and fairness. In such an environment, politics and infighting are sharply reduced and productivity is high. Talented people flock to the organization and aren't tempted to leave. And self-regulation has a trickle-down effect. No one wants to be known as a hothead when the boss is known for his or her calm approach. Fewer bad moods at the top mean fewer throughout the organization.

Second, self-regulation is important for competitive reasons. Everyone knows that business today is rife with ambiguity and change. Companies merge and break apart regularly. Technology transforms work at a dizzying pace. People who have mastered their emotions are able to roll with the changes. When a new change program is announced, they don't panic, instead, they are able to suspend judgment, seek out information, and listen to executives explain the new program. As the initiative moves forward, they are able to move with it.

Many of the bad things that happen in companies are a function of impulsive behavior. People rarely plan to exaggerate profits, pad expense accounts, dip into the till, or abuse power for selfish ends, instead, an opportunity presents itself, and people with low impulse control just say yes.

The signs of emotional self-regulation are not hard to miss:
A propensity for reflection and thoughtfulness;
Comfort with ambiguity and change;
Integrity - an ability to say no to impulsive urges.

Like self-awareness, self-regulation often does not get its due. People who can master their emotions are sometimes seen as cold fish. People with fiery temperaments are frequently thought of as classic leaders, their outbursts are considered hallmarks of charisma and power. But when such people make it to the top, their impulsiveness often works against them. Therefore extreme displays of negative emotion have never emerged as a driver of good leadership.

c) Motivation

If there is one trait that virtually all effective leaders have, it is motivation. They are driven to achieve beyond expectations, their own and everyone else's. The key word here is achieved. Plenty of people are motivated by external factors such as a big salary or the status that comes from having an impressive title or being part of a prestigious company. By contrast, those with leadership potential are motivated by a deeply embedded desire to achieve for the sake of achievement.

If you are looking for leaders, how can you identify people who are motivated by the drive to achieve rather than by external rewards? The first sign is a passion for the work itself, such people seek out creative challenges, love to learn, and take great
pride in a job well done. They also display an unflagging energy to do things better. People with such energy often seem restless with the status quo. They are persistent with their questions about why things are done one way rather than another, they are eager to explore new approaches to their work.

People with low achievement motivation are often fuzzy about results. Those with high achievement motivation often keep score by tracking such hard measures as profitability or market share. I know of a money manager who starts and ends his day on the Internet, gauging the performance of his stock fund against four industry-set benchmarks.

People with high motivation remain optimistic even when the score is against them. In such cases, self-regulation combines with achievement motivation to overcome the frustration and depression that come after a setback or failure.

Executives trying to recognize high levels of achievement motivation in their people can look for one last piece of evidence: commitment to the organization. When people love their job for the work itself, they often feel committed to the organizations that make the work possible. Committed employees are likely to stay with an organization even when they are pursued by headhunters waving money.

It's not difficult to understand how and why a motivation to achieve translates into strong leadership. If you set the performance high for yourself, you will do the same for the organization when you are in a position to do so. Likewise, a drive to surpass goals and an interest in keeping score can be contagious. Leaders with these traits can often build a team of managers around them with the same traits. And of course, optimism and organizational commitment are fundamental to leadership.

*d) Empathy*

Of all the dimensions of emotional intelligence, empathy is the most easily recognized. We have all felt the empathy of a sensitive teacher or friend, we have all been struck by its absence in an unfeeling coach or boss. But when it comes to business, we rarely hear people praised, let alone rewarded, for their empathy.

But empathy doesn't mean a kind of "I'm okay, you're okay" mushiness. For a leader it doesn't mean adopting other people's emotions as one's own and trying to please everybody. Rather, empathy means thoughtfully considering employees' feelings in the process of making intelligent decisions.

Empathy is particularly important today as a component of leadership for at least three reasons: the increasing use of teams; the rapid pace of globalization; and the growing need to retain talent.

Globalization is another reason for the rising importance of empathy for business leaders. Cross-cultural dialogue can easily lead to miscues and misunderstandings. People who have it are attuned to subtleties in body language, they can hear the message beneath the words being spoken. Beyond that, they have a deep understanding of the existence and importance of cultural and ethnic differences.

Finally, empathy plays a key role in the retention of talent, particularly in today's information economy. Leaders have always needed empathy to develop and keep good people, but today the stakes are higher. When good people leave, they take the company's knowledge with them.

That's where coaching and mentoring come in. It has repeatedly been shown that coaching and mentoring pay off not just in better performance but also in increased job satisfaction and decreased turnover. But what makes coaching and mentoring work best is the nature of the relationship. Outstanding coaches and mentors get inside the heads
of the people they are helping. They sense how to give effective feedback. They know when to push for better performance and when to hold back.

Leaders with empathy do more than sympathize with people around them: they use their knowledge to improve their companies in subtle but important ways.

e) Social Skill

As a component of emotional intelligence, social skill is not as simple as it sounds. It's not just a matter of friendliness, although people with high levels of social skill are rarely mean-spirited. Social skill, rather, is friendliness with a purpose: moving people in the direction you desire, whether that's agreement on a new marketing strategy or enthusiasm about a new product.

Socially skilled people tend to have a wide circle of acquaintances, and they have a knack for finding common ground with people of all kinds. That doesn't mean they socialize continually, it means they work according to the assumption that nothing important gets done alone. Such people have a network in place when the time for action comes.

Social skill is the culmination of the other dimensions of emotional intelligence. People tend to be very effective at managing relationships when they can understand and control their own emotions and can empathize with the feelings of others. Even motivation contributes to social skill. Remember that people who are driven to achieve tend to be optimistic, even in the face of setbacks or failure.

Because it is the outcome of the other dimensions of emotional intelligence, social skill is recognizable on the job in many ways that will by now sound familiar. Socially skilled people, for instance, are adept at managing teams. Likewise, they are expert persuaders, a manifestation of self-awareness, self-regulation, and empathy combined. Given those skills, good persuaders know when to make an emotional plea, for instance, and when an appeal to reason will work better. And motivation, when publicly visible, makes such people excellent collaborators; their passion for the work spreads to others, and they are driven to find solutions.

Sometimes social skill shows itself in ways the other emotional intelligence components do not. For instance, socially skilled people may at times appear not to be working while at work. They seem to be idly schmoozing, chatting in the hallways with colleagues or joking around with people who are not even connected to their real jobs. Socially skilled people, however, don't think it makes sense to arbitrarily limit the scope of their relationships. They build bonds widely because they know that in these fluid times, they may need help someday from people they are just getting to know today.

3. CONCLUSIONS

Scientific inquiry strongly suggests that there is a genetic component to emotional intelligence. Psychological and developmental research indicates that nurture plays a role as well. How much of each perhaps will never be known, but research and practice clearly demonstrate that emotional intelligence can be learned.

Those leaders who considered themselves to motivate and inspire subordinates to work towards common goals (inspirational motivation), reported that they monitored and managed emotions both within themselves and others. Similarly, those leaders who rated themselves as paying special attention to the achievement and developmental needs of subordinates (individualized consideration) also rated themselves as more likely to monitor and manage emotions both within themselves and in others.
Understanding precisely how emotional intelligence relates to effective leadership may have several implications for human resource practitioners and leadership search firms, particularly in the area of selection and leadership development. Specifically, aspects of emotional intelligence identified as underlying attributes of effective leaders may provide additional selection criteria for identifying potentially effective leaders. Moreover, research on emotional intelligence and effective leadership may identify new sets of emotion-based skills, which could be used in leadership training and development programs to enhance leadership effectiveness. The knowledge gained from research into emotional intelligence and leadership may increase the understanding of effective leadership and help produce powerful tools for the selection, and training and development of leaders, potentially enhancing organizational climates and performance.

REFERENCES


Palmer B., Walls M., Burgess Z., Stough C., (2001) , Emotional Intelligence and effective leadership, Leadership & Organization Development Journal vol.22/1, pp 5-10


ABSTRACT
The paper tries to highlights the main traits that a successfully leader need to have in order to achieve performance. It shows that certain traits alone do not guarantee leadership success, and there is evidence that effective leaders are different from other people in certain key respects. The key leaders traits that the paper intended to point out are: drive, which includes achievement motivation, ambition, energy, tenacity, and initiative; leadership motivation; honesty and integrity; self-confidence; cognitive ability, and knowledge of the business. The paper also reminds that the new methods and techniques that leadership researches have access to reveal the significant relationships exist between leadership and individual traits.

KEY WORDS: leadership, leader, trait, theory, methods.
JEL: M20

1. INTRODUCTION

Humanity was preoccupied with personal security, maintenance, protection, and survival. Now humanity spends a major portion of waking hours working for organizations. The need to identify with a community that provides security, protection, maintenance, and a feeling of belonging has continued unchanged from prehistoric times. This need is met by the informal organization and its emergent, or unofficial, leaders.

Organization expresses the personal objectives and goals of the individual membership. Their objectives and goals may or may not coincide with those of the formal organization. The informal organization represents an extension of the social structures that generally characterize human life, the spontaneous emergence of groups and organizations as ends in themselves.

Leadership patricians emerge from within the structure of the informal organization. Their personal qualities, the demands of the situation, or a combination of these and other factors attract followers who accept their leadership within one or several overlay structures. Instead of the authority of position held by an appointed head or chief, the emergent leader wields influence or power. Influence is the ability of a person to gain co-operation from others by means of persuasion or control over rewards. Power is a stronger form of influence because it reflects a person's ability to enforce action through the control of a means of punishment.

Leadership has been described as the process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task. Other in-depth definitions of leadership have also emerged. Leadership is ultimately about creating a way for people to contribute to making something extraordinary happen, or effective leadership is the ability to successfully integrate and maximize available resources within the internal and external environment for the attainment of organizational or societal goals.

---

1 Lecturer PhD., Faculty of Economics, Eftimie Murgu University of Reşiţa, România, r.malos@uem.ro
2. TRAIT THEORY IN LEADERSHIP

Leadership traits have a controversial history. In the 19th and early 20th centuries, "great man" leadership theories were highly popular. These theories asserted that leadership qualities were inherited, especially by people from the upper class. Great men were born, not made (in those days, virtually all business leaders were men). Today, great man theories are a popular foil for so-called superior models. To make the new models plausible, the "great men" are endowed with negative as well as positive traits.

Early in the 20th century, the great man theories evolved into trait theories. Trait theories did not make assumptions about whether leadership traits were inherited or acquired. They simply asserted that leaders' traits are different from non-leaders. Traits such as height, weight, and physique are heavily dependent on heredity, whereas others such as knowledge of the industry are dependent on experience and learning.

The trait view was brought into question during the mid-century when a prominent theorist, Ralph Stogdill, after a thorough review of the literature concluded that "A person does not become a leader by virtue of the possession of some combination of traits." (R.M. Stogdill (1948)) Stogdill believed this because the research showed that no traits were universally associated with effective leadership and that situational factors were also influential. For example, military leaders do not have traits identical to those of business leaders.

Characteristics alone, however, are not sufficient for successful business leadership, they are only a precondition. (Kirkpatrick et. al. (1991)) Leaders who possess the requisite traits must take certain actions to be successful (e.g. formulating a vision, role modelling, setting goals). Possessing the appropriate traits only makes it more likely that such actions will be taken and be successful. After summarizing the core leadership traits, we will discuss these important actions and the managerial implications.

Six characteristics on which leaders differ from non-leaders include: drive, the desire to lead, honesty/integrity, self-confidence, cognitive ability, and knowledge of the business. (B.M. Bass (1990))

a) Drive

The first characteristic is labelled "drive" which is not to be confused with physical need deprivation. We use the term to refer to a constellation of traits and motives reflecting a high effort level. Five aspects of drive include achievement motivation, ambition, energy, tenacity, and initiative.

- Achievement. Leaders have a relatively high desire for achievement. The need for achievement is an important motive among effective leaders and even more important among successful entrepreneurs. High achievers obtain satisfaction from successfully completing challenging tasks, attaining standards of excellence, and developing better ways of doing things. To work their way up to the top of the organization, leaders must have a desire to complete challenging assignments and projects. This also allows the leader to gain technical expertise, both through education and work experience, and to initiate and follow through with organizational changes.

- Ambition. Leaders are very ambitious about their work and careers and have a desire to get ahead. To advance, leaders actively take steps to demonstrate their drive and determination. Ambition impels leaders to set hard, challenging goals for themselves and their organizations.
- Energy. To sustain a high achievement drive and get ahead, leaders must have a lot of energy. Working long, intense work weeks (and many weekends) for many years, requires an individual to have physical, mental, and emotional vitality. Leaders are more likely than nonleaders to have a high level of energy and stamina and to be generally active, lively, and often restless. Leaders have been characterized as "electric, vigorous, active, full of life" as well as possessing the "physical vitality to maintain a steadily productive work pace." (J.M. Kouzes and B.Z. Posner (1987))
- Tenacity. Leaders are better at overcoming obstacles than nonleaders. They have the "capacity to work with distant objects in view" and have a "degree of strength of will or perseverance." (B.M. Bass (1990)) Leaders must be tirelessly persistent in their activities and follow through with their programs. Most organizational change programs take several months to establish and can take many years before the benefits are seen. Leaders must have the drive to stick with these programs, and persistence is needed to ensure that changes are institutionalized.
- Initiative. Effective leaders are proactive. They make choices and take action that leads to change instead of just reacting to events or waiting for things to happen; that is, they show a high level of initiative.

b) Leadership Motivation

Studies show that leaders have a strong desire to lead. Leadership motivation involves the desire to influence and lead others and is often equated with the need for power. People with high leadership motivation think a lot about influencing other people, winning an argument, or being the greater authority. They prefer to be in a leadership rather than subordinate role. The willingness to assume responsibility, which seems to coincide with leadership motivation, is frequently found in leaders.

Psychologist Warren Bennis and colleague Burt Nanus state that power is a leader's currency, or the primary means through which the leader gets things done in the organization. (W.G. Bennis and B. Nanus (1985)) A leader must want to gain the power to exercise influence over others. Also, power is an "expandable pie," not a fixed sum; effective leaders give power to others as a means of increasing their own power. Effective leaders do not see power as something that is competed for but rather as something that can be created and distributed to followers without detracting from their own power.

Successful leaders must be willing to exercise power over subordinates, tell them what to do, and make appropriate use of positive and negative sanctions. Previous studies have shown inconsistent results regarding dominance as a leadership trait. According to Harvard psychologist David McClelland, this may be because there are two different types of dominance: a personalized power motive, or power lust, and a socialized power motive, or the desire to lead. (D.C. McClelland (1965))
- Personalized Power Motive. Although a need for power is desirable, the leader's effectiveness depends on what is behind it. A leader with a personalized power motive seeks power as an end in itself. These individuals have little self-control, are often impulsive, and focus on collecting symbols of personal prestige. Acquiring power solely for the sake of dominating others may be based on profound self-doubt. The personalized power motive is concerned with domination of others and leads to dependent, submissive followers.
- Socialized Power Motive. In contrast, a leader with a socialized power motive uses power as a means to achieve desired goals, or a vision. Its use is expressed as the
ability to develop networks and coalitions, gain cooperation from others, resolve conflicts in a constructive manner, and use role modelling to influence others.

c) Honesty and Integrity

Honesty and integrity are virtues in all individuals, but have special significance for leaders. Without these qualities, leadership is undermined. Integrity is the correspondence between word and deed and honesty refers to being truthful or non-deceitful. The two form the foundation of a trusting relationship between leader and followers.

In his comprehensive review of leadership, psychologist Bernard Bass found that student leaders were rated as more trustworthy and reliable in carrying out responsibilities than followers. Similarly, British organizational psychologists Charles Cox and Cary Cooper's "high flying" (successful) managers preferred to have an open style of management, where they truthfully informed workers about happenings in the company. Morgan McCall and Michael Lombardo of the Centre for Creative Leadership found that managers who reached the top were more likely to follow the following formula: "I will do exactly what I say I will do when I say I will do it. If I change my mind, I will tell you well in advance so you will not be harmed by my actions."(M.W. McCall and M.M. Lombardo (1983))

Successful leaders are open with their followers, but also discreet and do not violate confidences or carelessly divulge potentially harmful information. One subordinate in a study by Harvard's John Gabarro made the following remark about his new president: "He was so consistent in what he said and did, it was easy to trust him." Another subordinate remarked about an unsuccessful leader, "How can I rely on him if I can't count on him consistently?"(J.J. Gabarro (1987))

Honesty is absolutely essential to leadership. After all, if we are willing to follow someone, whether it be into battle or into the boardroom, we first want to assure ourselves that the person is worthy of our trust.

d) Self-Confidence

There are many reasons why a leader needs self-confidence. Being a leader is a very difficult job. A great deal of information must be gathered and processed. A constant series of problems must be solved and decisions made. Followers have to be convinced to pursue specific courses of action. Setbacks have to be overcome. Competing interests have to be satisfied. Risks have to be taken in the face of uncertainty. A person riddled with self-doubt would never be able to take the necessary actions nor command the respect of others.

Self-confidence plays an important role in decision-making and in gaining others' trust. Obviously, if the leader is not sure of what decision to make, or expresses a high degree of doubt, then the followers are less likely to trust the leader and be committed to the vision.

Not only is the leader's self-confidence important, but so is others' perception of it. Often, leaders engage in impression management to bolster their image of competence; by projecting self-confidence they arouse followers' self-confidence. Self-confident leaders are also more likely to be assertive and decisive, which gains others' confidence in the decision. This is crucial for effective implementation of the decision. Even when the decision turns out to be a poor one, the self-confident leader admits the mistake and uses it as a learning opportunity, often building trust in the process.

e) Cognitive Ability
Leaders must gather, integrate, and interpret enormous amounts of information. These demands are greater than ever today because of rapid technological change. Thus, it is not surprising that leaders need to be intelligent enough to formulate suitable strategies, solve problems, and make correct decisions.

Leaders have often been characterized as being intelligent, but not necessarily brilliant and as being conceptually skilled. Kotter states that a "keen mind" (i.e., strong analytical ability, good judgement, and the capacity to think strategically and multidimensional) is necessary for effective leadership, and that leadership effectiveness requires "above average intelligence," rather than genius.

Intelligence may be a trait that followers look for in a leader. If someone is going to lead, followers want that person to be more capable in some respects than they are. Therefore, the follower's perception of cognitive ability in a leader is a source of authority in the leadership relationship.

f) Knowledge of the Business

Effective leaders have a high degree of knowledge about the company, industry, and technical matters. Technical expertise enables the leader to understand the concerns of subordinates regarding technical issues. Harvard Professor John Kotter argues that expertise is more important than formal education.

Effective leaders gather extensive information about the company and the industry. Most of the successful general managers studies by Harvard's Kotter spent their careers in the same industry, while less successful managers lacked industry-specific experiences. Although cognitive ability is needed to gain a through understanding of the business, formal education is not a requirement. Only forty percent of the business leaders studied by Bennis and Nanus had business degrees. In-depth knowledge of the organization and industry allows effective leaders to make well-informed decisions and to understand the implications of those decisions.

New methods and measurements were developed after these influential reviews that would ultimately reestablish the trait theory as a viable approach to the study of leadership. For example, improvements in researchers' use of the round robin research design methodology allowed researchers to see that individuals can and do emerge as leaders across a variety of situations and tasks. (Tagger S. (1999)) Additionally, during the 1980s statistical advances allowed researchers to conduct meta-analyses, in which they could quantitatively analyze and summarize the findings from a wide array of studies. This advent allowed trait theorists to create a comprehensive and parsimonious picture of previous leadership research rather than rely on the qualitative reviews of the past.

Equipped with new methods, leadership researchers revealed the following:

a) Individuals can and do emerge as leaders across a variety of situations and tasks.

b) Significant relationships exist between leadership and such individual traits as:

- Intelligence
- Adjustment
- Extraversion
- Conscientiousness
- Openness to experience
- General self-efficacy
While the trait theory of leadership has certainly regained popularity, its re-emergence has not been accompanied by a corresponding increase in sophisticated conceptual frameworks.

4. CONCLUSIONS

Regardless of whether leaders are born or made or some combination of both, it is unequivocally clear that leaders are not like other people. Leaders do not have to be great men or women by being intellectual geniuses or omniscient prophets to succeed, but they do need to have the "right stuff" and this stuff is not equally present in all people. Leadership is a demanding, unrelenting job with enormous pressures and grave responsibilities. It would be a profound disservice to leaders to suggest that they are ordinary people who happened to be in the right place at the right time. Maybe the place matters, but it takes a special kind of person to master the challenges of opportunity. Let us not only give credit, but also use the knowledge we have to select and train our future leaders effectively. We believe that in the realm of leadership (and in every other realm), the individual does matter.

However, there are some limitations of trait theories, and these limitations refer as the facts that trait theories still:
- focus on a small set of individual attributes such as Big Five personality traits, to the neglect of cognitive abilities, motives, values, social skills, expertise, and problem-solving skills;
- fail to consider patterns or integrations of multiple attributes;
- do not distinguish between those leader attributes that are generally not malleable over time and those that are shaped by, and bound to, situational influences;
- do not consider how stable leader attributes account for the behavioural diversity necessary for effective leadership.

REFERENCES

Kouzes J.M., Posner B.Z., The Leadership Challenge: How to Get Things Done in Organizations
MANAGERIAL EFFICIENCY IN TRADE AND COMMERCE ACTIVITY

Venera MANCIU

ABSTRACT
This paper presents the results of a survey aiming at studying the attitude of Reşiţa’s population as regards the efficiency of the trade and services firms. In order to get a detailed image on all aspects, we made appeal to diverse methods for studying the performance and conduct of Reşiţa firms of trade and services, which are founded on obtaining information directly from consumers.

KEY WORDS: trade, commerce, consumer, survey, Resita
JEL: M30

1. INTRODUCTION
At present an important issue for the managerial efficiency of the commerce activity is reaching consumers’ faithfulness, which may be an advantage for any trader. Offering consumers an attractive location and a diversified range of products is increasingly important, although not sufficient, as today’s consumers have many options, which triggers stronger efforts of traders to attract them, preserve them and turn them into faithful customers.

In the case of present commerce activity, traders have numerous modalities to communicate with their potential consumers, putting thus to optimum use all the strategies conceived for this purpose. Irrespective of the location consumers choose as shopping destination, traders have consistent methods to keep in though with them and to make hem chose their products. Trading today means not only understanding consumers, but also initiating and maintaining an appropriate dialogue with them.

2. DATA AND METHODOLOGY
For this purpose, we found it opportune to perform a survey aiming at studying the attitude of Reşiţa’s population as regards the efficiency of the trade and services firms. In order to get a detailed image on all aspects, we shall make appeal to diverse methods for studying the performance and conduct of Reşiţa firms of trade and services, which are founded on obtaining information directly from purchasers, i.e. consumers.

We performed an efficient study that needed a programming first, establishing the stages and necessary resources for its optimum achievement and for getting the most relevant information required for the decision-making process. As a result of this study, which is a quality research on a representative sample (72 persons), using a sampling method the method of quotas, we got the following results:

1. The subjects’ attitude towards the management of Reşiţa’s trade and services companies. Half (50.00%) of the interviewed subjects are content with the

---

1 Associate Professor Phd, Faculty of Economics, “Eftimie Murgu” University Resita, Romania, veneracristina@yahoo.com
manner in which commerce and services activity in Reşiţa is currently taking place (i.e. 55.88% of men and 44.74% of women). As for age, 81.81% of the people aged between 50-59 are content with the management of Reşiţa's trade and services firms. As regards occupation, intellectuals (66.67%) represent the highest percentage. The other half of the questioned persons declare to be discontent with the management of trade and services firms (representing 44.12% of men and 55.26% of women). Regarding the age criteria, the highest percentage (92.86%) is represented by the persons under 20, that is students and school pupils.

2. The position of the interviewed subjects regarding the behaviour of Reşiţa’s commerce and services firms towards consumers. Most of the interviewed subjects, 52.78% (44.12% of and 60.53% of women) are relatively content with the behaviour of trade and services firms of Reşiţa toward consumers. According to the age criterion, the highest percentage, 83.34%, is represented by persons with ages ranging between 20 and 29, who also declare to be relatively content. As for the occupation, the persons of the category “other occupations” gave the highest percent of answers regarding this case, 72.73%. At the opposite pole, the lowest percentage, 22.22% (20.59% of men and 23.68% of women) is represented by the persons grading as insufficient the manner in which Reşiţa's trade and services companies are behaving with consumers, the lowest percentage, i.e. 8.33%, being exhibited by persons between 20 and 29 years of age. As regards the occupation criterion, the persons from the professional category “other occupations” are those who state to be insufficiently satisfied with the way in which these firms interact with consumers, allotting it a percentage of 9.00% in this case.

We should point out that 25.00% of the interviewed persons are satisfied with the behaviour of Reşiţa's trade and services companies as regards their relation with consumers.

3. The perspective of the interviewed subjects on the most efficient publicity methods. 34.72% (32.65% men and 36.85% women) of the respondents consider that the most efficient publicity method used by firms is advertising and publicity in se, and this is the also opinion of persons under 20, who exhibit a percentage of 57.14%. Thus in this case the maximum percentage is represented by school pupils and students. We should remark that only 16.67% (11.76% of men and 21.05% of women) of subjects consider that the promotion of goods and services is more successful through mass-media, the lowest percentage of 3.00% being exhibited by people under 20 and those between 50 – 59 years of age. As for occupation, the school pupils and students registered the lowest percentage, 2.00%, in this case. We remark that a relatively high percentage of the interviewed subjects, namely 30.56%, affirm that among these methods of publicity, able to promote considerable sales, are flyers. We should nevertheless underline that part of the respondents, 18.06%, appreciate that the publicity of goods and services has a higher efficiency in newspapers.

4. The subjects’ attitude towards the price–quality ratio. Most of the questioned subjects, 48.61% (41.18% of men and 55.26% of women) think that prices are not directly proportional with the quality of services or products supplied by these companies. As regards age, 75.00% of the people aged between 20 and 29 are dissatisfied with the quality-price ratio for the Reşiţa’s trade and commerce firms, whereas when it comes to occupation the highest percentage is represented by office workers, 69.23%, who are of the same opinion.
The lowest percentage, i.e. 12.50% (26.47% of men and 5.00% of women) is exhibited by those who consider that prices are directly proportional with the quality of the services provided by the Reşita trade and services firms. As far as age is concerned, the lowest percentage, 2.00%, is represented by the persons aged 30-39 as well as 50 – 59, and according to the occupation criterion, the lowest percentage, more precisely 7.14%, was represented by school pupils and students.

We can remark that 38.89% of consumers consider that prices are not always directly proportional with the quality of services, which highlights the slight drawbacks in the policy of leadership and organisation of firms as regards the manufacture process. Nevertheless they do not exclude the situation when the price and the product or services quality are actually in synch.

5. **The interviewed persons' attitude regarding the advantages or disadvantages of competition among firms.** Most of the questioned persons, 37.50% (41.8% of men and 34.21% of women) share the opinion that competition among firms is not always beneficial and advantageous for consumers. As regards age, the maximum percentage is represented by the people aged 50-59, who say that competition among firms is not always beneficial or to the advantage of consumers. As for occupation, 53.84% of office workers think that the competition among firms is not always really beneficial for consumers.

In parallel however, the lowest percentage, 29.17% (17.64% of men and 39.47% of women) is represented by the persons who affirm that the disadvantages the consumers have to face are due precisely by the competition among firms. As for age, 8.33% of the persons aged between 30-39 consider that the competition among companies is not beneficial and is not to the advantage of consumers, whereas as regards occupation 21.43% of the school pupils and students support the same idea.

We should not ignore that 33.33% of the interviewed persons affirm that competition among firms is beneficial and for the advantage of consumers, as there are differentiated prices for all social categories.

6. **The attitude of the interviewed subjects regarding the measures recommended to be taken by the manager of a compartment for the firm’s efficientisation.** Half of the interviewed subjects, i.e. 50.00% (47.06% of men and 52.63% of women) think that the measures that should be taken into account by the manager of a compartment for the firm’s efficientisation would be the personnel’s improvement. According to the age criterion, the highest percentage, i.e. 81.42%, is represented by the persons over 60 years of age, who also support this idea. As regards the occupation criterion, the persons in the category “retired” exhibit the highest percentage, and thus 81.82% of them are of the same opinion regarding this case. Only 22.22% (32.35% of men and 13.16% of women) of the respondents think that the measures that should be taken by the manager of a compartment for the firm’s efficientisation would be performing more frequent verifications, the lowest percentage, 3.00%, being registered by persons aged 50-59. As for the occupation criterion, the persons in the category “workers” think that the measures that should be taken by the manager of a compartment for the firm’s efficientisation would be performing more frequent verifications, assigning it a 2.00% percentage. We found that 27.78% of the subjects consider that one of the most efficient measure recommended to a manager is to award certain bonuses to the personnel, according to the process of incentives-motivation, which will lead to every employee’s co-operation when a further effort will be needed.
7. The attitude of the interviewed subjects towards the methods used by the manager of a Reşiţa trade and services firm for the improvement of the activity quality. 69.44% (64.71% of men and 73.68% of women) of the questioned subjects consider that if the existing staff were qualified, this would improve the quality of the activity of Reşiţa’s trade and services firms. As regards age, 91.66% of the people aged between 30-39 consider that through the qualification of the existing personnel the quality of the activity would improve, and when it comes to occupation, the highest percentage is represented by intellectuals (91.67%).

Only 12.50% (11.76% of men and 13.16% of women) of the interviewed subjects consider that for the improvement of the activity no modification should be made. As for age, the lowest percentage (4.00%) is represented by the persons aged 20-29, 50-59 and those over 60 years of age. According to the occupation criterion, the lowest percentage (1.00%) is found both for office workers and pensioners. We found that 18.06% of the questioned subjects consider that employing more personnel will lead to the improvement of the quality of the activity carried on by these firms, so that the same position may be assigned to more personnel members, who may mutually confront their hypotheses, reaching thus the most beneficial conclusions.

8. The position of the interviewed subjects regarding the recommendations made in the capacity of consumers to Reşiţa’s trade and services firms. Half of the interviewed subjects, i.e. 50.00% (58.83% of men and 42.11% of women) would recommend to Reşiţa’s trade and services companies to make appeal to more substantial price cuts. As regards age, the highest percentage (50.00%) is represented by the persons under 20, those aged between 20 and 29 and 40-49, the school pupils and students representing the highest percentage in this case (71.42% ). Only 20.83% (17.64% of men and 23.68% of women) of the interviewed persons would recommend to Reşiţa’s trade and services firms to organise sweepstakes and contests. As for age, the lowest percentage, 3.00%, is represented by the persons aged between 30-39 and 50-59. When it comes to occupation, the lowest percentage (9.09 %) is represented by workers. We should remark that 29.17% of the interviewed persons would recommend to Reşiţa’s trade and services firms to provide special offers to faithful customers, which could trigger a boost of the sales volume.

3. CONCLUSIONS OF THE SURVEY

After synthesising the results obtained from the interviews applied to the sample (n=72 ), we may draw the following conclusions:
1. Half of the interviewed subjects are satisfied with the way in which the management activity of Reşiţa’s trade and services firms operates, whereas, paradoxically, the other half declare to be dissatisfied with it.
2. More than half of the respondents declare to be relatively content with the behaviour of Reşiţa's trade and services firms toward consumers, but when we take into account all subjects’ opinions, we may affirm that a small part of them are insufficiently satisfied, and this represents a capital issue for firms, as the consumers’ final decision is influenced by the very conduct of these firms.
3. Around a third of the total number of interviewed subjects consider that the most efficient method of publicity, advertising and promotion of the products and services is the publicity itself. Furthermore, there are additional methods,
such as flyers or mass-media, which may have a substantial influence on the purchase decision.

4. The majority of the questioned persons think that prices are not directly proportional with the quality of goods / services, thus most times price is in opposition with the quality of products, their cost being very high whereas quality is inferior to cost.

5. Most of the interviewed persons affirm that competition among firms is not always beneficial; it triggers advantages for all parties (seller – purchaser / producer – consumer), as well as disadvantages. This is easily interpreted, meaning that competition either determines the prices reduction, or triggers their increase.

6. Half of the questioned persons would recommend to managers, as measures of firms’ efficientisation, the personnel’s improvement. This is, in the opinion of respondents, the most efficient method for a better operation of the firms’ organisation policy and for the idea of their improvement. Consequently firms have to grant a capital interest to the process of personnel's training and qualification. There are also other efficientisation methods; for instance, less than a third of the subjects consider that awarding bonuses to the personnel would be highly efficient.

7. More than half of the subjects think that an improvement of firms' activity would be the personnel’s qualification, but they should not neglect the variant of employing more staff.

8. The respondents, in the capacity of consumers, mostly state (half of them) that one of the recommendations addressed to the top management would be granting important prices cuts, but a small part of the subjects consider that attracting and maintaining a faithful clientele are possible if these firms grant some special offers to their faithful customers.

REFERENCES

AN ASSESSMENT ON PERCEPTION GAPS BETWEEN FRONT OFFICE AND BACK OFFICE: EVIDENCE FROM TAXI COMPANY SURVEY

Anton NEDYALKOV

ABSTRACT
This paper focuses on the perception gaps between front office and back office, which are tightly connected according to theoretically constructed service pyramid model. It is believed the connection between front and back office has domino effect on the way front office treats customers. In light of that consideration, the aim of this paper is to provide empirical evidence from a taxi company for the perception gaps between front and back office. Statistical tests are performed to assess gaps between front and back office staff perceptions. Significant difference between two groups’ perceptions is established in 41% of the cases, which is considered as a high percentage. Proposals for closing the gaps between front office and back office are submitted to the taxi company.

KEY WORDS: operations management, services, front office, back office, gaps.

JEL: M11, L80, L92

1. INTRODUCTION

Service operations are different from manufacturing ones in terms of customer contact and his participation in conversion process. Barnes (2008) summarizes that the study of service operations has led to the development of some useful concepts in addition to those that have emerged from the study of manufacturing. Such a concept is the division of people and processes into “front office” and “back office”.

Researchers in operations management (Barnes, 2008; Bicheno & Elliot, 1999; Greasley, 2009; Hill, 2011; Johnston & Clark, 2008) unanimously recognize “front office” as term associated with the area in which contact with customer occurs and involves customer’ processing operations. Contrariwise, back office has no customer contact and engages information and/or materials processing operations.

Front office staff needs high levels of interpersonal skills to interact successfully with customers and for back office’ employees are required competences that are more technical. However, Barnes (2008) summarizes that the relationship and interaction between front and back office operations is often a key part of the management of operations.

Otherwise, service gap is present and more precisely gap between employee and management perceptions on consumer expectations according to the service quality model (Parasuraman, Zeithaml & Berry, 1885, 1988).

This paper focuses on the perception gaps between the front office and back office. The objective of the paper is to provide empirical evidence from a taxi company
for the perception gaps between front and back office and to submit proposals for diminishing differences.

The general hypothesis of paper is formulated as a conjecture of no significant difference in the perceptions between front and back office on assessed issues (H₀), the alternative one is that there is such one (Hₐ). This general hypothesis is broken down into the partial hypotheses clarified further in the paper.

2. THEORETICAL BACKGROUND

Previous research (Nedyalkov, 2010) emphasized on the fact the goods and services have something common as they are produced and/or delivered by the operations system, which according to recent advances in operations management (Gaither & Frazier, 2001; Meredith & Shafer, 2006; Rowbotham et al., 2007; Schonberger & Knod, 2001; Schroeder, 2007; Vonderembse & White, 2007; Wild, 2002) is outlined as system for transformation of inputs delivered by suppliers to outputs delivered to customers to satisfy their needs.

Greasley (2009) reported input-process-output (IPO) model could explain the component of every operations system. As Schroeder (2007) testifies, every enterprise is an open system that is connected with other systems, i.e. suppliers (S), customers (C) that composes SIPOC model.

However, the operations system as an instrument is not quite useful to explain the role of customer in services as is not rational customer to be at the end of the chain.

Operations management of services is concerned with not only how organizations design and deliver services, but also satisfying and preferably exceeding customer requirements and expectations. Thus, customer should be in the center of such system. Similar consideration are the fundament of service triangle concept, discussed in the works of Albrecht & Zemke (2008), Jacobs et al., (2009), Lovelock & Wirtz, (2007) and allows enterprise’s management to bring together the critical truths of its strategy, people, and systems into a unified concept for competitive success.

Exploring the components of IPO model, operations system, and service triangle concept it is considered that they can be combined into new expanded shape – Figure 1.

Service triangle is divided into two basic levels: strategic (S) and operational (O) as customer is in the center. Strategy is split into three parts (corporate, business, and functional) and is assumed that customer usually does not see the people developing the strategy, i.e. back office managers. People are separated into front office – operational managers and service-delivery staff, and systems for back office support as physical and information ones.

Physical system has two major elements: (1) equipment that is maintained and repaired by technicians; (2) materials and spare parts that should be delivered and the inventory control typically done by the warehouseman (Figure 1).

Information system (IS) can be defined as a system for converting data from internal and external sources and transmission of selected information to managers of all levels to make informed and timely decisions on planning, organizing, directing, and controlling the activities, for which they are responsible, as well as hardware, software and IT staff.
Hence, in the systems there is not only equipment, materials and information but also a staff who manages the processes in those systems that can be defined as back office staff.

According to that division, some further remarks are summarized in Table 1.

Table 1

<table>
<thead>
<tr>
<th>No</th>
<th>Component</th>
<th>Types</th>
<th>Brief Discussions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Strategy</td>
<td>Corporate</td>
<td>It concerns the selection of businesses in which the enterprise should compete and with the development and coordination of that portfolio.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business</td>
<td>It concerns about developing and sustaining competitive advantage, i.e. positioning the business against rivals, predicting changes in demand, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Functional</td>
<td>Functional strategies are developed in the fields of marketing, finance, operations, HRM, etc.</td>
</tr>
<tr>
<td>2.</td>
<td>People</td>
<td>Front office (FO)</td>
<td>Customer oriented staff, providing information, dealing with complaints, communication, and coordination with other departments.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Middle-office (MO)</td>
<td>Staff closely connected with the front office, but concerned with monitoring, and providing information, and usually combined with front office.</td>
</tr>
</tbody>
</table>
Table 1 – cont’d

<table>
<thead>
<tr>
<th>No</th>
<th>Component</th>
<th>Types</th>
<th>Brief Discussions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Back office (BO)</td>
<td>Invisible for the customer staff, who does tasks dedicated to running the enterprise and usually is not given a lot of consideration.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transformation</td>
<td>A system for any activity or group of activities that take inputs, converts and adds value to them, and provides outputs for customers.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Support</td>
<td>A system for physical and information support to transformation system and/or customer. Those systems include repair, maintenance, supply with materials, etc.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own contribution

On the proposed division a new model can be constructed – Figure 2. Front office staff is responsible for the relationships with customers, and back office staff that manage systems and people.

![Figure 2 – A Conceptual Service Pyramid Model](Source: Own contribution)

It is believed that the way back office cares for front office is the way front office treats customers. The assumption is that if there are differences in perceptions between front and back office the company will not be efficient servicing customers. Otherwise stated, it should be assessed staff opinion in the front and back office on identical issues, and defined the gaps if they exist, on that basis conclusions can be outlined about service quality environment in the company as whole.
3. MATERIALS AND METHODS

The data for this paper come from a survey of front and back office at the taxi company situated in the city of Ruse, Bulgaria. More precisely, the data are from two questionnaires, identical in certain issues, which prior purpose was to assess the general condition of taxi company. Blueprint for taxi services in general is developed to define the line of visibility, the front and back office. After preliminary data processing, a general hypothesis has been defined that (mis)understanding on common issues between front and back office respondents is present.

Front office population (N_{FO} = 120) is assumed the drivers with their cabs (N_{C} = 80) transferring customers, back office (N_{BO} = 6) – five dispatchers and one manager.

For sampling the front office are used techniques recommended by Bartlett, Kotlrik, & Higgins (2001), Cochran (1963) and Yamane (1967). Initially, 80 questionnaires have been set to achieve approximately 5% survey error at 95% confidence. The collected questionnaires are sixty (n_{FO} = 60), which stands for 8.98% error, less than 10%, and accepted for statistical analysis. The front office sample includes the whole population (n_{BO} = N_{BO} = 6).

The measurement instrument is five-point Likert-type scale scored from two to six (2-Very Low, 3-Low, 4-Medium, 5-High, 6-Very High). The choice of scores on scale is not casual as the Bulgarian grading system is 5-point as well (2-Poor, 3-Sufficient, 4-Good, 5-Very Good, 6-Excellent), which is helping the respondents to identify more precisely their answers. Furthermore, results can be easily transformed into standard Likert scale as Dawes (2008) assures.

Although the scale is ordinal, parametric tests are applied, widely spread in the last decades for measuring service quality. The idea of the paper is not to discuss the “50-year debate around using and misusing Likert scales” (Carifio & Perla, 2008) and the appropriateness of these tests using ordinal scales (Jamieson, 2004; Norman, 2010), but define are there statistically significant difference in perceptions between front and back office on certain issues or not. As the statistician John Tukey once said, “All the statistics in the world won’t help you if you asked the wrong question in the first place.”

In fact, a little bit conservative approach is applied, consisting of two-tailed t-test for comparison of means from two independent groups – FO and BO (unpaired t-test) in two steps:

- **Step (1):** Statistical test to determine equality of variance (F-test – H_{0} : SD_{FO}^2 = SD_{BO}^2). The interpreting of the F-test results should be: (1) If test statistics > critical value (F_{CALC} > F_{CRIT}) or p-value < α then null hypothesis is rejected (REJ); (2) If test statistics < critical value (F_{CALC} < F_{CRIT}) or p-value > α null hypothesis is accepted (ACC).

- **Step (2):** Depending on decision about the equality of variances is either performed the version of the standard t-test that assumes equality of variances or other one that does not make that assumption (Welch's test). The interpreting of the two tailed t-test results for both H_{0} : M_{FO} = M_{BO} should be: (1) If test statistics > critical value (t_{CALC} > t_{CRIT}) or p-value < α then null hypothesis is rejected; (2) If test statistics < critical value (t_{CALC} < t_{CRIT}) or p-value > α then null hypothesis is accepted.

The tests are performed by MS Excel standard data analysis tools – F-Test Two Sample for Variances, t-Test: Two-Sample Assuming Equal Variances, t-Test: Two-Sample Assuming Unequal Variances.
4. EMPIRICAL RESULTS AND DISCUSSION

The results from the survey shows that front office operates with cabs from the makes Škoda (25.0%), Chevrolet (20.0%), Daewoo (15.0%), Renault (11.7%), Dacia (11.7%), Citroen (6.7%), which is 90.1% of the sample. Opel, Hyundai, Volkswagen, and Fiat are approximately 10%. Slightly more than half the cars in the sample (58.3%) belong to the drivers the others are rented.

The cabs average age is 5.55 years (SD = 1.943) and the run is 203.73 km (SD = 72.421 km). Most of drivers (65.0%) are working in two 12-hours shifts, the others in one. The average number of clients served per shift is seventeen as nine of them are through the dispatchers.

The working schedule of back office is strongly fixed – 12-hour day, 12-hour night shift, two days break. In the rush hours, manager is assisting the dispatchers.

Table 2 reports a summary of descriptive statistics on identical issues set in the front and back office questionnaires.

<table>
<thead>
<tr>
<th>Assessed Issue</th>
<th>FO</th>
<th>BO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q10. Factors for buying / renting a cab:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q101. Price of car</td>
<td>5.733</td>
<td>0.607</td>
</tr>
<tr>
<td>Q102. Repair and maintenance costs</td>
<td>5.650</td>
<td>0.606</td>
</tr>
<tr>
<td>Q103. Technical characteristics of car</td>
<td>5.733</td>
<td>0.482</td>
</tr>
<tr>
<td>Q104. Exterior and interior of coupe</td>
<td>4.500</td>
<td>1.050</td>
</tr>
<tr>
<td>Q105. Dealer warranties/manufacturer guarantees</td>
<td>5.550</td>
<td>0.872</td>
</tr>
<tr>
<td>Q106. Dealer discounts</td>
<td>5.833</td>
<td>0.376</td>
</tr>
<tr>
<td>Q107. Fuel type (gasoline, diesel, gas)</td>
<td>5.783</td>
<td>0.691</td>
</tr>
<tr>
<td>Q13. Number of repair &amp; maintenance (per year)</td>
<td>7.350</td>
<td>1.912</td>
</tr>
<tr>
<td>Q15. Factors affecting cabs’ repair and maintenance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q151. Road conditions</td>
<td>5.583</td>
<td>0.926</td>
</tr>
<tr>
<td>Q152. Fuel quality</td>
<td>5.567</td>
<td>0.810</td>
</tr>
<tr>
<td>Q153. Spare parts quality</td>
<td>5.617</td>
<td>0.691</td>
</tr>
<tr>
<td>Q154. Cabs’ operating conditions</td>
<td>4.117</td>
<td>1.043</td>
</tr>
<tr>
<td>Q18. Frequency of taking promotional materials:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q19. Professional qualification of drivers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q21. Professional responsibility of drivers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q22. Readiness for introducing innovations in cabs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q25. Frequency of meetings/communication FO&amp;BO:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Own contribution

The preliminary F-test for equality of variance (Table 3) shows that only one $H_0$ is rejected (Q13). Therefore, all the t-test should be assuming equal variances ($SD^2_{FO}$=...
Results from the F-test for equality of variance

<table>
<thead>
<tr>
<th>No</th>
<th>df</th>
<th>F&lt;sub&gt;calc&lt;/sub&gt;</th>
<th>F&lt;sub&gt;crit&lt;/sub&gt;</th>
<th>p(F)</th>
<th>α</th>
<th>H&lt;sub&gt;0&lt;/sub&gt;</th>
<th>t-test assuming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q101</td>
<td>59</td>
<td>1.381</td>
<td>&lt; 4.432</td>
<td>0.392</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q102</td>
<td>59</td>
<td>1.376</td>
<td>&lt; 4.432</td>
<td>0.394</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q103</td>
<td>59</td>
<td>1.397</td>
<td>&lt; 4.432</td>
<td>0.386</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q104</td>
<td>59</td>
<td>4.131</td>
<td>&lt; 4.432</td>
<td>0.058</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q105</td>
<td>59</td>
<td>1.900</td>
<td>&lt; 4.432</td>
<td>0.245</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q106</td>
<td>59</td>
<td>1.888</td>
<td>&lt; 2.371</td>
<td>0.110</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q107</td>
<td>59</td>
<td>2.866</td>
<td>&lt; 4.432</td>
<td>0.119</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q13</td>
<td>59</td>
<td>5.483</td>
<td>&gt; 4.432</td>
<td>0.032</td>
<td>&lt;</td>
<td>REJ</td>
<td>SD&lt;sub&gt;2&lt;sub&gt;FO&lt;/sub&gt; ≠ SD&lt;sub&gt;2&lt;sub&gt;BO&lt;/sub&gt;</td>
</tr>
<tr>
<td>Q151</td>
<td>59</td>
<td>3.215</td>
<td>&lt; 4.432</td>
<td>0.096</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q512</td>
<td>59</td>
<td>3.939</td>
<td>&lt; 4.432</td>
<td>0.064</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q153</td>
<td>59</td>
<td>2.866</td>
<td>&lt; 4.432</td>
<td>0.119</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q154</td>
<td>59</td>
<td>3.626</td>
<td>&lt; 4.432</td>
<td>0.075</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q18</td>
<td>59</td>
<td>2.525</td>
<td>&lt; 4.432</td>
<td>0.150</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q19</td>
<td>59</td>
<td>3.112</td>
<td>&lt; 4.432</td>
<td>0.102</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q21</td>
<td>59</td>
<td>3.315</td>
<td>&lt; 4.432</td>
<td>0.090</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q22</td>
<td>59</td>
<td>1.223</td>
<td>&lt; 2.371</td>
<td>0.310</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
<tr>
<td>Q25</td>
<td>59</td>
<td>2.729</td>
<td>&lt; 4.432</td>
<td>0.130</td>
<td>&gt;</td>
<td>ACC</td>
<td></td>
</tr>
</tbody>
</table>

Table 3 presents the results from the two-tailed t-test for equal means.

In the cases Q101, Q102, Q151, Q152, Q153, Q18, Q19, Q21, and Q25 the null hypothesis that means are equal is accepted as t<sub>calc</sub> < t<sub>crit</sub> or p(t) > α, i.e. there is no statistical difference between group means at 95% confidence level.

The t-test shows difference between means in Q103, Q104, Q105, Q106, Q107, Q154, and Q22 where is rejected the null hypothesis for equal means as t<sub>calc</sub> > t<sub>crit</sub> (p-value < α), and is accepted the alternative one M<sub>FO</sub> ≠ M<sub>BO</sub>. In Q13 case, the null hypothesis for unequal means is rejected as t<sub>calc</sub> = 4.095 > t<sub>crit</sub> = 2.179 (p-value = 0.002 < α = 0.05) and the alternative one H<sub>a</sub>: M<sub>FO</sub> = M<sub>BO</sub> is assumed.

Statistically, there is an agreement between front and back office only on two of the factors affecting buying or renting a cab – price of the car (Q101 - M<sub>FO</sub> = 5,733, SD<sub>FO</sub> = 0,607 vs. M<sub>BO</sub> = 5,667, SD<sub>BO</sub> = 0,516) and repair and maintenance costs (Q102 - M<sub>FO</sub> = 5,650, SD<sub>FO</sub> = 0,606 vs. M<sub>BO</sub> = 5,333, SD<sub>BO</sub> = 0,516).

The technical characteristics of the cars (engine, transmission, gearbox, breaks, etc.) are highly estimated by drivers (Q103 - M<sub>FO</sub> = 5,733, SD<sub>FO</sub> = 0,482) and underestimated by the back office (M<sub>BO</sub> = 4,167, SD<sub>BO</sub> = 0,408), which is reasonable as the drivers buy (rent) the car and operate with it as a cab, not the back office.
### Table 4

Results from the two-tailed t-test for equal means

<table>
<thead>
<tr>
<th>No</th>
<th>df</th>
<th>( t_{CALC} )</th>
<th>( t_{CRIT} )</th>
<th>( p(t) )</th>
<th>( \alpha )</th>
<th>Decision for the Means :</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q101</td>
<td>64</td>
<td>0.259</td>
<td>&lt;</td>
<td>0.796</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q102</td>
<td>64</td>
<td>1.234</td>
<td>&lt;</td>
<td>0.222</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q103</td>
<td>64</td>
<td>7.669</td>
<td>&gt;</td>
<td>0.000</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q104</td>
<td>64</td>
<td>2.676</td>
<td>&gt;</td>
<td>0.009</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q105</td>
<td>64</td>
<td>6.961</td>
<td>&gt;</td>
<td>0.000</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q106</td>
<td>64</td>
<td>6.171</td>
<td>&gt;</td>
<td>0.000</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q107</td>
<td>64</td>
<td>5.607</td>
<td>&gt;</td>
<td>0.000</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q13</td>
<td>21</td>
<td>4.059</td>
<td>&gt;</td>
<td>2.179</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q151</td>
<td>64</td>
<td>0.648</td>
<td>&lt;</td>
<td>0.519</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q152</td>
<td>64</td>
<td>1.188</td>
<td>&lt;</td>
<td>0.239</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q153</td>
<td>64</td>
<td>1.561</td>
<td>&lt;</td>
<td>0.123</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q154</td>
<td>64</td>
<td>3.189</td>
<td>&gt;</td>
<td>0.002</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q18</td>
<td>64</td>
<td>1.166</td>
<td>&lt;</td>
<td>0.248</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q19</td>
<td>64</td>
<td>1.555</td>
<td>&lt;</td>
<td>0.125</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q21</td>
<td>64</td>
<td>1.508</td>
<td>&lt;</td>
<td>0.136</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
<tr>
<td>Q22</td>
<td>64</td>
<td>6.584</td>
<td>&gt;</td>
<td>0.000</td>
<td>( &lt; )</td>
<td>REJ ( M_{FO} \neq M_{BO} )</td>
</tr>
<tr>
<td>Q25</td>
<td>64</td>
<td>0.562</td>
<td>&lt;</td>
<td>0.576</td>
<td>( &gt; )</td>
<td>ACC ( M_{FO} = M_{BO} )</td>
</tr>
</tbody>
</table>

Source: Own contribution

However, the low score of exterior and interior of the coupe of the surveyed groups is surprising (Q104 – \( M_{FO} = 4,500 \), \( SD_{FO} = 1,050 \) vs. \( M_{BO} = 3,333 \), \( SD_{BO} = 0,516 \)) as the customer’s first impression is from the car exterior and interior.

As the saying goes, “you never get a second chance to make a first impression” – good-looking cab with comfortable seats, conditioner, and so on is one of the physical evidences of the service and in certain extent define tangibles in measuring service quality. Nevertheless, the standard deviation in the drivers’ perception is greater than one in the scale – about half of the drivers assessed this factor as strong and very strong.

One issue that has not a reflection in the survey is the drivers’ appearance (clothes, etc.) but which is important in terms of good quality. Some personal observations show that drivers are not quite neat, especially in summer – a question that should be discussed between the front and back office, particularly with the manager.

Unexpected gaps in the terms of mean’s difference between the two groups is detected in the assessment of dealer warranties / manufacturer guarantees (Q105 – \( M_{FO} = 5,500 \), \( SD_{FO} = 0,876 \) vs. \( M_{BO} = 3,000 \), \( SD_{BO} = 0,632 \)), dealer discounts (Q106 – \( M_{FO} = 5,833 \), \( SD_{FO} = 0,376 \) vs. \( M_{BO} = 4,667 \), \( SD_{BO} = 0,516 \)) and fuel type (Q107 – \( M_{FO} = 5,783 \), \( SD_{FO} = 0,691 \) vs. \( M_{BO} = 4,167 \), \( SD_{BO} = 0,408 \)).

The dealer warranties / manufacturer guarantees gap can be explained with misunderstanding. The guarantee is cancelled in the moment of making any improvements on the car (installation of gas equipment in most cases) or maintenance in unauthorized car service station, which are usually written (but unread) as terms in the sale contract. A possible solution is buying car with original gas equipment.

Dealer discounts are underestimated by the back office. However, every five of six surveyed drivers define it as very strong. Dealer discounts (Q106) is considered as the key factor with highest score and lowest standard deviation, more important than
price (Q101) and technical characteristics of the cars (Q103) with lower means and larger deviation, although the means ($M_{FO\ Q106} = M_{FO\ Q101} = M_{FO\ Q103}$) are statistically equal at 95% confidence level. The highest score can be enlightened with some psychological trick as it is observed that customers usually are attracted more by the discount than the price.

Fuel type is a highly assessed by the drivers also, but underestimated by the back office. Repair and maintenance along with fuel costs as a rule have the largest relative share in operating costs that is highly scored by the front office people. Fuel price depend on fuel type and is essential components in defining the service price – an issue that is undervalued by dispatchers and manager.

Otherwise stated, front office people are servicing customers by basic models cars – low price, low fuel consumption, easy to repair and maintain, neglecting customers’ convenience, which is a classic dilemma for “service costs vs. service quality”.

The preliminary consideration was that repair and maintenance (R&M) costs are very important and the most difficult item to predict. There are too many variable factors like work load, operator, inherent machine qualities, vehicle age, operating conditions, etc.

Front and back office assess the R&M number of cabs in the same manner, as statistically there is disparity between the mean scores ($Q13 - M_{FO} = 7,350, SD_{FO} = 1,912$ vs. $M_{BO} = 5,667, SD_{BO} = 0,816$). Although, the score of front office is higher, it has larger deviation. The most frequent score (i.e. mode) is 5.000 or 28.3% of the cases.

Four factors are embedded in the survey for assessing them. Both groups agree that road condition ($Q151 - M_{FO} = 5,583, SD_{FO} = 0,926$ vs. $M_{BO} = 5,333, SD_{BO} = 0,516$), fuel quality ($Q152 - M_{FO} = 5,567, SD_{FO} = 0,810$ vs. $M_{BO} = 5,167, SD_{BO} = 0,408$) and quality of spare parts ($Q153 - M_{FO} = 5,617, SD_{FO} = 0,810$ vs. $M_{BO} = 5,167, SD_{BO} = 0,408$) have strong influence on repair and maintenance of cabs.

The only disparity is in operating conditions of cabs ($Q154 - M_{FO} = 4,117, SD_{FO} = 1,043$ vs. $M_{BO} = 5,500, SD_{BO} = 0,548$) as front office considers back office underestimates the problem. In this case, it is supposed that drivers assess more the number of R&M per year ($Q13$) and consider that the cabs are in a good mood vs. the back office perception that probably bear in mind the age of cabs – another perception gap. As the saying goes, everyone is entitled to his own opinion, but not his own facts – as a rule R&M is correlated to the cars’ age (years) and run (km).

Communication materials are another issue related to service tangibles. At this point, it is surveyed only the frequency of taking promotional leaflets, brochures, and visit cards from the taxi company office ($Q18$). So far, there is a statistical parity of the two groups’ means ($M_{FO} = 4,733, SD_{FO} = 0,821$ vs. $M_{BO} = 4,333, SD_{BO} = 0,516$) as the score is between frequently (according to drivers) and occasionally (back office perception). On the other hand, the score of means is lower than the expected, which indicates that drivers do not stopover very frequently in the taxi office and communicate with dispatchers mostly by the radio.

The good news for the taxi company (and customers for sure) are that the mean score of drivers self-assessment about their professional qualifications ($Q19 - M_{FO} = 5,300, SD_{FO} = 0,720$) and responsibility ($Q21 - M_{FO} = 5,300, SD_{FO} = 0,743$) and back office perception ($Q19 - M_{BO} = 4,833, SD_{BO} = 0,408$; $Q21 - M_{BO} = 4,833, SD_{BO} = 0,408$) do not statistically differ at 95% confidence level.
However, drivers are self-assertive and estimate their professional qualification and responsibility a little bit higher than the back office do.

As a rule, taxi drivers do not need to hold any specific qualifications. However, they need to have driving license, no criminal records, medical certificate, paper for passed psychological test, and taxi driving test document. In some taxi companies, individuals should meet supplementary criteria like geographical test, etc.

It is considered that by that question (Q19) drivers self-assessed the documents they have. Additional question (Q20) is asked how they assessed their colleagues’ qualifications, which has different score \( Q20 - M_{FO} = 4.950, SD_{FO} = 0.982 \).

The preliminary F-test for equality of variance shows that \( H_0 \) is rejected as \( F_{CALC} = 1.858 > F_{CRIT} = 1.540 \) with \( df_N = df_D = 59 \) and \( SD_{Q20} > SD_{Q19} \). Therefore, the t-test for means should be assuming unequal variances, i.e. \( H_0 : M_{Q19} \neq M_{Q20} \).

The null hypothesis for unequal means is rejected as \( t_{CALC} = 2.227 > t_{CRIT} = 1.982 \) (p-value = 0.028 < \( \alpha = 0.05 \)) with \( df = 108 \) and the alternative one \( M_{Q19} = M_{Q20} \) is assumed.

As a result, the qualification of drivers can be assessed as very good according to front and back office.

The responsibility self-assessment score of drivers is exceeding the back office one. Some observations show drivers accept responsibility only as: listening and reacting to the dispatchers’ job request or flagged down in the street, transferring the customer to the determined location, and taking fares for that, which is not quite correct.

Yet, responsibility enclose, also: driving in a safe manner, helping passengers to get in and out the vehicle, and assisting them with their luggage, maintaining the quality of the vehicle and making sure it is fit to travel on the road at all times, keeping accurate records, including filling out trip sheets, keeping up-to-date knowledge of the local area, etc.

As William McFee (1916) said, “Responsibility is like a string we can only see the middle of. Both ends are out of sight”.

The results of a test question about the frequency of cab wash illustrates good external condition of their cabs \( Q9 - M_{FO} = 5.283, SD_{FO} = 0.691 \). Unfortunately, observations show that the coupe sometimes is not quite neat and tidy.

Unpredicted gap appears assessing the readiness for introducing innovations in cabs \( Q22 - M_{FO} = 5.300, SD_{FO} = 0.809 \) vs. \( M_{BO} = 3.000, SD_{BO} = 0.894 \).

Drivers’ self-assessment score shows high degree of readiness but the back office argues and evaluates it as low and there an acceptable interpretation.

Some time ago, the back office attempts to introduce GPS system in 40 cabs for tracking and recording the routes. Such an initiative would be very helpful to perform optimization of cabs’ number, act properly in rush hours, etc.

After the test period, the drivers complained that the system is not working properly and they could not pay fare for something questionable. Thus, the introduction of GPS system failed and that fact explains the low score of back office.

It is considered that the high score of drivers and low score of back office is neither true. Speaking about innovation ability the truth is somewhere in the middle.

There is no doubt that a communication gap is present, which is confirmed by the last question about frequency of meeting between front and back office \( Q25 - M_{FO} = 4.533, SD_{FO} = 0.853 \) vs. \( M_{BO} = 4.333, SD_{BO} = 0.516 \). Both surveyed groups qualify the frequency between medium and high. Taking into account that drivers
communicates with dispatchers by the radio, the higher score is logical. Nevertheless, it is presumed that the “face-to-face” meetings are at medium level.

Finally, if an assessment for front and back office perception gaps has to be outlined on the scale from two to six (very low – very high), it would be tending to four.

An evidence for that statement is accepted in 41% of cases, alternative hypothesis that there is significant difference in front and back office perceptions.

Obviously, some guidelines for closing the gaps have to be proposed:

- The considerable number of customers and workload variation of drivers and dispatchers lead to some general suggestions to the manager: (1) to forecast the service demand; (2) to analyse the company service capacity; (3) to attract new corporate customers.
- Car replacement policy has to be developed in the taxi company, taking into account the factors influencing buying (renting) cabs.
- According to the front office, ranking dealers’ discounts is the most important indicator, which leads to the following suggestions: (1) to sign contracts between the taxi company and cars’ dealers offering more discounts to drivers; (2) to negotiate discounts for repair and maintenance with authorized car service stations.
- Communication gap can be bridged by increasing the number of face-to-face meetings between front and back office, aiming to discuss current issues, initiatives for service improvements, and ways for attracting clients.
- Courses for improving drivers’ qualification should be arranged, and discussions between front and back office have to be considered in the light of improving the service quality.
- An assessment on difference between what customers expect of the taxi service and what they actually receive should be accomplished furthermore.

5. CONCLUSIONS

A new model of relationship between front office and back office is theoretically grounded and defined as service pyramid, which can be used for assessment of perception gaps.

An empirical study in a taxi company is conducted and statistical tests are performed that outlined significant difference between front and back office staff perceptions in 41% of the cases, which is considered as a high percentage.

Proposals for closing the gaps between front office and back office are submitted to the taxi company.

ACKNOWLEDGMENTS

The author appreciates the help from Mrs. Petya Petrova, Bachelor in Business Administration for collecting the data from the taxi company and preliminary processing of questionnaires.

REFERENCES


Norman, G. (2010). Likert scales, levels of measurement and the “laws” of statistics, Advances in health sciences education, 15:625–632


ORGANISATION AND CUSTOMER ORIENTATION

Adriana PAU

ABSTRACT
In many different studies the impact of customer orientation on organisational performance has been measured that highlighted the fact that customer orientation is a multidimensional concept. Customer oriented organisations offer services with a high level of quality that ensures the customer’s satisfaction. A high level of customer orientation leads to an increase in the degree of development of relationships. Customer orientation has a direct impact on several results of the employees: job effort, job satisfaction, team spirit and commitment) and on organisational performance. There are also indirect effects of customer orientation on performance in the reactions of the employee to his work and his job. Organizations should concentrate more on promoting customer oriented values and behaviours.

KEY WORDS: customer orientation, organisation, performance, customer’s satisfaction, team spirit

JEL: M31

1. INTRODUCTION
Customer orientation is a salesperson’s of assisting a customer in his or her decision making that determines the customer to buy whatever satisfy his or her needs (Saxe and Weitz (1986)).

Customer oriented organisations have different favourable psychological and social results. Research papers indicate the existence of a positive relationship between the benefits, the rewards, offered to employees and their attitude. Effort, one of the most important concepts in the theory of motivation, represents the quantity of energy spent within behaviour or a series of behaviours. Actual performance of service employees reflects the quantity of effort made. In service organisations, customer orientation is implemented by means of service employees.

2. CUSTOMER ORIENTATION WITHIN AN ORGANISATION

2.1. Effects of customer orientation
Customer orientation has a direct impact on several results of the employees (job effort, job satisfaction, team spirit and commitment) and on organisational performance ((Siddiqi and Sahaf (2009)). There are also indirect effects of customer orientation on performance in the reactions of the employee to his work and his job. These direct and indirect connections of customer orientation highlight relevance for obtaining the desired results or organisational performance.

Customer orientation leads to a feeling of pride for belonging to an organisation in which all the departments and all the individuals work for the common aim of serving customers. Customer oriented organisations have employees who strongly believe in

1 Phd, Faculty of Economics and Bussines Management, University of West Timisoara, Romania, adrianapau2009@gmail.com
organizational objectives and values, who are willing to make considerable effort to satisfy these objectives.

The results of empirical studies have brought to light the fact that customer oriented organisations offer services with a high level of quality that ensure the customer’s satisfaction.

Organisational performance is a two-dimensional concept in marketing literature: subjective and objective performance. Subjective performance is based on the customers’ and the employees’ perception on satisfaction regarding the quality of services, the customer’s satisfaction, the employee’s satisfaction, and objective performance is based on financial elements.

The customers’ perception on the employees’ performance is influenced by the quantity of job effort made by the employee. Satisfied employees are motivated and they have motivational resources to deliver appropriate effort and care. They have enough emotional resources of empathy, respect, interest, that influence positively their behaviour to the customer and customer satisfaction.

2.1. Team spirit

Team spirit is important for the quality of services. Team spirit implies connections between people, support, freedom of expression, true concern within the group of employees.

Managers in services have to continuously monitor the dimensions of customer orientation, to identify training inputs relevant for the specific services they develop.

Introducing training programmes by numerous organisations means exposing employees to significant and sometimes radical changes in the work process. As a result of the training, the employees will try to transfer skills that they acquired in their work environment, characterised by turbulence and ambiguity. Training the employees has become a key component of the effort of changing organisational paradigms or ways of doing business. The ideal of this model supposes identifying all the factors that facilitate or limit transfer in time, as well as identifying the extent to which each of these factors influence the transfer. Contextual factors regard wider situations that shape a specific climate of transfer. They include structural factors (leadership, team work), continuous monitoring and broad climate factors (resistance to change, stress, and ambiguity). The climates of change and of training transfer have a significant impact on the customer orientation of the employees. Thus, the research performed has demonstrated that the employees who attended trainings have higher customer orientation as compared to those who did not participate in such activities. The employees’ reactions to change and role change may go beyond, but they do not necessarily eradicate the positive influence of the transfer climate. The employees are more easily convinced to accept change when the connection between the existent organisational identity and new initiatives is made clear.

2.2. Customer orientation and market orientation

Research studies regarding the concept of customer orientation at organisational level focused on the concept of “market orientation” that establishes elements of organisational behaviour regarding the customers and the competitors of the organisation. An essential aspect concerning customer orientation at individual level is the ability of the salespersons to help their customers, as well as the quality of the
customer-seller relationship. In this context, customer orientation refers to those behaviours of the employees that are directed to appropriately satisfying the customers. Distinction is made between attitudes and behaviours of customer orientation, a distinction that is relevant from both a managerial and an academic point of view.

One of the managers’ tasks is to implement a continuous customer orientation of their employees. The distinction between attitudes and behaviours of customer orientation is essential for managers, as they have to try to understand and influence both. Attitudes are stable, as behaviours are, if the managers can establish a high level of customer orientation in the attitude of their employees, and a higher level of stability in behaviour. It is difficult to influence attitudes, but there are managerial approaches that are able to do that. Thus, managers can select employees according their customer orientation or they can try to introduce positive attitudes of customer orientation in the training for recruitment.

Customer orientation is regarded as the ability of salespersons of assisting their customers by engaging in behaviours that increase customer satisfaction. The consequences of customer oriented behaviour with positive effects on sales performances and on the quality of services have also been studied. Customer oriented employees deliver services of exceptional quality, creating customer satisfaction. Different types of customer orientation based on “internalising customer services” and “customer oriented behaviours” were identified.

Customer oriented attitude includes affective, cognitive and co-native elements, being complex and multidimensional. In the opinion of some authors, customer oriented attitude is something simple, one-dimensional, referring to the quantity of affect for or against an object ((Hoyer and Stock (2005)).

Customer oriented behaviour is the ability of the salesperson to assist his or her customers engaging in activities that increase customer satisfaction. Behaviours are less stable than attitudes, and they can be influenced relatively easily by activities of the organisation. Customer oriented attitudes, as lasting characteristics, are more stable than behaviours. If organisations desire to implement a long-term customer oriented strategy, it is important for them to focus both on attitudes, and on behaviours, seen as two dimensions of customer orientation. Empathy will strengthen the connection between the customer oriented attitude of the salesperson and his or her customer oriented behaviour. The higher the empathy of the salesperson, the stronger the relationship between the customer oriented attitude of the salesperson and his or her behaviour. The salespersons with a high level of knowledge about the services in the organisation are competent in solving problems and they know more about the offer of the company and the customers’ needs.

Employees with higher levels of empathy, reliability, and expertise, are able to transfer their customer oriented attitudes to customer oriented behaviours, thus increasing the level of customer satisfaction. Restrictions of job autonomy may inhibit transfers of customer oriented attitudes. Elimination of those restrictions will determine an increase of the probability of people engaging in customer oriented behaviours ((Hoyer and Stock (2005)).

3. CONCLUSIONS
Customer orientation tends to facilitate market differentiation and leads to higher satisfaction of customers regarding the services they are offered.
A high level of customer orientation leads to an increase in the degree of development of relationships. The organisations that concentrate on customer orientation and identify the desires and the needs of their customers will have high performances. Customer oriented individuals act more efficiently and contribute to the efforts of the organisation of developing excellent relationships between sellers and customers. That is why organizations should concentrate more on promoting customer oriented values and behaviours.

ACKNOWLEDGEMENT

This article is a result of the project “Creșterea calității și a competitivității cercetării doctorale prin acordarea de burse”. This project is co-funded by the European Social Fund through The Sectorial Operational Programme for Human Resources Development 2007-2013, coordinated by the West University of Timisoara in partnership with the University of Craiova and Fraunhofer Institute for Integrated Systems and Device Technology - Fraunhofer IISB.

REFERENCES

NEED FOR A DIFFERENT PLACES MARKETING

Gheorghe POPOVICI

ABSTRACT
The paper presents the opportunities for applying the different marketing in the Caraş-Severin towns and their turning into attracting towns. In situations of crisis, the consumer's behaviour is no longer a rational one, but is decisively influenced by the perception of risk when buying a product. The new consumption model must act so that needs become necessities, in a “golden ratio” (φ=1.618) with the purchasing power, and not desires extended to the infinity. This can be done only through a “phi-marketing” of moderation in gains and awareness in consumption, in which the 4 hard components (product, price, placement, promotion) will be revived by the 4 soft components: customization, companies moderation, communication and customer awareness.

KEY WORDS: places marketing, marketing attitude, marketing orientation, marketing thinking, hard components of the marketing mix, soft components of the marketing mix

JEL: M31

1. INTRODUCTION

After 22 years of quests and attempts, the decline of the county towns can come to an end, if they pass from the state of “acceptable towns” to that of “attracting towns”, both for the benefit of their own inhabitants and of investors and visitors.

But we need a new approach of economic and social life in the county, i.e. we need places marketing.

Places marketing means everything the public administration does in order to satisfy the needs and desires of the citizens who constitute the target market.

The financial crisis has become a leitmotiv of everything that is being done nowadays, both in the private and in the public domain. There is almost no environment without debates on the crisis, from early morning till late at night. Moreover, stuck in these “muddy waters”, both the managers in the central or local public administration and the top managers of the big companies or financial institutions use the crisis as a pretext to reduce the employed personnel, to pay them lower wages, to ask for financial aids from the State etc.

In the “shadow” of the entropy tree in the business world (disorder created “under the very weight” of the excessive success, everything is caught in the fire circle of the rush for two- or three-figure profit, enabling businessmen to transform the free market into a “wild market”, while the marketing specialists keep urging us: „consume, consume… not according to necessities and purchasing power, but according to desires and wishes”. That is how higher credits, higher interests, higher gains have been born and finally … economic recession

1 Professor Phd, Faculty of Economic Sciences, “Eftimie Murgu” University, Romania, m.milos@uem.ro
2. THEORETICAL FUNDAMENTS

The life and history of seven out of the eight towns of the county have always been linked to mining (Anina, Moldova Nouă and Oravița), metallurgy (Reșita and Oțelu Roșu), machine building (Reșita, Caransebeș and Bocșa) and wood processing (Caransebeș). Only the health-climacteric resort Băile Herculane has developed grace to tourism and services.

Since 1990, the county has gradually lost its industry and now it lacks resources in order to revive its activity.

For the Caraș-Severin towns, the target market can be identified from the following potential markets:

- Inhabitants of the county's towns and companies that have a business in the area or intend to start one;
- Visitors on business tours for investments come to these towns to sell or buy or to participate in a meeting/business conference organised in each of these towns;
- Travellers who come to relatives or friends, as for instance the German ethnic groups who lived in the Mountain Banat and have migrated to Germany;
- Tourists who visit the towns or their surroundings.

We may say that places marketing is successful when inhabitants and economic agents are content with their community, and the expectations of visitors and investors are also met.

From the citizen’s perspective, a marketing attitude is required. The marketing attitude refers to the manner in which the representatives of the public administration put themselves “in the citizen’s shoes” and are content or not with the public services. If YES” – chances are that citizens are content, and if „NO”- the public services do not pass through the “calibrating gauge” of the promise and factual proofs and thus we cannot speak of a true activity of public marketing (Popovici, 2007).

From the perspective of the sustainable development of localities, we need a marketing orientation.

The marketing orientation means today performing only activities able to assure a thorough economic and social development of the locality in the long run. It is the reverse of the traditional orientation when first of all the current activities of the community were managed and only afterwards development perspectives were contemplated (Kotler, 2009).

From the perspective of the investment in a better living standard, we need a marketing thinking.

The marketing thinking means seeing in all activities and programmes of public marketing an investment and not an expense. Thus all MTIs (marketing methods, techniques and instruments) can be used effectively and efficiently in the administrative practice. Some marketing practices can surely be reconsidered. Thus, the public marketing must be seen as a process rather than an extra department in the public administration (Kotler, 2009).
3. METHOD AND RESULTS

In situations of crisis, the consumer's behaviour is no longer a rational one, but is decisively influenced by the perception of risk when buying a product. The new consumption model must act so that needs become necessities, in a “golden ratio” ($\phi = 1.618$) with the purchasing power, and not desires extended to the infinity. This can be done only through a “phi-marketing” of moderation in gains and awareness in consumption, in which the 4 hard components (product, price, placement, promotion) will be revived by the 4 soft components: customization, companies moderation, communication and customer awareness.

Few places have or can have it all: personality, infrastructure, basic services and attractions. Furthermore, the above aspects cannot be independent; everything operates as a whole.

Moreover, well-trained and friendly people, cheap labour force and interesting touristic attractions can be of little help in attracting investors if each urban centre of the county has the reputation of a “dying town”.

A town can be “attractive” or not, according to the assessment of the dynamics features in the locality development (Kotler, 2009), as shown in table 1.

| ATTRACTING PLACE | 
|------------------|------------------|
| 1. There is a positive image of the place; | 5. A new activity can be started in a relatively short delay; |
| 2. It has an adequate infrastructure; | 6. The labour force is ready for change; |
| 3. It provides the basic services; | 7. There is the opportunity of an inflow of new inhabitants grace to life quality; |
| 4. It has attraction elements; | |

Conceiving the image of the place. An image is a complete set of convictions, ideas and impressions people have in connection to a place. On the other hand, it is not necessary that the images people make in relation with a place also show their attitudes in connection to it. Different people may have different attitudes in relation to the same place. If for its inhabitants, the Banat towns are today quiet places, for the “outsiders” the Mountainous Banat county is “poorer and poorer”.

Those empowered to form the image have three instruments to implement a new image of a town: the slogan, the visual symbol and the event.

The slogan. It is the worded formula catching the public and expressing a unitary vision on the place, e.g. Timișoara, the town of flowers; Reșița, the fire city. The latter is no longer appropriate for the town. We need a gradual repositioning of the town image on differs topics. The most effective themes are the versatile and flexible ones, but at the same time anchored in reality.

A good slogan assures a basis for the further promotion of the image. We may begin with a slogan stirring curiosity about the Mountainous Banat county such as (Popovici, 2007): Mountainous Banat, for the sake of experience!
The visual symbol. Obviously, no matter how spiritual the message, it must be confirmed by reality. In order to succeed, the image of a place must be consolidated by a **visual symbol** which will remain engraved in the public memory for a long time, such as the famous Eiffel Tower (Paris), Big Ben (London), the Great Wall (China), the Pyramids (Egypt), the Statue of Liberty (the USA).

For each town of the Mountainous Banat county we can find a reference symbol. For instance, for Reșița, capital of the county, the “Kinetic Fountain” downtown, the work of the artist Constantin Lucaci, can be a symbol of the harmony between the beauty of the place, the artistic talent of the people in the area and the science to process metals.

The event. Events can be spectacular, such as: the “Church patron’s days” in the Mountain Banat, the Gărâna Jazz Festival, the Festival “The Black Banat Pine Tree” at Băile Herculane, The Teiul Sculpture Camp - Caransebeș, The „Tata Oancea“ Festival at Bocșa, The „Golden Bowl” Festival at Moldova Nouă, the Festival „7 days-7 arts” at Reșița, Eminescu's Days at Oravița, the “Nichita’s Bell” at Caransebeș, the Daffodils’ Feast at Zărvești – Caransebeș, The Lily Feast at Carașova and Rudăria-Anina, the Flowers’ Festival at Marga- כסף Roșu. All have the power to influence public opinion to visit and come to each town in the county. (Popovici, 2007).

If the slogan of marketing in business is “Satisfaction and value for the customer, in the public sector it is “Satisfaction and value for the citizen”.

4. DISCUSSIONS

But nowadays we are no longer living in a world of human needs, but in a world of desires. And money is the only necessary thing for their satisfaction.

In a narrow sense, the price is the amount of money paid for a public service, in a wider sense, nevertheless, the price includes further values called “non-financial costs”, such as time wasted, effort put in, physical discomfort and physical risks towards the easiness of access of public services.

The cost of public services represents the minimum level of the price / tariff. The value the citizen-customer grants it represents the maximum level, and the prices practised by the competition (private companies in the local transport, for instance) and the subsidies determine the real value in the rectangular trapeze of the methods of establishment of prices / tariffs in the public sector (Munteanu, 2006).

Consequently, the local administration can apply four strategies for adjusting the prices (Munteanu, 2006):

1. **The strategy of price cuts** – reduction of parking fees for cars with hybrid propulsion;
2. **The strategy of the segmented price** – smaller tariffs for old citizens or poor people;
3. **The strategy of the psychological price** – practising housing taxes of the form **99 or fines of the form *125 lei;**
4. **Strategy of the promotional price** – reduction by 5-10% of income taxes if the are paid until March 15th of the year.
5. CONCLUSIONS

(1) Mountainous Banat, although it has many natural and cultural-historical sights with uniqueness value in Romania and in Europe, has not been searched and visited by tourists because its sights are not known;

(2) The Banat region is unique in the Romanian and European space, being the place where a multicultural model was created, in the true sense of the word, in which each community has succeeded in preserving its culture, and people are quite aware of the values of the others and they speak the languages of the other communities.

(3) Nowadays, the manager of a public institution has two main tasks, to solve the problems of the present and to prepare for the future. An optimum condition of a public administration cannot be judged any longer only in a global manner. We need a local (contextual) optimum in terms of time and space, in which there is a fragile balance and which reacts to the smallest environment perturbations.

REFERENCES

CONSIDERATIONS AND COMPARISONS BETWEEN THE INFLUENCES OF THE PSYCHO-SOCIO-ECONOMIC FACTORS ON THE ENTREPRENEURIAL MANAGEMENT AND CULTURE

Alina STANCOVICI

ABSTRACT
The article proposes an important theme of prospective research and action, giving importance to the psycho-socio-economic factors and the influences between them on the management and organisational culture and the importance of these factors in stimulating the appetite for business. Therewith, the project defines a series of indicators which should reveal aspects such as the oscillations of the entrepreneurship components, of the organisational culture and the management performance, the coefficient of cohesion in territorial profile, the role of the volunteer in a good diagnosis and also makes proposals for a series of measurements and comparative conclusions in area and temporal perspective, also highlighting the essential and phenomenological differences in the evolution of the entrepreneurial, organisational culture and the management performance in different areas.

KEY WORDS: management, entrepreneurship, organisation, culture, society, density.
JEL: H60, H63

1. THE IMPORTANCE AND RELEVANCE OF THE SCIENTIFIC CONTENT

The research studies of relatively recent nature (1980-2010), capitalized in the specialty literature, bring on the forefront of the management theory and implicitly of the applied economic theory, the triangle entrepreneurship-organisation-management, transposed in logical-scientific terms in the conceptual triangle «entrepreneurial culture – organisational culture - managerial performance».

In the „chemistry” of the economic act, the entrepreneurial culture is the basic substance, the organisational culture is the reactive substance (the acid) and the management is the catalyst. Greedy of and used to counting money, people do not take into account where they were got from and where from they come. We must identify and if possible classify and measure the intimate, psychological, social and ethnic factors! These factors are not only favourable but also determinant!

The study of a minimal specialty literature reflects:

a) the researchers’ preoccupation to discover which are and what is the importance of some factors of any nature which should stimulate the appetite for business (entrepreneurial) and the appetite for good business (organisational)

b) the possibility to measure the sense and influence of these factors in order to be inscribed to the managerial performance which is much more definable and easier to measure. Eventually, the entrepreneur is more than a manager because he/she risks much more! Additionally, in most of the cases, the entrepreneur is the organisational designer and brings together all the three qualities, the spirit and entrepreneurial culture are especially worth being studied.

1 Assistant PhD. Candidate, Faculty of Administrative Sciences, „Eftimie Murgu” University Reşiţa

247
A possible research in the proposed field of this theme is important and relevant and in many aspects connected to interesting themes and stringent requirements of the Romanian and European society. Among these, any possible answer, if not certain, than as close to reality, to the following questions is important and in accordance with the importance, it is relevant:

a) there are social factors which can influence the „AOM” triangle?;

b) The previous economic developments (relatively-decisively) influence the AOM triangle?

c) Which are the implications of the educational factor and if these implications are definable and measurable for the AOM triangle?

d) The general cultural environment connected to education and institutionalization influences this triangle?

e) Is there an entrainment between the psychological, social, economic and cultural factors which should stimulate or inhibit the entrepreneurial culture first of all, as main, generative angle of the AOM triangle?

f) Can we build or at least configure a system of indicators which should lead to the configuration/representation of the AOM triangle from spatial or temporal perspective (an economic-social radar composed of the descriptive indicators in the synthetic mode of the triangles’ angles).

It is obvious that not all these analyses and syntheses directions can be developed in the matrix of doctoral research. We consider that their simple statement constitutes a challenge for developments or future researches more or less institutionalised.

On cultural-economic and psycho-social faults, the humankind searches (unfortunately separately!) the definition of the entrepreneur in the sense of discovering the upper and lower limits because in a more or less intuitive way, he is subscribed to the divine principle of creation, being the motor of the small, earthy universe. Synthetically speaking, the entrepreneur is the person who also gives a living to other people, which essentializes the nobility of the life’s meaning.

The latest researches connected to the AOM triangle have as main axis the quality and entrepreneurial culture and some of them deserve being mentioned and summarised.

Thus, in a recently published paper, the researchers Maniasunta Giammeti and Andrei Simonov from the Economic School in Stockholm give a definition of the entrepreneur („as a person who benefits of income obtained in the framework of a company which he controls and where he works at least half time”). The two researchers have studied 289 Swedish towns and they have observed large differences from the point of view of the level of business activity, due to the entrepreneurial differentiated culture and have identified variables favourable to the increase of the entrepreneurial spirit. Besides the variables identified by the researchers of the Swedish school, the specialty literature presents the idea of prestige and reputation and that of the employer’s desire as superposed to the previous idea. Sufficient or even decisive arguments are brought in the book „Money, moral and manners” of the French sociologist Michele Lamont, who has as main objective the comparison of the success definition in France with that in USA. It is also worth mentioning the contribution of the researcher Burton R. Clark, in 2000, who insists on the debut of the entrepreneurial process by generating a set of convictions of the institution, subsequently generalised and transformed in a new culture, considered a „unifying identity of the institution”. Clark thus, links, in a logic sequence, the entrepreneurial culture to the organisational culture. Thus, Prof. PhD. Liviu Spătaru introduces in the scientific terminology the
indicators of entrepreneurial density and entrepreneurial intensity, leaving an open space for future researchers in the field of configuring a system of indicators which should define and correlated measure the AOM triangle.

The main objective of a research regarding the considerations and comparisons between the influences of psycho-socio-economic factors on the management and entrepreneurial culture is represented by the identification of economic, psychological and social factors which influence in space and time the performance of management, the entrepreneurial and organisational culture and the determination of the measuring possibilities of these influences.

As in any research, we also have a set of adjacent objectives namely:
- the identification of possible factors which influence the AOM triangle;
- the identification and nomination of the actual system of definitions, concepts, structures and indicators in the specific researched field;
- the development of the indicators by new concepts and formality in order to establish the nature and to measure the influences and the AOM integrated system.
- the search and eventually the finding of an entraining and inhibition factor of quality and the performances of the AOM triangle;
- proposals of measurements and comparative conclusions in the area and temporal perspective.

All these objectives, as the whole activity, have a series of hypothesis:

I. 1) there is an interactive space between the entrepreneurship, organisation and management which represent the locomotive of economic evolution/involution at any level;

I. 2) there is a series of economic, social, politic, administrative and cultural-educational which influence the entrepreneurial, organisational culture and the managerial culture/performance in certain entities, groups, territories and defined temporalities;

I. 3) the influence factors can be identified and measured in a process which tends towards exactness and scientific truth;

I. 4) the whole process can be enlisted and serve to some concomitant and/or future researches from the interdisciplinary point of view;

I. 5) The process of identification and measurement leads to conclusions and proposals useful to the three vectors which replenish the AOM triangle and the local and central public administrations in order to concretize them in measures and actions of legislative and administrative order.

In order to confirm or infirm the work hypotheses, the research must go through the following stages:

1. the spatial and temporal delimitation of the entity researched, the structural delimitation especially for economic entities, defining for the characteristics of the searched and measurable triangle;

2. the questioning of the competent state organisations on the basis of a pre-defined form regarding the economic structures and the existing and proposed indicators with direct reference to the AOM triangle;

3. the calculation and establishment of significance, correlation and relevance of the studied data;

4. the establishment of an eventual trend on entities or territorial subentities studied for the global entraining coefficient of AOM triangle;
5. The establishment of some conclusions and proposals and the evaluation of the utility degree of these ones for the decisional, economic and administrative factors. Likewise, we should also have in view aspects such as:

a) the correspondence degree between the emitted hypotheses and their confirmation;

b) the achievement degree of the adjacent objectives which resulted from the paper’s conclusions;

c) according to the previous criterion, the achievement degree of the main objective of the proposed research;

d) the way of deployment of the research plan, of respecting the terms and the presentation of conclusions;

e) the practical utility degree of the emitted conclusions and proposals;

f) The evaluation plan can be updated, according to the exigencies and directions which will be contoured by the theme of the subscribed research.

2. CONCLUSIONS

The utility of such a research, in the context of its achievement is also important by the fact that it makes possible the comparison between the spatial entities, considered either from spatial point of view or as entities temporally distributed. The premise of the spatial comparison from the point of view of the AOM triangle is the major utility and it could provide in the end some proposals or at least suggestions of proposals referring to the administrative and economic-social management meant to improve the performance in the field.

A healthy option (even if some people can prove its precariousness!) is in accepting the management and leadership as economic promoters and the sense that … „if there is no economy, there is nothing!”

From these considerations, the finding or prefiguration of some proposals based on the relatively-detailed study of factors which can promote the entrepreneurship, the organisational culture and managerial performance prove the utility of the project.

Its sustainability in the context of the configuration of the indicators system can be pointed towards the two categories:

a) the calculation on segments of large enough periods of time of a coefficient conglomerated of the AOM triangle so that it can suggest a development trend in space and time;

b) In focused plan, as a photo of the present state or the real time state, the calculation of a radar coefficient based on an indicators system reporting the surface occupied by an entity at the surface occupied by the average indicators of the entities sum mainly spatial taken into analysis and calculation.
REFERENCES
Clark R.B. (2000) "Crearea universităților antreprenoriale, direcții de transformare organizațională”.
Ed. Paideia, București
www.milproj.ummu.umich.edu/publications/change/downloaded/change.pdf
http://unescolair.ubbcluj.ro/anticolasp2.htm
http://www.9am/stiri-revista-presei
http://www.blomberz.ro/antreprenor
http://www.avocatnet.ro/conteunt/articles
MARKETING OF PATIENTS WITH COLLAGEN DISEASE

Silvia Sorina ZUIAC

ABSTRACT:
Over the years there have been made a series of sero-immunological tests (antinuclear antibodies, cell lupica, anti-DNA antibodies) which contributed to a better understanding of the frequency of collagen diseases by some statistics are found in a proportion of increasingly large.

Collagen diseases today occupy an important role among immunological diseases because they raise complex issues about their clinical and biological individuality.

KEY WORDS: collagen diseases
JEL: M31, I1

1. INTRODUCTION:

Polymorphism symptomatic of the disease, lack of pathognomonic signs, clinical forms of diversity, etiology unknown various pathological problems they bring, make these diseases continue to be in research by many authors. In fact, the purpose of this paper is to bring as much information about these diseases as well as about the role they have to influence them in some devices and systems of the body.

Viral etiology is becoming better studied bringing many clarifications that may be the basis for research in general.

Epidemiological studies, genetic, immunological, microbiological, environmental, etc., increasingly frequent in recent years have allowed the accumulation of new data that suggested a multifactorial aetiology of these diseases.

Knowing many difficulties and uncertainties in the diagnosis of collagenosis it highlights the seriousness, the more so as these diseases include predominantly young age.

Importance and significance of collagen diseases involve multiple concerns for many researchers from different medical specialties. Individuality of the collagenosis group in turn has stimulated interest in many of the chemical composition of collagen tissue itself and the basic substance and the role of collagen on the human body organs and systems.

Collagen term was introduced by Klemperer in 1941 which was accepted by most researchers, even if there were some ambiguities.

The name has its justification in the anatomical substrate, which consists of fibrinoid degeneration of the fundamental substance of connective tissue.

This degeneration is found in varying degrees in different collagen diseases are reaching to fibrinoid necrosis.

But I have to mention now since it is far from histologic definition includes all those ailments.

The collagen term was introduced by Klemperer in 1941 which was accepted by most researchers, even if there were some ambiguities.

1Medic, Drd., asistent univ., Universitatea “Eftimie Murgu” Resita, Romania, zuiac@yahoo.com
The name has its justification in the anatomical substrate, which consists of fibrinoid degeneration of the fundamental substance of connective tissue. This degeneration is found in varying degrees in different collagen diseases reaching to fibrinoid necrosis.

But I have to mention now since it is far from histologic definition includes all those ailments.

The term collagen includes several diseases all of which the most common are: lupice disease, Sjögren's syndrome, rheumatoid arthritis, generalized scleroderma, polymyositis, rheumatoid arthritis.

Which creates problems is the incidence of familial cases, those with clinical and biological stigmata found in many patients with borderline or association.

From a biological point of view the inflammatory syndrome is found in varying degrees in all these diseases, but the sign immunological disorders with significant specificity are disputable, and that a possible failure which is due to the presence of RF during lupice disease as is and antinuclear factors in rheumatoid arthritis or scleroderma, plus and therapeutic factor that is generally the same all collagenozele, corticotherapy-immunosuppressive.

Trait shared connection between different collagen appears to be represented by the fact that the disease starts with a vascular autoimmune syndromes resulting differences between different extension, location and degree of aggression (Lowmann).

After Cortez and Pimenta each collagen is characterized by a special predilection for organs or systems determined (vessels, skin, nerves, muscles, joints, nerves, serous, heart, kidney, gastrointestinal tract, lung, CNS).

Term's collagen success was due to bringing together various diseases in terms of histology shows a fibinoida collagen necrosis, broadcast, unlimited in body, hence the name "system disease."

This term has the merit of the group in the same chapter very different diseases with vague boundaries and prognostic different. (Bergus Levy).

2. MATERIAL AND METHODS

The study is conducted at Emergency County Hospital of Resita Internal Department.

The study is conducted between 2006-2008 (three years) and includes 30 patients with collagen diseases (18 women and 12 men) with mean age 25-50 years who were included in the diagnostic criteria of diseases of collagen and all of them constitutes the basic group.

Of these 12 cases with rheumatoid arthritis (10 women and two men) with disseminated lupus erythematosus eight cases (seven women and one man), scleroderma five cases (four women and one man), dermatomisis (2 cases in women), ankylosing spondylitis (3 cases in men), rheumatoid nodosum two (one man and one woman).

Will be excluded from the study all patients who have liver disease or active autoimmune disease, with active bacterial or viral infections or those with renal failure or dialysis.

All patients will perform general examinations and special research specific disease.

Of these 30 patients were found in March without cardiovascular damage (one of the ankylosing spondylitis and rheumatoid arthritis in two).
3. RESULTS

The purpose of this paper is to investigate the cardiovascular system features and risk of cardiovascular events present in the collagen diseases.

The study is conducted at Emergency County Hospital of Resita Internal Department. The study is conducted between 2006-2008 (three years) and includes 30 patients with collagen diseases (18 women and 12 men) with mean age 25-50 years who were included in the diagnostic criteria of diseases of collagen and all of them constitutes the basic group.

Of these 12 cases with rheumatoid arthritis (10 women and two men) with disseminated lupus erythematosus eight cases (seven women and one man), scleroderma five cases (four women and one man), dermatomizita (2 cases in women), ankylosing spondylitis (3 cases in men), rheumatoid nodosum two (one man and one woman).

Will be excluded from the study all patients who have liver disease or active autoimmune disease, with active bacterial or viral infections or those with renal failure or dialysis.

All patients will perform general examinations and special research specific disease.

Of these 30 patients were found in March without cardiovascular damage (one of the ankylosing spondylitis and rheumatoid arthritis in two).

Collagen diseases listed above shows that cardiovascular damage: pericarditis, myocarditis, endocarditis, myocardial infarction, heart failure, hypertension, rhythm disturbances and cardiovascular component management and thus have made these tests: ECG, Eco heart test the effort.

As a special investigations focused assessment of disease activity, C-reactive protein which is closely related to inflammation, cumulative dose of glucocorticosteroids.

Laboratory investigations:
Standard two-dimensional cardiac cross position to specify the level of damage to the heart. This examination will be made in all patients who have cardiovascular risk of harm.

A bicycle exercise test to see if it is positive or negative, it will have diagnostic value.

ECG approached cardiovascular disease present in collagen disease always shows an accurate diagnostic value of tests that make it above.

In patients who have hypertension, blood pressure monitoring will be conducted three times a week in our internal medicine department because they found blood pressure values than the standard gradation on the European Society of Cardiology (2003) - 140/90mmHg.

Thus anthropometric measurements included waist circumference (h) and body mass (m) to calculate body mass index, which according to European Society of Cardiology (2003) fall into categories FOLLOWING: if body mass index <= 25 kg / m² - normal, if body mass index = 30 kg / m² - overweight if body mass index> = 30 kg / m² obesity which is divided into several classes: grade I (BMI 30-34.9 kg / m²), grade II (BMI 35-40 kg / m²), grade III (BMI> 40 kg / m²).

Radiologic evaluation reveals where tissue swelling and fluid in the joints and the type of evolution anomalies worsens.

Fundus
Laboratory investigations:
Antinuclear antibodies in those diseases which are almost always positive and it supports the diagnosis of such autoimmune diseases.

Blood data: leukocyte formula, hematocrit, hemoglobin, lipid spectrum, spectrum carbohydrate, enzyme determinations, liver markers, viral markers, liver, erythrocyte sedimentation rate (ESR), C-reactive protein, inflammatory factors, proteins, ionograma, vitamins, pH analysis of synovial fluid, although it is not always specific (complementuli factors C3 and C4 are strongly reduced in synovial fluid).

These tests will be conducted once a month.

Chronic cardiovascular diseases diagnosis is made through discussion with the patient based on clinical and laboratory signs identified in history.

Work objectives are:
1. evaluation of patients with collagen diseases in terms of the clinical, laboratory diagnosis in order
2. analysis of clinical manifestations, and disease activity index of infringement of organic
3. cardiovascular risk factors in patients with diseases collagen
4. alteration studying cardiovascular disease in patients with collagen
5. estimating the risk of cardiovascular events in patients with collagen diseases.

4. CONCLUSION:
The study group noted that most of patients with collagen diseases have poor cardiovascular and clinical and laboratory tests is estimated to be risk factors for patients studied.

TOPICS:
Note that collagen disease affected more women than men, and most shows cardiovascular disease: pericarditis, myocarditis, endocarditis, myocardial infarction, heart failure, hypertension, rhythm disturbances and cardiovascular component management and thus have made these tests: ECG, Heart Cross, the effort cycling test (available in our hospital). In patients who have hypertension is blood pressure monitor 3 times per week to study oscillations present. All patients studied laboratory and biological tests are made available in our department of radiology and laboratory. All these cardiovascular complications have not found the time to lead the troubled bad later.

REFERENCES:
A. Garrod „Alcaptonurry incidention” 1902
Bernard J. Gersh, About heart deasises, Clinica Mayo. Editura ALL 2000
Jean Martin Charcot „Napoleonul nevrozelor”
L. Gherasim „Intern Medicine” Ed. Medicala 1996
Harrison si colaboratorii „Principes of internal medicin”, Ed. Teora 1998
Henri Lafont, Heart failure Editura Corint 2003
Lyme Disease John O Meyerhoff, MDJohn O Meyerhoff, E-Medicine: 2009
Petri M. Epidemiology of the antiphospholipid antibody syndrome. J Autoimmun 2000;
Gerald W Zaidman, Lyme Disease 2008
SECTION III
ECONOMICS & STATISTICS

A COMPARATIVE ANALYSIS OF THE EMPLOYED POPULATION IN ROMANIA FOR AGE GROUPS, BY AREA: THE PERIOD OF 1996-2010

Ana Maria BALAN

ABSTRACT
This research is characterized by originality, because discusses about the employment problem, using a methodology unprecedented in the literature of the field, combining effectively certain variables of interest and using simultaneously several data processing programs.

In its debut, the article brings to the attention important information on this indicator from different perspectives, according to other researchers. The second part is devoted to a comparative analysis carried out using the data from the National Institute of Statistics concerning the employment.

This paper aims through the comparative analysis performed to highlight the evolution of the employed population, both in urban and rural areas during 1996-2010. The study takes as its starting point five age groups: 15-24, 25-34, 35-49, 30-64 and over 65, being the support of the comparative analysis realized. The research ends with an analysis of the total employed population in the two environments.

An interesting result is that by age groups are obtained significant differences on the indicator analyzed in urban and rural context, but if there is considered the total employed population without taking account of age, the are not significant differences between the two areas.

KEY WORDS: employment, urban, rural, employed population.
JEL: J21

1. INTRODUCTION

The reforms initiated in 1990 in our country aim, in essence, to create a competitive market economy, in which the labor market to have a special role. Some researchers have concluded that this market is so important and revealing, that should be considered the barometer for achieving a competitive economy.

For Romania, the transition from a centrally system, controlled by state, to a free and unguided market economy, led to significant economic and social difficulties. During this transition, Romania has shown considerable signs of economic recession. Thus, the depreciation of national currency, the unemployment's growth, the decrease of domestic production coupled with the increased of foreign imports, the accumulation of foreign debt and the inconsistent economic recovery policies, are all the problems that Romania was forced to confront in the economic restructuring process (Mocanu, D. and Mareș, N. (2005)).

Remarkable changes in the political and economic infrastructure were caused by the transition to a market economy. From an economic perspective, these changes were

---

1 PhD Candidate, Doctoral School of Economics, University Alexandru Ioan Cuza of Iasi, Romania, balan_ana84@yahoo.com
felt particularly in the allocation of jobs, because the employment in the public sector was reduced, while the employment in the private sector increased. Thus, the employment had become one of the tensest areas of transition, under the impact of the economic decline installed in the last twenty years, which brought with it an employment crisis on the labor market (Gavrilă, Paven, I. and Ciucur, D. (2010)).

The enterprises' restructuring process led to job losses, uncompensated by creating new ones. In addition, Romania has recorded a significant emigration (including temporary emigration), which led to a shortage of labor; therefore, during the transition, the size, the dynamic forms and the characteristics of unemployment in our country have evolved and have been nuanced (Cindrea, I. (2007)).

2. THE LITERATURE PERSPECTIVES ON EMPLOYED'S EVOLUTION IN ROMANIA

An important macroeconomic indicator of labor market is represented by the employed population; it includes people over 15 years, which pursue an economic producing goods' or services' activity, at least one hour during the reference period (one week), in order to obtain income as wages, payment in kind or other benefits. This indicator includes both persons present at work, and those temporarily absent from work, but retains formal links with the job (holidays, sickness, maternity, unpaid study for temporary disability, strikes, training courses, temporary suspension of work due to weather conditions, economic circumstances, shortage of raw materials and energy, etc.).

The Romanian research from the field had in view, in many cases, the evolutions recorded on the labor market, in terms of its macroeconomic indicators. Marian Chivu has conducted an analysis of employment in South-East Region of Romania. In the beginning, the author notes the close correlation between the labor market and the decrease/increase of population; in other words, the labor market is influenced by the degree to which the population decreases, arguing that in recent years, the population of South-East Region recorded the lowest level (in 2005, there is a decrease of 3% of the population analyzed, compared with 2000). During 2000 - 2005, the population is characterized by a continuous decrease with a rate of 2.19%. In the end of 2005 (the year for analysis), the population of South-East Region was about 1.246 million persons, respectively 12.65% representing the share of the active population.

The evolution of employment in the region analyzed between 2000-2005 was affected by the economic transformation and restructuring, coupled with the results recorded at macroeconomic level; employment evolved descendant, being "encouraged by the collective redundancies' phenomenon, by the investment's low level and slow progress and by the unstable and incomplete economic legislation" (Chivu, M. (2007), p. 152).

One of the issues approached by the researchers is the participation on the labor market between 1998 and 2008. Thus, this aspect in Romania evolved descendant between the years analyzed, with a stronger decline for young and elderly (over 55); therefore, the largest percentage in the active population is held by the group age of 35-54 years. These developments were caused, in addition to the massive migration for employment abroad since 2001, by the increasing years of education, on the one hand, and by the early retirement, on the other. For the same period, the working age population's rate activity was 62% in 2008, the employment rate was 59% and the unemployment rate had the value of 5.8% (Militaru, E. et all, 2011).
The employment rate of working age population in 2008 situated Romania at a distance of 11% of the Lisbon objective for 2010 (the overall employment rate was fixed at 70%). In 2008, the employment rate's gap between men and women had the value of 13.2%. 2009 was characterized by a decrease about 1.7% concerning the employment rate for men and women, amid the global economic crisis.

A recent study provides new information on the employment situation in the sectors of economic activity in the period 2000 to 2008. The share of employment in the industrial sector has remained relatively constant over the period under review, approximately 23%, while in the construction field grew by 4.3% (from 3.7% in 2000 to 8% in 2008). As regard the service sector, the percent of employment increased by 6.4% (from 18.5% in 2000 to 24.9% in 2007). The highest employment rate of the population between 15-64 years is recorded in country areas. In the period 2000-2008 there was a decline in terms of employment in rural areas (16.4%), respectively form 73.8% in 2000 to 57.4% in 2008. This decrease is due largely to the employed in agricultural industries, which declined from 45.9% in 2000 to 28.7% in 2008 (Chirtoc, E., I. (2010)).

Another proof that the transition process of the Romanian economy has led to major changes in the labor market is the graphical representation of the fixed-base index, which relate to: GDP growth, unemployment and employment. The analyzed period is 2000-2009, according to the Figure 1 (Boboc, C. et all, 2011).

![Figure 1 - The indices of GDP growth, unemployment and employment in Romania during 2000 - 2009](source: Boboc, C., Țitan, E., Todose, D., 2011)

This diagram emphasizes the nature of counter-cyclical unemployment; the border between unemployment, inactivity and employment was quite inaccurate, the unemployment figures being relatively undervalued. Also, the decline in employment may be due to the demographic changes that took place in Romania in the last 10-11 years. A large number of people registered as unemployed have worked, either on the black market or were temporary migrants.

From comparative perspective, the Figure 2 indicates the unemployment and employment rate's evolution by category (women/men), from 2000 to 2009, according to data provided by National Institute of Statistics and further processed. The unemployment rate's evolution for the period considered in the analysis reached a maximum of 9% for men and 6.9% for women.
Figure 2 - The evolution of occupancy rate and unemployment rate in Romania by gender between 2000-2009
Source: Chirtoc, E., I., 2010, p.55

It can be seen that the unemployment rate is higher for men than for women. The situation is similar if there is analysed the employed population, both masculine and feminine genders.

A research conducted in the same year indicates that the decrease of the unemployment rate (during 2004 - 2010) was accompanied by an economic growth and a growing number of people employed. Since 2009, unemployment rate's growth was achieved simultaneously with a negative economic growth and a decrease concerning the number of the employed persons (Figure 3).

Figure 3 - The evolution of economic growth and the employed in Romania, during 2004-2010 (%)
Source: Vadașan, I., 2010, p.424

The years 2004, 2005, 2006, 2007 and 2008 were characterized by high and positive economic growth (between 4.1% and 8.4%), through the diminuation of unemployment rate (from 6.8% to 4%) and an increase in the number of persons employed (except for 2008, when their number began to decrease).

The year 2009 indicates a completely different situation: a negative growth for 2009 of -7.1% and an increasing unemployment rate, compared to the previous year, when its value was 6.3% and therefore the employed number decreased (Vadașan, Ioana, (2010)).

3. THE EMPLOYMENT IN ROMANIA: A COMPARATIVE ANALYSIS

This whole approach of the research conducted is characterized by originality and has a great importance in the literature, because examines a very important aspect which, if it's managed efficiently, can ensure a proper functioning for the labor market. Compared with the existing studies in the field, this research is distinguished by the
ability to provide a clearer picture on the employment's evolution, by age and by area (urban/rural), allowing an easier comparison between the existing realities over time in terms of the indicator of interest.

Through the essential contributions of the study are mentioned: the literature's completion with a comprehensive approach and an original vision of employment's problem in rural and urban environment, by age groups; the original approach through a comparative analysis, to highlight more accurate how this indicator has evolved in each environment; the analysis of a relatively large period (1996-2010) concerning the employed population’s trend, from the two perspectives of interest; the use of some statistical tests to analyse if there are significant differences between the employed population on area, by age group on the one hand, and the employed on area, in general.

3.1 Data and methodology

In order to achieve the present comparative analysis, were used the data recorded for the period 1996-2010 concerning the employed population in Romania, in urban and rural areas, according to the National Institute of Statistics.

The research methodology involved first, declaring the variables of interest and the creation of a database, on which were performed, using the Excel program, the charts on the indicator considered, by areas and by age groups. In the second part of the research, using the statistical program SPSS 13.0 was tested if there are significant differences between the population occupied on areas, by age group and by total.

3.2 Empirical results

The approach began with a graphic representation of the employment's volume evolution in Romania by various age groups in the urban and rural areas, thus testing whether the differences recorded between those environments are significant (Figure 4). A larger volume of employed people with the age between 15 and 24 is found in the rural area compared to other- urban, over the period 1996-2010. The differences between the two areas are reduced gradually from the beginning of the period analyzed until the end of it.

![Figure 4 - The employed population with the age between 15-24 years, from urban and rural area](image)

Source: Conducted by the author, own calculations
For the employed population included in the group of 25-34 years, the situation changes. There are many more employed in the urban context (a volume of 1.4 - 1.6 million people) compared with the rural one (800,000 - 1,300,000 people). Most people in the rural area were recorded in the third quarter of 2001 and the lowest volume was at the end of 2009 and 2010 (Figure 5). The number of persons employed having between 25 and 34 years in the urban varies from 1996 to 2010 within a period much smaller than the number of the people in rural.

The trend that can be estimated by analyzing the chart is a decrease concerning the difference between the growth of the urban employed population aged between 25-34 and the rural employed population with the same age.

Figure 5 - The employed population with the age between 25-34 years, from urban and rural area

Source: Conducted by the author, own calculations

In other words, it can be assumed that more people (highly educated) prefer to work in an urban region and fewer opt for a rural one.

Concerning the adult employed population (those having between 35 and 49 years), there are approximately double values of the volume recorded in urban than in the rural in 1996-1997 (Figure 6).

Figure 6 - The employed population with the age between 35-49 years, from urban and rural area

Source: Conducted by the author, own calculations
The difference between those employed in the two environments do not vary greatly during 1996-2010, fact that can be explained by a normal distribution of this difference's values, not characterized by extreme volumes- very small ones recorded in an area and very high values at the same time recorded in the other area. The normality which is assumed to exist can be tested using the Kolmogorov-Smirnov statistical test.

In the next table are the results of this:

Table 1
Testing the distribution's normality of the employed population, between 35 - 49 years

<table>
<thead>
<tr>
<th>N</th>
<th>60</th>
<th>Difference 35-49</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Parameters (a,b)</td>
<td>Mean</td>
<td>835660,816</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>109519,942</td>
<td></td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td>Absolute</td>
<td>.087</td>
</tr>
<tr>
<td>Positive</td>
<td>.087</td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>-.074</td>
<td></td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>.676</td>
<td></td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.750</td>
<td></td>
</tr>
</tbody>
</table>

a. Test distribution is Normal.
b. Calculated from data.

Source: Conducted by the author, own calculations

The tested hypotheses (assumptions) are:
- \( H_0 \): the difference follows a normal distribution law \( N(\mu, \sigma^2) \)
- \( H_1 \): the difference follows another distribution law than the normal one.

The decision rules are:
- for a value \( \text{Sig} < \alpha \) equal to 0.05 is rejected the hypotheses \( H_0 \);
- for a value \( \text{Sig} > \alpha \) equal to 0.05 is accepted the hypotheses \( H_0 \), so the normality hypotheses assumed is validated.

In this case, from the table can be read a value for \( \text{Sig} \) greater than 0.05, which leads to the acceptance of the hypothesis \( H_0 \) according to which the difference follows a normal distribution law \( N(\mu, \sigma^2) \).

The average and variance can be calculated; so, after estimating these parameters, it can be said that the difference between the volume of employed people with the age between 35-49 years from the urban and the volume of the employed form the same age group in rural follows a normal distribution law \( N(835661,11994617751) \). The future trend remains similar to the period under review: there are not expected radical changes concerning the employment volume for any of the two areas in the age group of 35-49 years.

In further, is studied the age group of 50-64 (Figure 7). The evolution of employment during 1996-2010 was not as constant as in the case of the previous age group. Between 1996 and 2006 the employment volume in rural exceeded the size of the population in the urban and after 2006 until 2010 the situation changed. The urban employed population exceeded in a very limited extent the afferent value form the rural area, this trend being kept, also, for the close horizon.
For the population aged 65 and over 65 is recorded a large difference between the people working in rural and in urban (Figure 8). The volume of the older working people from urban is low, as 100,000 people, while the volume of the same age group people in the rural area in 2000-2001 reached very high levels (about 1.1 million people).

After 2002 the volume of employment in rural diminished by half, being expected a downward trend in the near future.

To test if the differences mentioned are statistically significant, is will be used the test for samples T- test pairs. The assumptions tested are:

- $H_0$: there are no significant differences between the employed population from the two area of origin;
- $H_1$: there are significant differences between the employed population from the two area of origin.
The decision rules are the same:
- for a Sig < α equal with 0.05 is rejected the $H_0$ hypothesis;
- for a Sig > α equal with 0.05, the $H_0$ hypothesis is accepted.

From the results provided in the Table 2 can be decided that the differences between the urban and the rural employed population are statistically significant, as there were Sig’s value equal to 0. Also was analyzed, for all age groups combined, the total volume of employment in the two environments.

### Table 2

Testing the differences between the employed population on area, by total and by age groups

<table>
<thead>
<tr>
<th>Paired Samples Test</th>
<th>Paired Differences</th>
<th>95% Confidence Interval of the Difference</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Lower</td>
<td>Upper</td>
</tr>
<tr>
<td>Pair 1 Urban – Rural_total</td>
<td>53708,450</td>
<td>-151218,530</td>
<td>258635,430</td>
</tr>
<tr>
<td>Pair 2 urban15_24 - rural15_24</td>
<td>-195414,866</td>
<td>-223497,631</td>
<td>-167332,101</td>
</tr>
<tr>
<td>Pair 3 urban25_34 - rural25_34</td>
<td>392172,383</td>
<td>356233,226</td>
<td>428111,539</td>
</tr>
<tr>
<td>Pair 4 urban35_49 - rural35_49</td>
<td>835660,816</td>
<td>807368,815</td>
<td>863952,817</td>
</tr>
<tr>
<td>Pair 5 urban50_64 - rural50_64</td>
<td>-362865,250</td>
<td>-460828,093</td>
<td>-264902,406</td>
</tr>
<tr>
<td>Pair 6 urban65_peste - rural65_peste</td>
<td>-615844,500</td>
<td>-678572,860</td>
<td>-553116,139</td>
</tr>
</tbody>
</table>

*Source:* Conducted by the author, own calculations

It was obtained a value of 0.602 for Sig., which leads to the acceptance of the hypothesis $H_0$: there are no significant differences between the employed populations in the two areas.

### 4. CONCLUSIONS

A very interesting idea that emerges from this research is the fact that the employment from urban and rural, as a whole, indicates insignificant differences, but if is made reference to each age group, separately, are revealed significant differences for the two environments concerning the employed population.

This article brings very precise information regarding the employment. The fact that the analysis was carried out in detail offers adds value the research, because allows a better understanding of how this indicator has been changed for fourteen years in urban and rural context, but also creates a coherent framework for the evolution of employment by age group. Also, all the research results can generate arguments or
answers to some questions about the structure of employment in time or its volume and can be the starting point for future studies.

Regarding the possible future directions in research, one interesting perspective could refer to a comparative analysis on the evolution of employment, this time by area (rural/urban), but taking these comparisons based on the individuals’ type: male and female.

ACKNOWLEDGEMENTS

This work was supported by the European Social Fund in Romania, under the responsibility of the Managing Authority for the Sectoral Operational Programme for Human Resources Development 2007-2013 [grant POSDRU/88/1.5/S/47646].

REFERENCES

Chirtoc, E., I. (2010) „The importance of human resources on Romania’s labor market”. Annals of the University of Petrosani, Economics, vol 10, no.1
Cindrea, I. (2007) „The Crisis on the Labor Market in Romania”, Economie teoretică și aplicată, no. 4
Mocanu, D. & Mares, N. (2005) „The Romanian labour market – toward the European labour market?”. South-East Europe Review, vol. 1
ABSTRACT
In this paper I intend to emphasize the interaction between savings and investments in order to get economic growth. I chose to study this topic because economic growth is an urgent problem of all states, regardless of their development and political organization. In order to identify ways to expand the base of savings and investments mobilization, further research are needed, as an important saving of productive capital accumulation and economic growth. So, higher savings leads to higher investments and economic growth, and also affect the level of output and the standard of living.

KEY WORDS: crisis, saving, investment, economic growth
JEL: E21, E22

1.INTRODUCTION
Permanent concern of the academic and business environment is to identify ways to expand the base of savings and mobilize savings to finance investment needs in order to create added value, generators of economic growth.

Economic growth is defined as the increasing capacity of the economy to satisfy the wants of the members of society. Economic growth is enabled by increases in productivity, which lowers the inputs (labour, capital, material, energy, etc.) for a given amount of output (J.W. Kendrick, (1961), p.111).

Prerequisite for development and investment activity is to save storage resources. Identify ways and opportunities to diversify the forms of investment, and identify new sources of investment financing were discussed since the beginning of economic science gaining particular importance today, dynamism and complexity to leverage growth.

The main presumption of Solow’s (1956) type growth models is that higher savings precedes and causes economic growth. Capacity to produce capital economy is related to its efficiency, the ability to accumulate resources to save them and mobilize investments. The action of saving a portion of disposable income of people and businesses is a vital prerequisite for capital accumulation and development of investment activity capable of generating economic growth. In Romania accumulation and mobilization of capital is a decisive factor to stimulate the economy and advancing its growth vector. Stimulating consumption and investment is due to the intensification of fiscal and monetary actions taken and crediting the appropriate authorities in this field. The lack of public policies and the existence of inconsistencies in promoting monetary and credit policy aimed at mitigating factors such as cyclical, growth slowed and in some cases have created impediments to economic development. The lack of
coherent economic and financial policies creates premises for most of the revenue to be consumer oriented, and some savings to be retained at the expense of their investment.

2. THEORETICAL BACKGROUND

Market economy is the economy in which capital goods are private property and individual producers decide, in a decentralized way, which products will be produce, as well as quantity, quality and price of those goods. Fundamental variables - prices, wages, savings, consumption, production - are determined on the basis of the demand - supply, through processes of self-regulation has many properties (Cerna, 2011).

In several recent papers, growth appers to cause saving. For example:

- Harrod (1939) and Domar (1946) raised the issue of the stability of the growth path by contrasting two growth rates;
- Solow (1956) and Swan (1956) initiated the enriched neoclassical economic growth model inspired substantial theoretical and empirical research;
- Romer (1986) and Lucas (1988) began the third wave of interest in growth theory, developing endogenous economic growth models that explicitly recognise the roles of knowledge, innovation and human capital;
- Olson (1996) showed interest in economic growth studies that has been characterised by a shift of focus from capital and other productive factors towards the quality of institutions and policies;
- Gavin (1997) argue that higher growth rate precedes higher saving rather than the reverse.

The growth accounting approach was the dominant methodology for empirical studies of productivity after Solow’s (1957) groundbreaking paper until the early 1970s. Solow’s original conclusion, that technical progress accounted for almost all of economic growth, was gradually watered down as national accounts statistics and statistical methodology improved. Nonetheless, even recent studies (such as Jorgenson, (1990), Denison, (1985), and Matthews et al., (1982)) still suggest that the ‘growth residual’ accounts for a significant part of economic growth, usually around one-third.

The problem with all the studies in the strict Solow tradition, however, is that while they produce an estimate of the rate of technical progress, they do not shed any light on the causes of technical progress. Is it likely that economic growth would continue in the absence of increased workforce skill levels, investment in R&D and public infrastructure, the installation of capital equipment embodying new technologies, or changes in types and varieties of goods? More importantly, which of these, and many other factors, is the most significant cause of growth? These are the kinds of questions that Endogenous Growth Theory can potentially shed light upon (see Aghion and Howitt, 1998).

3. THE IMPACT OF SAVINGS AND INVESTMENTS OVER ECONOMIC GROWTH

Economic growth is one of the main concerns of economists. As famously expressed by Lucas (1998), once one starts to consider the potential of a better understanding of economic growth for human welfare, it’s hard to think about anything else.

Economic activity tends to efficiency, growth and development, both at microeconomic and macroeconomic level, strictly depending on the results. As
economic activities involve a continuous series of growth and development, stabilization, lasting recession or even crisis, is virtually impossible for both short and long term, all indicators show economic and financial efficiency to be growing. The efficiency of an activity, regardless of the scope in which it takes place (economic, political, social), is revealed by the results they emit. The results thus obtained can be approached from two points of view: static and dynamic, and will be made the necessary findings.

In terms of static, the result of economic activities is suggested by profits it generates, the size of available resources or heritage in whole, at a time, compared with another time, which serves as a benchmark.

In terms of dynamic, research and assessment of economic flows, the continuity and their interdependence. It is understood that the static approach, although theoretically well-founded, is less than dynamic, and a deep analysis inevitably will opt for the latter. Increase the welfare of society implies that achieving sustainable economic growth, as a result of economic development. Government strategies and targets to increase the prosperity of society. The basic approach to the concept of the positive trend of economic growth requires long-term evolution of a nation's production. Extrapolating, we can say that the dynamics of an economy can be raised, particularly by altering quantitative and qualitative structural economic flows employed in a given period, changes which are found in aggregate macroeconomic results.

The concept of economic growth, in a modern approach, akin to that of today, appeared in the 1930s of the 20th century. The notion of economic growth was introduced by the British economist R. F. Harrod in 1939. Global crisis prompted or even forced them to find solutions time economists to recession, what can be achieved only through a change of optics, in a passage from micro to the macro-economic analyses, from static to dynamic addressing approach of the development of national economy. Economic growth may be defined as “ascending a positive evolution of the national economy, medium and long term, but which do not exclude conjectural oscillations, even temporary economic regression” (Harrod, 1939, p.392).

To understand the essence of the concept of economic growth (Rotaru, 2011), it is necessary to realize an approach that takes into account two priority issues:

- in one instance, restricted growth represents “an upward movement of global economic sizes in a long period of time”. Thus, economic growth is the increase of activities and their results, the whole national economy and within its various subsystems, in a strong correlation with factors that have contributed or have conditioned this increase.

But cannot be identified if a real economic growth, thanks to favourable conditions (the international situation, enhancement of agricultural production was better than expected harvest, etc.) takes place, an increase of GDP per year, and the following year, adverse conditions cancelled that would dominate. Thus, to admit the existence of economic growth is not sufficient that production is rising, but is absolutely necessary that the upward trend to be lasting and not accidental.

Economic growth cannot have social purpose unless it focuses on an appropriate ratio between growth of GDP or national income and population growth. Thus, demographic growth (which may be regarded as an increase of a factor of production - work) must be overcome by the evolution of macroeconomic indicators of results. Otherwise, you can reach the wreckage, specifies in states under development and in transition.
Trend developments farms to monitor the achievement of high rhythms to increase production, which seeks to avoid significant fluctuations in economic activity, fluctuations which could have a disruptive nature of the overall macroeconomic situation.

- in another instance, growth include “the combination of quantitative and structural changes that occur in a horizon for longer periods” and in an area determined, within the dimensions of the macroeconomic results. This approach is more complex, resulting in economic growth as a phenomenon with a deep, irreversible character that is not sensitive to influences devoid of substance or conjectural, and that is supported by continuous improvements and changes of the performance of production factors involved.

So, the first approach includes only the quantitative aspects of economic growth, should be restricted to the appreciation of the size, volume or size of the results obtained. The second approach covers wider area visible problems, related to issues of quality, emphasize a greater concern over economic growth obtained under long-lasting economic developments whose results can be tracked and identified in time.

Economic growth cannot get immediate, short-term, but long-term, however, regardless of the economic growth model for which you choose, it does not appear by itself, but is a result of factors that makes a certain macroeconomic evolution.

The main factors that economic growth:

- natural resources - the mobilization and use from one period to another has a greater volume of resources;
- human factor - which must be approached from at least two regions: in the light of the link between human resources and production and the link between human welfare and consumption;
- capital - optimizing the use of capital in production process generates an increase in production;
- technological innovation should cover all technical and scientific research results that could be enforced;
- efficient management it is a key factor in achieving the policy objectives of economic growth;
- financial instruments are goal-oriented and used to create a favorable framework for enhancing production and economic development;
- public authorities, through a legislative and institutional framework well developed.

Nowdays, contemporary economic realities suggest ever more that economic growth is influenced to an extent decisive technology, research and development and innovation (Romer, (1986)). So, Solow's model, as well as economic growth models developed more recently admitted that innovation is the “key” to economic growth because, technological innovation requires investment and can only be made through investments, we can say that investments are the engine of economic growth.

Because we are in an ever-changing world, it changed even paradigm concerning the possibilities of obtaining economic growth. Thus, the emphasis on fiscal policy and innovative human capital capability.

The macroeconomic analysis distinguishes basically two theoretical approaches when analysing the capacity of fiscal policy to affect economic growth. In one instance, from a neoclassical approach, several models emphasise the short-term effects of different instruments of fiscal policy. The steady-state growth is driven by exogenous factors, such as
the dynamics of population and the technological innovation. Thus, the conventional wisdom has been that differences in tax and expenditure policies can be important determinants of the level of output, but are unlikely to have a significant permanent effect on the economic growth rate (Sato (1967), Krzyzaniak (1967) and Feldstein (1974) use the neoclassical model to analyse the effects of different taxes on growth; Chamely (1986) and Judd (1985) use the model developed by Cass (1965) and Koopmans (1965) to study the effects of fiscal policy considering endogenous saving rates; Summers (1981) and Auerbach and Kotlikoff (1987) adapt the model of overlapping generations of Diamond (1965) to analyse the dynamic effects of fiscal policy).

In another instance, the public-policy neoclassical growth models contrast with the predictions of the endogenous growth models, where growth is not conducted by exogenous factors. In these models, investment in human and physical capital does affect the steady-state growth rate and, consequently, there is much more scope for tax and government expenditure to play a role in the growth process. These works tend to transform the temporary growth effects of fiscal policy that the neoclassical model involves, into permanent effects. Thus, endogenous growth models that incorporate public policies predict that distorting taxes, as well as productive public expenditures, affect economic growth. It follows that fiscal policy can affect the level of output as well as its long-term growth rate (Since the pioneering contributions of Barro (1990), King and Rebelo (1990) and Lucas (1990), several papers have extended the analysis of taxation, public expenditure and growth).

Human resources and new technologies, in conjunction with the innovative capacity and to generate future benefits of investments represent the essential details of the process of economic growth, which can be mentioned in particular the principles of sustainable development in the world economy.

General coordinates which should take into account the public authorities in the field of economic growth:

• setting targets for long-term development, allowing the final implementation of goals like: raising the quality of life, material and spiritual welfare, against the background of a sustainable environment;
• identifying, targeting and determining the sizing of resources in the most rational and effective variants of use of production factors necessary for the attainment of the objectives mapped out;
• higher (absolute and relative) of gross domestic product, national income and other macroeconomic indicators of results;
• modernization of companies production;
• promotion of an equitable system for sharing the results released by the process of economic growth.

The stage of economic and social development of Romania can be characterized by the pursuit of macroeconomic indicators expressing the potential and the economy, its structure, the effectiveness of the use of factors of production and the degree of international competitiveness, standard of living of the population.

Economic development expressed all quantitative structural transformations, and quality that occur in both the economic and social processes and in scientific research and production technologies, mechanisms of functioning of the national economy, as well as in human behaviour.
4. CONCLUSIONS

The aim of this article was to review both the direction of causality between saving and growth, and the interpretation of their causal relationship are still open issues. Key factors that differentiate countries more successful in recovery from those less successful, is reviewed in this work paper and support hypotheses like:

• the initial output decline is greatest where reform is deep;
• early growth is based as much on efficiency improvement as on new investment;
• fiscal policy stabilization is a necessary but not sufficient condition for sustained economic growth;
• far-reaching progress on all elements of reform is a condition for sustained economic growth;
• significant over industrialization can be a discouragement but are readily offset by stronger efforts on reform;
• privatization in a broad sense, did not lead in a direct sense, to economic growth;
• foreign direct investments may contribute to economic growth, but only if the main conditions favourable to it are already in place.

ACKNOWLEDGEMENT

This work was supported by the project “Post-Doctoral Studies in Economics: training program for elite researchers - SPODE” co-funded from the European Social Fund through the Development of Human Resources Operational Programme 2007-2013, contract no. POSDRU/89/1.5/S/61755.

REFERENCES

ABSTRACT

Analysis of foreign investment in Romania during 1990 - 2010 was made taking into account the broader aspects of economic development of Romania, was identified as constraints in attracting foreign investment during this period, and the advantages offered to foreign investors Romania. Foreign investment has a significant contribution in supplementing domestic capital, a source through which new technologies are implemented, know-how, modern management and, last but not least, a way of changing attitudes and social behavior.

KEY WORDS: investment, economy, economic growth, domestic capital.
JEL: G 10

1. INTRODUCTION

All economic theories consider investment as one of the main factors of economic growth.

Restrictive definition of investment as the accumulation of industrial goods has become over time in the analysis of economic growth. Investment depends on expected profit an investor perspective, it represents the element of taking into account any investor when deciding to invest. Another important indicator is the rate of interest investment decision. Other indicators are equally important: money creation, the existence of outlets, changing markets, etc. Thus, investment is a variable difficult to predict and very difficult to master, especially in the short term. Because of this investment effects can not be assessed in advance (Băcescu, M., Băcescu, A.C., 1997).

After MP Keynes, investment in economic variables is a very difficult to master, especially in the short term.

2. CHARACTERISTICS OF DEVELOPMENT INVESTMENT DURING 1990 – 2010

Priorities for any economy that wishes to remain in balance and to enroll in a constant process of development at the macroeconomic level are: develop new production capacity, providing them with equipment and machinery located in the international technological requirements, renewal fixed assets, their improvement.

---

1 assistant professor PH. D, Faculty of Economics and Business Manage, University of Craiova, Craiova, România enescu.maria@yahoo.com
2 assistant professor PH. D, Faculty of Economics and Business Manage, University of Craiova, Craiova, România enescu.marian@yahoo.com
3 PHD, Raiffeisen Bank, Bucharest, Romania
Since 1990 he started a comprehensive process of transformation of the Romanian economy staged a super economy in a market economy. An important aspect which should have been considered as one of continuation, termination and release exploatatére investments in progress at that time. Unfortunately most cazuri works were interrupted, delayed or halted, provând big losses at both companies involved and the national economy.

Analyzing clues investment activities of national economy can be seen that the next cycle: decrease - increase - decrease - increase - decrease.

Analyzing the evolution of investment structure elements can be found as follows:

- a first phase (1990 - 1992): there was a significant decline in investment funds allocated centrally, the volume of foreign capital invested is insufficient to cover the gap left by business investment and jobs we devote the amount of budget state. During this time funds were allocated for modernization, private capital is used for investment in re-engineering or construction. Although useful, these investments were a waste of resources allocated to investment projects already underway at the time, and thus neglected the Romanian industry's ability to become, through new technologies, competitive in the domestic market;

- a second phase (1993 - 2008): created in the privatization of resources have been directed towards investment, a process that would have supported a higher rate to the existence of a fiscal stimulus legislation. During this period it was found that investments in fixed assets held the largest share. In 2008 I was one of the highest growth rates in the world. The construction sector has doubled its share in GDP from 5% in 2000, almost 11% in 2008;

- into a third phase (2009 - 2010): growth from the previous stage was îsoţită severe macroeconomic imbalances, which culminated with record budget debt, and perpetually unresolved structural problems delayed, inappropriate economic policies, social policies without financial coverage. These years, however, reveals a certain constant process of modernization and structural compatibility of the Romanian economy with EU countries.

Analyzing the structure of ownership investment growth recorded note in the private sector and joint sector. Most of these investments were directed towards the purchase of transport equipment, which come mainly from import. A significant part of investments made in the private sector were concentrated mainly in the tertiary sector, especially in trade (Bâcescu, M., 1992). Since 1998, investments by ownership classification was as follows: State versus private majority, the largest share was held by major private sector investments.

Statistical data shows a sinuous trend of investments in Romania during 1990-2010. We can not talk so about the existence of a genuine investment policy. During this period, changes in investment is a relatively favorable long-term trend, short-term evolution of the investments had a downward trend, even if investments were made in each year period.

Such situation can be explained as follows:

a) First, there was an orientation towards continuous economic growth, investment is both a cause and an effect of economic growth. There were no strategies that lead to the investment guidelines. Guidelines on investments were made by the force of inertia of things. Most traders have turned to markets immediately profitable, with consequences on the structure of investment and hence of
macroeconomics, and development of modern economies efficiently. Trade relations and cooperation have not knowingly changed in certain markets.

b) secondly, changes in investment have been influenced by the conduct of the privatization process. Extension in time of privatization, the state of instability in management, management teams have been just a few of the factors that have discouraged investment.

c) thirdly, unstable elements in legislation, investment neîncurajătoare have had an impact on developments in this field. Romania has made in this decade, a serious lack of consistency and lack of reform at the legislative and executive, which results in an extremely unstable legislation.

One factor that influenced the development of fast investment lack of economic motivation. Since the investment process is a process of intentionality, of will, and will be formed only through motivation. In the end, the lack of results in obtaining financial resources for investment projects never get motivated to continue. Lack of investment intention was determined by decapitalization operators. For reasons outside factor material itself, a culture must be nurtured and pro-investment. Or that there was no law nor in Romanian Romanian education nor românească media.

During the period under review, the Romanian capital investment was hindered by several factors:

- lack of funds;
- unable participation of the Romanian natural or legal persons carrying out investment projects, either independently or in collaboration with foreign companies.

The first action that decisively influenced the development of domestic capital investment was that the passage of "shares" (about 38 billion in the year 1990, over 5 billion U.S. dollars) of consumption within the sphere of production.

Maintaining a mixed structure of the economy (the coexistence of private education system, represented almost entirely by small and medium sized enterprises, public or mixed sector, represented by the large economic units) over a longer period, was not able to provide overall national economy, the presumed positive trend that the reform process. Conversely, with the passage of time and under the impact of economic policy measures, especially tax, big business units have been undercapitalized and devalued their privatization has become so difficult or impossible in the best case ridiculous conditions.

Simultaneously, private sector, subject to the same economic measures, recorded after the initial period of ferment, the same process of de-capitalization and regression. Unable to call the question on massive loans as long as the national currency has undergone a continuous process of devaluation, and the banks have performed very high positive real interest.

*Foreign investment capital in the period 1990 - 2010:*

Foreign investment policy, the permanent rate increase in Romanian exports, small and medium enterprise development, supported a balanced regional development are considered to be the major instruments of the reform process.

Foreign investment has a significant contribution in supplementing domestic capital, a source through which new technologies are implemented, know-how, modern management and, last but not least, a way of changing attitudes and social behavior.
3. CONSTRAINTS IN ATTRACTING FOREIGN INVESTMENTS IN ROMANIA

During this period (1990-2010) attracting foreign investment in Romania was marked by some constraints, the most important being:

- absence of a coherent industrial policy was the main limitation of foreign investment promotion activities. A coherent industrial policy should be set a number of priorities in the development of sectors and industries and would have allowed an active policy of providing incentives based on qualitative criteria;
- absence of a coherent industrial policy entailed the absence of instruments by which it is carried out (financial leverage, tax relief opportunities for foreign investors on the Romanian market access). Through these tools, the work of attracting foreign investments would have materialized, in particular, general promotion, providing advisory services and promotion of micro-level projects;
- unattractive business environment, notably the existence created an unstable legal and institutional framework;
- bureaucracy and the large number of public institutions;
- maintaining a certain ambiguity to the foreign investor can purchase the related investment termuriior that he had done it;
- slow pace of privatization;
- underused infrastructure, agricultural potential and tourist potential;
- institutional and legislative framework confusing, contradictory and changing investor waiting to clarify things at least as regards the principle of non-retroactivity of laws, which strongly influenced the business environment in Romania;
- taxation and accounting systems change, this one lasting. Many foreign investors have criticized the Romanian fiscal policy remains critical, arguing that Romania is practiced in value added tax and profit tax at the highest level in Europe;
- strong domestic demand contracted, low public and private investment and GDP growth rate reduced;
- unattractive business environment due to both listed and action factorior already weak capital market development, underdeveloped banking system of Romania's image abroad as a result of his change of position (investitorllor providing facilities and then they are withdrawn);
- continued growth, with values often unpredictable exchange rate has affected prices and investment, factors underlying the whole system of business management;
- inflation rate, which has also influenced all the aberrant dynamics of the price level. It is considered that the main cause of this development was the liberalization of prices while maintaining a monopoly on many existing products and partner services in the market, in particular: electricity, natural gas, transportation. Compared to inflation in other areas of Central Europe, the highest inflation was registered in Romania.

Obviously, investors, inflation was a factor counterproductive. It forced banks to avoid de-capitalization, a practice whose interest rate was higher than the inflation rate.
Consequently loans for business development have been prohibitive: high level of taxation and repeated depunctări of Romania by international rating agencies.

4. ATTRACTIVE SECTORS FOR FOREIGN INVESTORS

Despite these circumstances investment in Romania there were very attractive sectors for foreign direct investment:

  - are exempt from customs duty and VAT on machinery, equipment, facilities, vehicles (except vehicles), know-how imported seopul other depreciable assets to invest;
  - are exempt from customs duties and VAT on imported raw materials in order to achieve their production process in the disadvantaged;
  - are exempt from income tax for the entire duration of the deprived area;
  - are exempt from fees derived from the change destinațiile or sealing of the train where investment will be realized;
- industrial parks;
- small and medium companies, Law Nr. 133/1999 containing provisions on the incentives of private entrepreneurs to establish and develop small and medium enterprises. Thus:
  - small and medium-sized companies are exempt from customs duties for machinery, equipment, industrial equipment, know-how imported in order to develop their own production activities and services, paid from own funds or loans from Romanian and foreign banks;
  - small and medium-sized companies are exempt from income tax for that part of gross income reinvested;
  - small and medium-sized companies are exempt from customs duties for imports of raw materials needed to manufacture those goods which are exempt from customs duties (list of these goods is approved annually by a government decision);
  - zones (Sulina, Constanța South Basarab, Manchester, Brălia, Giurgiu, Court) under the provisions of Law no. 84/1992;
  - land and buildings in free zones can be rented to individuals or Romanian or foreign legal maximum of 50 years;
  - transport, property and other assets enter or leave the free zones are exempt from customs duties and other charges, for activities in free zones, operators rings exempt from VAT, excise and income tax throughout activity;
  - goods in free zones can be transferred to other free zones without payment of customs duties;
  - romanian goods used for construction, repair and maintenance of the objectives of free zones are exempt from customs duties;
  - foreign investors, individuals or legal entities have the ability to repatriate capital and profits, in case of liquidation or restructuring activities only after they paid their obligations they have toward the Romanian state and to other partners, accessories placed in free zones for manufacturing of goods exempted from customs duties, with the export formalities;
- tourism and services;
• IT and high technologies;
• oil and natural gas industry;
• agriculture and real estate.

Analyzing the position of Romania in terms of magnitude and direction of flows of foreign investment, our country is in the group of countries receiving net capital (with smaller outputs than inputs) by the category of countries where capital inflows are moderated.

5. FOREIGN INVESTMENTS MADE IN ROMANIA DURING 1991 - 2010

FDI in Romania during 1991 - 2002 was reduced compared with the size of the country and the opportunities it offers. High levels of foreign investment flows have begun to register in 1997, closely related to the privatization process. The highest level of foreign investment was recorded in 2001, when the amount of capital, in equivalent, the companies with foreign capital was 1.53 billion dollars, 1.21 billion euros respectively.

According to statistics provided by the National Trade Register Office, total registered foreign investment at 31 December 2002 amounted to $ 9,110,000,000 USD, EUR 7.22 billion respectively.

Foreign direct investment (FDI) in Romania increased by 58% in 2006 compared with 2005 to 34.512 billion euros, fueled mainly by investment in the capital of companies, which increased by 78% to EUR 27.016 billion (announced National Bank of Romania).

In 2010, Romania has managed to barely a quarter of attracting FDI into the country in 2008, the year which saw the largest stream in the last 20 years. FDI in first 11 months of last year totaled 2.269 billion euros, down 25.5% from the same period in 2009, when there was a level of 3.049 billion euros (National Bank of Romania announced).

Foreign direct investments have been made mostly in equity, which totaled 1.419 billion euros, the remaining input of 850 million euros, representing intra-group loans.

Between January to October 2010, foreign direct investment totaled 2.14 billion euros, which could climb by another 500 million in the last two months. Reported in the previous year, total foreign direct investment is about 25% lower this year. Dramatic decrease in the number of investment can easily be made into crisis, but even amid its investment in the region were made.

6. ADVANTAGES TO FOREIGN INVESTORS IN ROMANIA

Compared with other countries of Central and Eastern Europe, Romania still offers foreign investors the following advantages:
• represents an important market (about 22.5 million consumers, is the second market in Central Europe, after Poland);
• is the junction of three European transportation corridors:
  ✓ corridor 4 - for motor vehicles and railways (Berlin-Praga-Budapesta-Arad-Bucureşti-Constanţa-Istanbul/Salonic)
  ✓ corridor 7 - river corridor (Constanta-Basarabi-Rhin-Danube-Maine);
corridor in September - still in draft, for motor vehicles and railways (Helsinki-Moscova/Kiev-Odessa-București/Constanța-Alexandroupolis)

- has an ideal location offering competitive prices for goods transiting between the Caspian Sea, Black Sea and Western Europe;
- offers outstanding facilities for sea and river - the largest port of Constanta on the Black Sea (via the Rhine-Main-Danube canal, allowing direct access between the Black Sea and North Sea);
- convenience of free zones Basarabi Constanta-South, located along the Danube (Manchester, Sulina, Braila, Giurgiu) and the new free zone in Court;
- has several international airports (Bucharest, Constanta, Timisoara, Arad, Suceava)
- has a nationwide network of fiber optic communications, high-capacity digital equipment;
- network has a well developed mobile telecommunications in GSM system, NMT / LEMS;
- is very well developed industrial infrastructure;
- skilled labor is relatively cheap, well trained, particularly in technology, IT and engineering;
- have different natural resources, fertile agricultural land and a significant tourism potential;
- existence of representations of international banks (Raiffeisen Bank, City Bank, Alpha Bank, ABN AMRO, ING Bank, CreditInstalt etc.);
- diplomatic relations with 176 countries;
- is a member of the EU and many international organizations;
- existence of bilateral agreements and treaties between Romania and countries, related to: mutual guarantees, investments, avoiding double taxation.

The legal and institutional framework has been amended several times during the period analyzed, in order to achieve an ideal combination between those situations that contribute to increased investor interest and the severe restrictions imposed by the budget deficit. Under the legislation relating to direct investments in Romania individuals and legal entities may invest without restriction in any field of activity permitted by law in any form. Discrimination without any investment, Romanian or foreign, receive the same frame on the guarantees and incentives for direct investment made in Romania.

Free repatriation of profits, is regulated by the National Bank of Romania. There are two situations:
1) repatriation of dividends, after closing the financial year;
2) repatriation of capital when investment is liquidated (closure or sale of portfolio company investments).

By means of Law no. 332/29.06.2001, promotion of direct investments with significant impact on the economy, Romania has a new legal framework to stimulate direct investment promotion. Under that law, any investor who made an investment with value greater than 1000000 dollars or other convertible currency, receive:
- a tax credit whose value is equal to 20% of the investment;
- exemption from customs duties for equipment and machinery needed for investment;
• deferred payment of VAT on equipment and machinery necessary for the implementation of investment project imported or bought in Romania, until the date on which it is implemented the investment project. Also, according to Law No. prevederii 15/1994, investors can use accelerated depreciation process.

7. CONCLUSIONS

Maintaining a mixed structure of the economy (the coexistence of private education system, represented almost entirely by small and medium sized enterprises, public or mixed sector, represented by the large economic units) over a longer period, was not able to confer on Overall, the national economy, the presumed positive trend that the reform process.

Foreign investment has a significant contribution in supplementing domestic capital, a source through which new technologies are implemented, know-how, modern management and, last but not least, a way of changing attitudes and social behavior. For investors, inflation was a factor counterproductive. It forced banks to avoid de-capitalization, a practice whose interest rate was higher than the inflation rate.

Consequently loans for business development have been prohibitive. Analyzing the position of Romania in terms of magnitude and direction of flows of foreign investment, our country is in the group of countries receiving net capital (with smaller outputs than inputs) by the category of countries where capital inflows are moderated.

Reported the previous year (2009), the total direct foreign investment is about 25% lower this year (2010).

Dramatic decrease in the number of investment can easily be made into crisis, but even amid its investment in the region were made.

REFERENCES


Anuarul statistic al României.
STRUCTURAL CHANGES IN THE MODERN WORLD ECONOMY INTERPRETED WITH THE HELP „THEORY OF LONG CYCLES”

Marian ENESCU¹
Maria ENESCU²
Oana Daniela POPESCU³

ABSTRACT
Article sets the long cycle theory of Nicolai Kondratieff, who failed to show the best relationship between the growth and crises, are presented within this theory, the development of this theory by Kondratieff, criticism and revision cycles Kondratieff theory Kondratieff, taking into account the current position in the cycle and in terms of economic implications.

KEY WORDS: economic growth, economic cycles, long crisis phase.
JEL: F 59

1. INTERDEPENDENCE ECONOMIC GROWTH, INVESTMENT, ECONOMIC CRISIS

Growth is a concept that first appeared in the United Kingdom, extending then the rest of Europe, North America and Japan.
A complete definition of economic growth should consider all ways of highlighting it (Bacescu, M., Bacescu, A. C., (1997))
1. sustainable increase in gross domestic product per capita of any country, in real terms;
2. complex process of long-term trend, which is manifested by a characteristic increase in the size of the economy and a transformation of the structures of society;
3. increase in real per capita output site in an economy in a period of time, measured in terms of GNP or GDP growth or real growth in national income per capita in the period under review;
4. complex process of increasing the size of national income or GDP per capita based on the combination and use of increasingly efficient production factors;
5. dimensional process of national economic growth based on the use and combination of production factors in order to increase gross domestic product or national income per capita;
6. systematic growth, firm and long-term gross domestic product or national income per capita.
In quantitative terms, growth was characterized by sustained growth of industrial production - in particular the textile and metal - after dragging her whole economy. But

¹ Assistant professor PH. D, Faculty of Economics and Business Manage, University of Craiova, Craiova, România enescu.marian@yahoo.com
² Assistant professor PH. D, Faculty of Economics and Business Manage, University of Craiova, Craiova, România enescu.maria@yahoo.com
³ PH.D., Raiffeisen Bank, Bucharest, Romania
this growth process has been punctuated by crises. Crises highlighted the existence of business cycles.

J. A. Schumpeter (Rostow, W., (2004)) of these cycles is known as the Kondratieff cycles, phases of sustained growth of output (price increase) and reduced pace of economic growth (low prices) have been named by F. Simiand: A phase and phase B.

2. KONDRATIEFF CYCLES

Kondratieff cycles can be defined as a model of structural change characteristics of the modern global economy. These consist of alternating periods characterized by very low growth and periods of high growth rate.

Cycles of 50-54 years of disaster and recovery were observed for the first time since the ancient Mayan and Israel. Observations made by Nikolai Kondratieff (Popescu O.D., (2005)) is the modern expression of these cycles, which postulates that capitalist countries tend to follow long and rhythmic patterns, which lasts about 50 years.

In work published in 1925, underline the Nikolai Kondratieff long economic cycles, the study was based on statistical analysis of 21 series (statistical series included: wages, interest rates, commodity prices, foreign trade, bank deposits, etc.) and highlight the relationship between prices and production. Long economic cycles consist of two phases: phase A (expansion phase) during which prices and production increases and phase B (phase of recession) in lower prices and production is reduced or increased slightly. Growth and recession phases are cycled, the average duration of a cycle of 50 years.

Kondratieff was convinced that his studies that dealt with the economic, social and cultural shows that there is a sort of long-term economic behavior, it can be used to predict future economic developments.

Kondratieff observed some features of phase “wave up” and “down wave” of a long economic cycle and gave precise information on the duration of these phases, said the industries which had suffered most during periods of “down wave” and how technology has played the role of bridge between a contraction phase and a new phase “wave up”.

In this model, the cycle (which lasts on average 54 years), starts with a step “up wave” during which prices start to rise slowly, along with a new economic development. At the end of this phase (25-30 years), inflation rate is very high, the peak of this phase marks a crisis that will shake the economy strong.

1. Before and during the wave of the long cycle of growth, the economic life of society aware of important changes (in production, technical changes were preceded by important technical discoveries and inventions on the conditions under which production of gold and currency movements, and / or involvement new countries into the global economy and global economic relations: Australia, Argentina, Chile, Canada). The first phase “up wave” (1780-1815) begins with the peak of the Industrial Revolution and the U.S. entering the global economic market. The second phase “up wave” (1844-1875) was preceded by many technical inventions (turbine, threshing machine, telegraph, steam boat, sewing machine). In this second phase of increased U.S. role in world economic market, and gold production grew due to discoveries made in the United States and Australia, the third phase “up wave” (1896-1920) was also preceded by important technical inventions (engine, telephone, electric locomotive, rail, tram cars, transformer) which prompted a second Industrial Revolution, particularly in the chemical and energy industry.
2. Long periods of growth cycles are characterized by great social and radical changes compared with the phases “wave down. “The first phase “up wave” (1780-1815) covers the period in which the United States won their independence, there was the French Revolution and Napoleonic wars took place, the fighting took place between Russia and Turkey, and Poland was “divided. “The second phase “up wave” (1844-1875) was marked by revolutionary movements in Italy, Germany, Austria, France, Hungary, several wars (the Crimean War, U.S. Civil War, Franco-Prussian War) The founding of the German Empire and Romania third phase “up wave” (1896-1920) was marked by many conflicts (Japan, China, Turkey, Greece, Italy, Turkey), war (Spanish-American, Russo-Japanese War, the Balkan Wars, First World War) and revolutions (Russia, China, Germany and Austria-Hungary).

3. Phases of the down wave “of long cycles are characterized by strong and prolonged crisis in agriculture. The first phase of the down wave “(1815-1844) was marked by falling prices of industrial goods and agriculture, this fund has shown significant decline in agriculture (in the period 1818-1840 fell to the ground rent) in the second phase of the down wave “(1875-1896) strongly affected the agriculture crisis of the most powerful European states and U.S. agriculture, agricultural products and the price level fell very much leasing. Kondratieff noted that there were signs that marked the entry into the third phase “wave down (these signs were more pronounced in the United States)

Kondratieff concluded that historical data on economic and social development conform to the assumptions long cycles, therefore:

- prosperity and crises, with all their implications, are related to growth and decay phases of long cycles;
- during the decay phase of long cycles, the most powerful crisis manifests itself in agriculture;
- also during the decay phases recorded a number of important discoveries and inventions in the technical production and communications, they will be implemented at scale in the next phase of growth;
- global gold production increase in growth phases, and in global gold extends through the assimilation of new territories and colonies;
- during growth phases of long cycles (during periods of great tension in the expansion of economic forces) to produce revolutions and wars. Stages of growth are associated with the replacement and expansion of production facilities (fixed assets) and radical change and regrouping of productive forces of society.

Kondratieff cycles believes that the fundamentals of the materials are long wear, replacement and growth of fixed capital funds, their production requires huge investments. Mikhail Tugan-Baranovskij, Kondratieff's mentor, in 1894 showed that the main cause of long cycles is the fluctuating rate of increase fixed capital

3. LIMITS OF KONDRATIEFF CYCLES

Kondratieff cycles have some limitations:

1) Do not explain all crises.

Great Depression in the period 1873-1896 and the crisis of the '30s is very much in the theory of Kondratieff cycles, characterized by lower growth rates and prices, the stifling of technological progress. The current crisis, characterized by inflationary pressures, recession and significant technical progress seems to be different cycles
Kondratieff B phase. If the period 1945-1973 is very much as phase A, we can absorb the '70s, characterized by accelerated inflation and recession characterized by desinflation and '80s, a phase B.

2) The quality of statistical data.
In general the statistical series are not neutral, being most often subjected to “treatment” in order to highlight, finally, trends, methods of correction, is dependent on the analysis. Statistical series do not converge as they should, especially the series with data from production and price ranges.

3) Neglect certain factors.
Kondratieff did not take into account certain factors, such as credit, which in monetary terms at the time, did not seem to play a role in economic fluctuations.

4) Do not take into account political and institutional complexes have played an important role in capitalist development.

Long cycles followers were accused of neglecting the state's role, considering that there were valid reasons already advanced to make us believe that the economy is long-term rhythmic movements.

The idea of predicting the long term, especially in terms of production, was rejected by JM Keynes. He believes that long-term prediction is made in conditions of absolute uncertainty, which is a mere foretaste of the future. The question may be put is: How far is the absolute uncertainty to generate a long cycle characterized primarily by the frequency and regularity around an average lifetime?

4. THEORY OF CYCLES LONG AFTER KONDRATIEEFF

Kondratieff's long cycle theory had many adherents.

Walt Whitman Rostow History (Popescu O.D., (2005)) used the idea long cycle in order to structure his interpretation of world economic history, centering on the general explanation of price movements, leading world commodity prices.

Rostow believes that there are two main types of trends:
1. periods when prices generally, prices of agricultural and raw material prices, in particular, and increasing interest rates or high levels compared with earlier periods in which agriculture is developing rapidly, the income distribution tends to “jump” in favor agriculture, the urban household income is under pressure (1790-1815, 1848-1873, 1896-1920);
2. period the previous trends are reversed (1815-1848, 1873-1896, 1920-1936).

Craig S. Volland (Schumpeter, J. A, (2004)) inserted into the equation, substitute materials technology. Volland, believes that long cycles are determined by the dominant technology development, they exert a pressure on natural resources that are dependent.

The cycle ends when a new technology is accepted, it can lead to more efficient use of existing resources or dependent on other resources that are found in large amounts can be dependent or reusable materials.

John R. BORCHERT (Borchert, J. R., (2004)) describes the transition of technology as a link to periods of growth, A.

JJ van Duijn (Duijn van, J. J., (2004)) considers economic growth as an S curve type phenomenon: innovations contribute to the development of new industrial sectors (innovation). New sectors require its own infrastructure (growth). Inevitably there will be an excess accumulation of physical inventories (maturity). Smoothing demand for
innovation in the affected area will cause excessive expansion of capital (saturation). The combined effect of these two forces is the long end of the cycle (recession).

Starting from the conception that the material basis of Kondratieff long cycle is the physical wear and tear, replacement and growth of fixed capital funds, their production requires huge investments, there are several theories about the life cycle of capital.

In 1939, Michal Kalecki, (Kalecki, J. M., (2004)) being asked what causes the periodic crises that the investment response is not only produced, but in turn it produces. He believes that the investment is a source of prosperity. Increased investments contribute to improving business and stimulate future investment growth. But at the same time, the investment represents an increase of fixed assets from the outset there is a competition between old and new assets. Lnevitably, new investments generate crises.

Were outlined as two ideas about the life cycle of capital:
- idea of life cycle of capital itself;
- the old notion of substitution of capital by new capital.
These ideas were taken up and developed by Jay W. Forrester and his associates at the Massachusetts Institute of Technology.

Forrester concluded that the main causes of long cycles are:
- long periods of time necessary for changing the production capacity of the main sectors activate;
- how the main sectors of activity provide their input as a factor of production, development of new production capacity to ensure coverage of different applications;
- speculative and psychological forces that may cause a supraextendere the main fields of activity.

Forrester believes that any major expansion will be formed around a combination of technologies, well-integrated, mutually reinforcing (especially transport and energy), and during good periods, tended to reject incompatible innovations. The process culminates with an increase in excess of debt and supraconstruction the main sectors, followed by crisis. Shortages and bankruptcies wipe excess debt.

JA Schumpeter based its analysis on the notion of technical progress.

Schumpeter attributed phases A Kondratieff cycle forefront major innovations to its age. This will induce increase productive innovations that will lead to increased production and increase jobs. Investment growth is pushing up demand for loans and thus interest rates. The transition in phase B is where many entrepreneurs are unable to repay loans due to high interest rate. Very important role entrepreneur’s innovators II, they determine the dynamics of growth through investment opportunities which it operates, but that over time leads to a saturation of the market and fall of capital, and from here derives the need for innovation. Schumpeter's entrepreneur is a person endowed with exceptional qualities, two types of entrepreneurs differ schumpeterieni: innovative entrepreneur, who assumes a very high risk by introducing innovation in the production process, which performs the most profit, and entrepreneurs simulators, which attracted by profit, will use the innovation.

Schumpeter believes that most of the growth due to innovation and entrepreneurs. Innovation carries within economic crisis. Thus, the crisis has its roots in progress. On the other hand, the crisis is merely an anticipation of future growth. Through the crisis will be set in motion a new production process that will generate in turn new profits. Schumpeter's vision is optimistic the crisis: the crisis occurs through
the process of evolution and growth is favored. An innovation occurs several at the same
time (come to “swarm”) and is generalized by diffusion, resulting in an economic cycle
cyclic evolution.

Schumpeter made a distinction between five types of innovations:
1. manufacture of new goods (or assigning a new qualities of an already existing product);
2. new methods of production;
3. discovery of new outlets;
4. use of new raw materials;
5. a new organization of labor.

These developments require the existence of a synergistic effect to achieve that
two conditions must be met: on the one hand must produce a true technological break
the old production process and the other part of the industrial development process
should trigger a secondary wave progress, characterized by distributing purchasing
power in the economy contributing to increased demand.

Using as a criterion for distinguishing technical progress, Schumpeter identified
three major types of economic cycles: 1789-1848 - the first industrial revolution and
steam; 1848-1896 - rail and steel, 1900-1950 - electricity and steel. By extension, we
can talk about the role played by the computer and the Internet today.

“Creative destruction, “Schumpeter's own concept, describes an innovation in
general. He describes the growth as a process of destruction and reconstruction activities
related to innovation. Kondratieff cycles Schumpeter divided as follows: phase A (phase of
growth) are characterized by a strong technical progress and B phases (crisis phase) are
characterized by low technical progress. Crisis period is followed by a period of economic
growth, because during Phase B technical progress will increase investment, economic
growth implicitly. In times of crisis, technical progress is “looking” for entrepreneurs in
their desire to take profits during the same growth. Indeed, the main purpose of technical
progress during periods B, which returns to the periods A.

For Schumpeter, facforii leading “creative destruction” are: credit, entrepreneur,
innovation, and the effects of “creative destruction” are the following:
• a “creative destruction” in the sense that for Schumpeter, the economy is
stationary when lacking innovation, economic circuit is closed. “There is no
reason to compare the present values of future ones, as the economy follows the
path that has been prescribed. And so, there is a crisis “(Rostow, W. W., 2004).
• an imbalance creator
• a socialism.

Schumpeter was pessimistic regarding the progress of capitalism inexorable
concentration of business by blocking the developer removes the technical progress.
After the crisis of the 70s, Schumpeter's theory has regained importance in economic life.

We can ask: in what stage of the economic cycle we are?
Early this century major innovation allowing a return to phase A appears to be
the Internet.

5. CRITICAL TO THE THEORY OF CYCLES KONDRATIEFF

That the assumptions made by Kondratieff long economic cycles would be an
organic part of the capitalist system, ie there is complete interdependence between
political and social development, war, economics and finance (in particular its view that
the capitalist crises are autocorrection and therefore successive cycles are repetitive) were highly criticized.

The crisis of the 70s left the doors open all the controversy, again putting into question this theory is not without foundation (recorded events since 1995 are not exactly a new sample of Kondratieff cycles?).

Kondratieff cycles Revolution began in the ’30s, when the world economy out of crisis deflaţionară. After the Second World War, prices began to rise, reaching 1980 prices. Since then and after the 1990-1991 recession, the global economy has passed through the second set. During this period, consumers and investors became worried, believing that inflation will accelerate up phase Kondratieff wave cycle, deflation became a certainty. During the second plate first problems began to appear (the first signs of contractions deflaţionare). Savings isolated deflaţionară enter the phase of contraction (the first being Japan's economy).

Stock market crash of 1997 was the signal that marked the end of the growth in the second set. According to the domino effect (which started in Thailand, Indonesia, Asia, South America), other economies have collapsed, ranging deflaţionare contractions (economies of Europe and North America). Very controversial is the validity of applying Kondratieff cycles in the period after the Second World War. Many economists have rejected this possibility, demonstrating that early growth phase was in 1940 or 1945, not 1930. Also, in the twentieth century life expectancy increased. If 54-60 year cycle is based on the characteristics of a generation, normally cycle should not exceed 60 years. Wars and cycles of creation and economic renewal occur at about 2-3 generations.

Kondratieff cycles revolution message is: the world is more aware now than in ’30s cycle effects, deflationary contractions can be controlled. Although mankind is the stage at which denies likelihood of such a collapse in the “new era” that might arise awareness and recognition of mistakes made earlier may help to alleviate the contractions.

Two factors complicate the picture Kondratieff cycle:

• European Union enlargement (increased investor confidence in financial markets, increasing confidence in the free market, increasing speculation that the effect of financial market collapse),

• goods economy of Canada is an additional variable for the North American capacity to resist deflationary forces, throughout the world.

6. KONDRATIEFF REVIEW CYCLES

Kondratieff cycles have been reviewed, both in terms of current position in the cycle and in terms of economic implications.

Making a study of the low prices in the period 1860 - 2010, three Kondratieff peaks (peaks) are evident: in 1864, 1918 and 1981. Between points are two points of minimum prices ("Kondratieff troughs"), one in 1897 and another in 1946. The duration of these cycles (55 years) corresponds to the duration assigned Kondratieff cycles.

Looking carefully at each stage we see that wave down after each Kondratieff peak follows a sharp drop and then stabilize prices (shelf price). Plate ending with another sharp drop (from fall flat “) (1872 and 1929, following the end of the plateau could be in 2001).

After the point vortex is a temporary increase in prices by an intermediate maximum point, after which prices go down to the point of minimum of Kondratieff cycles. Point Intermediate price peak was named top growth deflaţionare (Groth
deflationary peak) peak DG (1881, 1937). The trend in lower prices, began to decline in early 2001 and reduced prices fell to their lowest level reached after 1981.

7. CONCLUSIONS

Kondratieff was convinced that his studies, which dealt with the economic, social and cultural, show that there is a sort of long-term economic behavior, it can be used to predict future economic developments. Considering that they will further facilitate the understanding of long cycles, Kondratieff identified three empirical models:

a) before and during long-wave cycle of growth, the economic life of society aware of important changes;

b) periods of rising long cycles are characterized by great social and radical changes compared with the phases of the down wave;

c) phases of the down wave “long cycles are characterized by strong and prolonged crisis in agriculture.

Kondratieff cycles can be defined as a pattern of structural change in the characteristics of modern economies. They are attributes of the modern economy, being more readily visible in the data sets that characterize the world economy than in the thread data sets national economies.

Kondratieff cycles are mainly related to output rather than prices and increases output and investment in the sector's infrastructure in the world economy than the economic performance of national economies.

Kondratieff cycles are caused by basic innovations that launch technological revolutions, which, in turn, creating industrial and commercial sectors are leading. In Schumpeter's classic formulation, these innovations refer to products, services and production methods, opening new markets and finding new sources of raw materials, new forms of business organization. Kondratieff cycles have their own location in time and space. Kondratieff cycles have a character and their specialization, they change in their own way the world economy.

REFERENCES


Hamilton, James D. (1989), “0 nouă abordare a analizelor economice a seriilor de timp nesterionare și a ciclului de afaceri”, Econometrica, p. 357-84;


Kolari, James W., Viale, Ariel M. (2001), “Gibson or Fischer Paradox? Back to the Future Expectations and Escape Dynamics or a Very Plausible Robust Agent”


ABSTRACT
Sustainable development continues to be a key concept for social scientists and planners concerned with eco-friendly development. We argue that sustainable development should be conceptualized as the progressive development of social processes that promote reflexive, radical democracy and the equitable sharing of ecological, economic and social costs and benefits, rather than as a technocratic solution, end-state or equilibrium.

KEY WORDS: Sustainable development, economy, information, communications technolog.
JEL: O10, O12, O18

1. INTRODUCTION

Given its differential diffusion and application in wealthy and poor countries, the information and communications technology (ICT) revolution gives rise to a growing global digital divide. Looking at new kinds of risk linked to the increasing dominance of internet-based information, and at the ways that these risks interact with risks emanating from other domains, we consider how information and communication technologies (ICT) may promote new vulnerabilities that are distributed unevenly across societies. This inquiry is intended as a modest contribution towards, and a stimulus to, the elaboration of a more comprehensive and critical sociology of risk.

The digital divide is fast becoming an important new axis of inequality that restructures social relations at the individual, household, community, and societal levels. ICT and growing gaps in terms of digital access, application, and control become significant new generators of risk for disadvantaged, digitally disenfranchised populations. The risks experienced by individuals, households, and subpopulations often manifest in reduced access to, or degradation and devaluation of, productive resources. These resources or assets include the very foundations of people’s personal productivity - their health and education, the latter encompassing both access to formal learning and training, and the recognition, validation, and valorization of skills learned through experience and informal apprenticeship. New personal exposures to risk in the context of digital inequalities likewise include the erosion or devaluation of stored assets, and the collapse of social relationships and networks that allowed needy individuals to make claims on others. At the societal level, these risks have been generated or amplified through and throughout institutional-material and cultural structures.

The analysis of social developments such as the digital divide from the standpoint of risk is important because it addresses core processes and consequences surrounding rapid, unplanned social and environmental change. While analyzing new sources of risk, however, it is important to note that risk is not a purely objective category, but one that is “constructed” through social practice. Risks may take on their risky attributes and may become more important because they are perceived to be

---

1 Assist. PhD, Eftimie Murgu University Resita, Faculty of Economic Sciences, Romania, f.frant@uem.ro
significant; risks also become more or less severe and consequential based on the institutional fabric of society.

The late 20th century has been characterized as a "risk society" in that the culture of risk seems to dominate social thinking.

The rise of the New Economy over the last few decades has presented not only new hazards but also new frameworks for assessing risk. Risk is disembedded and individualized. Most studies of risk focus on the "risk of" particular events or eventualities. We broaden the discussion here by addressing the "risk to" particular groups and communities, which, coupled with risk analysis, can help to explain differential vulnerabilities and responses to social change. In unequal societies, the costs and benefits of change are not borne equally. The reapportionment of "goods and bads" manifests in multiple forms of social exclusion and environmental degradation. Sustainable development, we argue, must address the construction and distribution of risk as well as respond to the progression of old and new forms of inequality. A more insightful sociology of risk is needed, not just for its own sake, but also to support the development of a more adequate sociology of sustainable development. The necessary questions include: How is risk socialized? How are people protected from risk? How are costs borne or shared? What are the formal and informal arrangements for mitigating, or adapting to, risks?

2. SUSTAINABLE DEVELOPMENT IN THE NEW ECONOMY

"Sustainable Development" is a broad idea that encompasses social, economic, political, and environmental goals. Sustainability actually describes several different approaches to development - these approaches carry with them different visions of society and different political commitments to action. Sustainable development decision-making takes place within a context of competing vested interests and contested social, economic, political, cultural and environmental values. In all of its guises, sustainable development is a reflexive concept that carries its normative commitments up-front within its analytical apparatus. In this way, sustainable development has more in common with the feminist and Marxist social sciences than it does with conventional social science disciplines. At the most general level, all sustainable development approaches have what might be called the "Brundtland commitment," meaning that societies must meet the needs of today without compromising the livelihoods of future generations. At a more specific level, however, differing normative commitments present dissimilar approaches to risk, as well as contrary political, economic and institutional diagnoses and solutions.

We are arguing here that unsustainable development is rooted in inequality. The rich pursue unsustainable forms of livelihood and lifestyle in the quest for status, wealth, and profits - they are able to do so by externalizing the costs of unsustainable practices; the poor may also contribute to environmental destruction in their attempt to eek out a living today - even if this means undermining the basis of tomorrow's livelihood. Systemic approaches to sustainable development must, therefore, address the causes and consequences of inequality. This approach to sustainable development takes eco-social justice as a central tenet and includes, as necessary preconditions and as worthy goals, both the lengthening of time horizons and the redefinition of whose interests are to be included and sustained. It involves the broadening of democratic participation in the ownership and control of resources. It also means more closely
linking the derivation of benefits with the defraying of costs, so that all participate more fully and equitably. In terms of production and consumption systems and management of environmental impacts, this version of sustainable development calls for holistic vision and attention to the full range of ecological costs engendered, and ecological services rendered.

Sustainable development (and risk) involves interactions of natural and social systems, both of which are complex, non-linear, dynamic and unpredictable. These qualities mean that sustainable development as an endpoint or state of equilibrium may be a worthy and useful goal, but will never be attained. Sustainable development should rather be conceptualized as a process that allows society to minimize its ecoimpacts while maintaining or increasing the capacity to support a desirable quality of life for all.

As a philosophy, sustainable development embraces the precept, “first, do no lasting harm.” As powerful new technologies are introduced rapidly, and are capable of inflicting great damage, sustainability includes capacity for ex ante impact assessment and the development of nimble and responsive social systems that are capable of engaging in the activities of regulation and timely decision-making. Sustainable development calls for the design of production and consumption systems that work in greater harmony with natural processes, and reduce the potential for degradation or catastrophic collapse of natural systems. It puts a special responsibility on human beings to treat their fellows and the rest of the world in such a way as to avoid destruction of cultural and biological diversity. It is a ‘radical’ orientation when it addresses contradictions in commercial-industrial development through a combination of fundamental changes in values, organization, and technology. It is also a ‘conservative’ orientation when it admits to limits in our ability to comprehend, model, and manage natural processes. This implies a need to err on the side of caution and safety.

Sustainable development is not a clear-cut project, nor one with predetermined solutions. The nature-culture divide is more constructed than real. Furthermore, much of what we consider to be natural landscapes exist due to human intervention.

Throughout history, human projects - from making gardens to establishing transport and communication infrastructure - necessarily have involved some degree of ecological disturbance. In unequal societies especially, change has differential impacts and creates or confirms who reaps the benefits and who must absorb the costs. There are winners and losers. Typically, in unequal societies, the costs of change are socialized, diffuse and generalized across society, while the benefits are privatized, well-defined and individualized. The construction of major public works, such as hydro-electric dams, can seem to have a contradictory effect where they create a diffuse and general public good with very particular and sharp negative effects for a minority (often an already disadvantaged subgroup). The pattern of unequal sharing of costs and benefits may play out in different ways, but the general principal holds. The rich can usually avoid the negative consequences and reap a disproportionate share of the benefits. Sustainable development, therefore, involves important questions regarding the distribution of risk and the degree of acceptable disturbance, as well as what landscapes, local ecosystems, and activities are to be sustained. In the end, sustainable development is also a matter of ethics and value judgments that generally reflect material relations and culture, and the power to categorize, to define, and to rank what is valued.

The sustainable livelihoods approach focuses on the ways that people make a living and a life worth living. “A livelihood comprises the capabilities, assets (stores,
resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the long and short term.”

Livelihoods are created, pursued, and secured through the mobilization of individual, household, and community assets/capitals that are used to carry out activities related to production, distribution, exchange, and consumption. The apportionment of those assets, and the ways that they shape broader social relations, are intrinsic to livelihoods and key to sustainability.

The ability of social actors to attain livelihoods that are sustainable is constrained or augmented by significant processes and structures that have undergone fundamental changes in the context of globalization and the New Economy. The restructuring and remaking of international regulatory regimes, state policies, markets, enterprises, social arrangements, and cultural practices, transform the conditions under which people pursue livelihoods. Personal, organizational, and communal practices are thus shaped by new opportunities but also by new forms of risk, uncertainty, insecurity, and danger. These new conditions shape choices related to strategies in the spheres of production, consumption, distribution, and reproduction, and these strategies themselves change the economic, social and ecological conditions under which livelihoods are pursued. Social and biophysical realities are intimately linked as people experience increased or decreased security, differential and contradictory impacts on their well being, and new types of equality and equity or inequality and inequity. In this context they may act or fail to act, invest or disinvest, in ways that increase resilience or vulnerability, and that promote or degrade ecological systems. They may evaluate individual and public choices more broadly or more narrowly. Sustainable livelihoods thus become both a condition and a goal for sustainable development of regional economies.

3. NOTION OF RISK

The literature on vulnerability points a way forward to understanding the impacts of social and technological change.

Vulnerability has been defined as "the risk of adverse outcomes to receptors or exposure units (human groups, ecosystems, and communities) in the face of relevant changes in climate, other environmental variables, and social conditions”.

Vulnerability is a multidimensional concept that includes: exposure to crises, stresses, or shocks; degree of sensitivity to exposure; resilience or capacity to cope with the damage of exposure to multiple stresses. An important component of vulnerability is the ability to predict or foresee, which includes the ability to interpret, what is happening. In the absence of an adequate and finely-tuned ability to do this, managing vulnerability hinges on the ability to build flexible systems that moderate or mitigate sensitivity through adaptation, portfolio diversification, and innovation.

Vulnerability is greatly affected by wealth and poverty; in general poorer people, regions and countries have greater problems adapting to or coping with change. A key factor is the ability to marshal relevant resources, including non-material resources related to social networks and education. Institutional and organizational issues are also central. An important portion of the coping capacity of most societies inheres in, and
relies on, its institutions and organizations; the question is how well and how equitably do institutions and organizations respond to crises, but also, how well they have laid the groundwork for resiliency. In societies where coping and adaptation are left mostly to individuals, one can expect vulnerabilities to be acute and widespread, particularly if there is widespread poverty and need (Chinsinga, 2004).

Risk is sometimes conceptualized as hazard plus the probability of its occurrence, divided by capacity to withstand, absorb, adapt to, or mitigate. Note, however, that risk is derivative of hazard, hazards occur or are constructed first. Society helps to determine what is dangerous, and also generally influences the conditions of exposure. A key source of risk is variability. If pests and weather always harmed the crop to the same degree, these would not be classified as risks, but rather as certainties. By definition, those things that increase variability increase risk. "The concept of risk begins where our trust in our security ends and ceases to be relevant when a potential catastrophe occurs". Society and culture are critical to risk in many ways, they help to determine how and when risks are perceived, and to what degree risks will be shared or individualized. This means there is substantial variation within and between societies in how they recognize and deal with risks.

The various literatures on risk are more in competition than in discussion with one another. Much of this writing is devoted to analysis of individual level responses to probabilities of undesired outcomes, but there is little attention to the social context of decision-making. The prodevelopment literature) talks about risk in relative terms. It views risk consciousness as an over-reaction to social change, in short, a recent form of Luddism.

4. THE NEW ECONOMY, ICT AND THE REAPPORTIONMENT OF RISK

The New Economy is the outcome of a series of multi-layered and multilevel societal events and processes. Many factors have contributed to its emergence as a global phenomenon: the new orthodoxy of the market and the consequent transformation of the role of the state in production, trade, and welfare; the rising importance of finance capital in determining strategies of development; discoveries in the biological sciences and information technology; the increasing role of communications, including vehicles that allow social actors to bypass monopoly media; and the rising impacts of social movements, civil society, and women’s formal and informal participation in the labour force. The New Economy is restructuring national and regional economies and economic sectors in different ways. One can point to the rising importance of cities and their hinterlands, the decline of the welfare function of states, and a New International Division of Labour (NIDL) in which production for global markets is controlled by a relatively few transnational corporations. As opposed to the previous (Fordist) era, in the NIDL particular labour processes are located based upon the ‘competitive advantages’ of place, largely related to their environmental, social and political conditions and regulations-as well as the application of selected techno-scientific advances in the production process. In many places these ‘competitive advantages’ are mostly dependent upon the intensified exploitation of environment and labour, with negative consequences for local environments and social conditions (Wedeman, 2004).
The New Economy represents/carries/transmits, and structurally encompasses and accommodates, a dramatic rise and extension of both risk and uncertainty. This increase in risk and uncertainty stems from increased rates of change (technologies, markets, policies, etc.), from the interaction of regions and subsystems that were formerly relatively separate and isolated, and from new “rules” of competitive market relations which make risky behaviours and practices more common and commonplace. For individuals, families, communities, and organizations this new set of conditions and contingencies creates uncertainties and insecurities that can interfere with the capacity to work (individually and collectively) towards sustainability.

The New Economy increases exposure to risk, uncertainty, and insecurity through a variety of mechanisms and pathways that affect every sphere of public and private life. This heightened exposure often follows predictable patterns, affecting the poor more than the rich, the less-educated more than the university-degreed, and the older more than the younger technology user. Expanding markets displace other modes of economic coordination and exchange, while economic power is centralized and concentrated, leading to new competitive pressures, but also to anti-competitive, oligopolistic practices. Corporate strategies reflect increasing uncertainties, commercial pressures, and risks which are generally passed on to workers and consumers but may also result in reduced corporate longevity. Employment is increasingly contingent and insecure. Increased use of markets to regulate, allocate, and coordinate (dismantling of marketing boards, etc.) introduces risks that stem from the decline of public protection and the lack of (local) control over commerce. Declining and fluctuating terms of trade for resource sectors make it difficult to plan for a stable rate of exploitation and encourage rapid extraction. Growing foreign exchange dependency in the context of rising import costs and falling export revenues means increased exposure to the risk of secular deterioration of the terms of trade, and the risk of “structural adjustment” imposed by the IMF. Rising exposure to international currency and commodity market fluctuations introduces risk through monetary systems. The biotechnological revolution implies global-scale experiments with the stuff of life. Technical and cybernetic refinements to deal with risk lead to new forms of risky activity (Warschauer, (2003)).

In the New Rural Economy, family enterprise continuity becomes more uncertain, given the competitive disadvantages of rural regions in the unprotected, ultra-competitive globalized economy. The pressures to exit increase, apparently at least as fast as do barriers to entry. The continuity of the intergenerational transfer of culture, and of orientations to community and production, can be ruptured by the dominance of new channels of communications and new cultural influences, and through increased rates of change combined with pressures for income generation.

New risks arise with the introduction of new technologies and practices.

The adoption of technologies and practices can appear to reduce risk for individuals, but may in fact shift it onto others or create new risks that must be absorbed by communities and societies. Diversification of livelihood strategies can augment and stabilize household incomes, but can also increase exposure to new kinds of risk. Communities of place are the least stable, and most vulnerable to economic and social disruption. They may become communities in name only, individualized, privatized, depressed, more conflict-ridden, and marginalizing rather than integrating minorities. Sustainable development as a viable political strategy may become increasingly remote as debates become polarized and the environment and environmentalists come to be viewed as enemies of economic survival and viability.
Much of the apparent resilience of the New Economy comes from a down-loading or up-loading of risk, and an "externalization" or socialization of many of the real costs of production. Corporate offloading of risk is often accomplished without providing any benefits and with no risk premium being afforded to producers. This amounts to the corporate appropriation of the risk premium without the assumption of risk. This reapportionment of risk takes place across international boundaries as well as across classes and segments of industries. Indeed, one may now speak about a "New International Division of Risk" (NIDR), in addition to the New International Division of Labour.

The identification and prioritization of risk is inherently political. Is “economic risk” to be predominantly defined as the risk of slowdown, inflation, or changing currency exchange rates, or is it to be conceived first and foremost in terms of unemployment and loss of livelihood? Each of these definitions of economic risk encapsulates and reflects particular interests, and each repositions different groups as winners and losers.

Political sociology has so far tended to treat the question of risk as an individual concern. We propose that it goes far beyond that, to the very conditions under which struggles for eco-social justice take place. In this brave new world of risk and vulnerability (masked as productivity and competitive efficiency), the uneven development and impacts of ICT can have far-reaching consequences. Given the context and biases inherent in the technological package as it is presently configured, ICT will more often than not contribute to the heightening of risk and the exacerbation of vulnerabilities for those who can least afford to see any further erosion in their precarious situations. ICT, along with other powerful new technologies, can potentially support human liberation and sustainable development. The realities of power politics and commercial logic will mean, however, that this is no more than an elusive promise in most Third World settings.

5. CONCLUSIONS

In the context of the New Economy and the increasing dominance of internet-based information, new kinds of risk are produced. In our view, information and communication technologies (ICT) and growing gaps in terms of digital access, application, and control are significant new generators of risk for digitally disenfranchised populations. This includes the risks associated with accessing information that is not well suited to local circumstances, sensibilities and development aspirations. The digital divide is a source of vulnerabilities that are distributed unevenly and an important axis of inequality that restructures social relations at the individual, household, community, and societal levels. A more insightful sociology of risk is required to support the development of a more adequate sociology of development and more serviceable approaches to sustainability. Sustainable development must address the construction and distribution of risk, and deal with both new and old sources of inequality.
REFERENCES


THE STABILITY CONCEPT IN CASE OF A DYNAMIC ECONOMIC SYSTEMS

Raluka Luana LOLEA

ABSTRACT
This paper defines the stability concept, in case of a dynamic economic system, presenting the Lyapunov theorem. The equivalent terms of different kind of stability, asymptotical or globally asymptotical stability of discrete dynamic systems, are remembered.

KEY WORDS: dynamic economic system, local and global stability
JEL: C02,C62

1. INTRODUCTION
The long-term behavior of dynamic economic systems is one of the most important problem areas in mathematical economics. In the case of continuous time scales the asymptotic properties of trajectories of ordinary differential equations are examined, while in the case of discrete time scales the solutions of difference equations are studied. There are many different methods known from the literature in investigating the asymptotic properties of dynamic systems. In the case of time-invariant linear systems the locations of the eigenvalues of the coefficient matrix determine the stability properties of the system. If the linear system is time variant, then the system is marginally stable if the fundamental matrix is bounded, and if in addition the fundamental matrix converges to zero as $t \to \infty$, then the stability is asymptotical. In the case of linear systems local and global asymptotic stability are equivalent, however in the case of nonlinear systems we have to distinguish between local and global asymptotical stability. The most important results on the stability of linear systems can be found in all textbooks of linear systems theory (Szidarovszky and Bahill, (1998)).

The literature on nonlinear systems is less extensive. For continuous systems the stability issues are discussed in many books on ordinary differential equations (Brauer and Nohel, (1969)), for discrete systems the most relevant results are discussed (Gandolfo (1971), and La Salle(1976)).

The asymptotical stability of nonlinear systems can be examined by several methods. The most common methodology is based on the different applications of the Lyapunov method. This approach is very useful in many cases however finding an appropriate Lyapunov function is usually a difficult problem, and the failure of finding a Lyapunov function does not prove the instability of the system. Local asymptotic stability can be shown by locating the eigenvalues of the Jacobian or by bounding the norm of the Jacobian at the equilibrium. There was an intensive research on extending the local asymptotical stability conditions into global stability and relaxing the sufficient conditions as much as possible. Parthasarathy (1983) gives an excellent background of

---

1 PhD Candidate, Faculty of Mathematics and Informatics, West University of Timișoara, Romania, e-mail: raluca_lolea@yahoo.com;
this problem area in the continuous case, and Cima et al. (1999) discuss its discrete time scales counterpart.

In the classical mathematical literature there are several alternative stability conditions which guarantee global asymptotical stability of dynamic systems. More recent publications introduce more simple and more general stability conditions which could be very useful in economic studies.

This paper defines the stability concept, in case of a dynamic economic system, presenting the Lyapunov theorem.

Stationary discrete dynamical systems can be mathematically formulated as

$$x_{t+1} = f(x_t) \quad (1)$$

where $x_t$ is the state of the system at time period $t$, and $f$ is the state-transition function. If $S \subseteq \mathbb{R}^n$ is the state space, it is usually assumed that $D(f) = S$, $R(f) \subseteq S$, and $f$ is continuous. If $x_0 \in S$ is an arbitrary initial state, then equality (1) uniquely determines the state trajectory, $x_t$, $t \geq 0$. An equilibrium of the system is defined as a state $\bar{x} \subseteq S$ such that

$$\bar{x} = f(\bar{x}) \quad (2)$$

Therefore the equilibrium - problem of system (1) is equivalent to the fixed point - problem of function $f$, and any existence theorem of fixed-points of vector variable, vector valued functions can be used to establish the existence of equilibrium of discrete dynamic systems.

In most applications the asymptotical behavior of the state $x_t$ is investigated. These stability concepts are usually applied: marginal stability, asymptotical stability, and global asymptotical stability.

An equilibrium $\bar{x}$ is called marginally stable if for arbitrary $\varepsilon > 0$, there is a $\delta > 0$ such that $\|x_0 - \bar{x}\| < \delta$ implies that for all $t \geq 0$, $\|x_t - \bar{x}\| < \varepsilon$. An equilibrium $\bar{x}$ is called asymptotically stable if it is marginally stable and there exists a $\Delta > 0$ such that $\|x_0 - \bar{x}\| < \Delta$ implies that $x_t \to \bar{x}$ as $t \to \infty$. An equilibrium $\bar{x}$ is called globally asymptotically stable if it is marginally stable and $x_t \to \bar{x}$ as $t \to \infty$, with arbitrary $x_0 \in S$.

Notice that asymptotical stability can be viewed as the local convergence of the iteration process generated by function $f$, and similarly, global asymptotical stability can be interpreted as the global convergence of iteration sequences with the additional condition that the entire iteration sequence must remain close to $\bar{x}$.

There are many sufficient conditions that guarantee the marginal stability, asymptotical stability, or the global asymptotical stability of an equilibrium. Most of such conditions belong to one of the following classes: monotone iterations, conditions based on the Jacobian of $f$, and the use of Lyapunov functions. Unfortunately, most conditions are only sufficient, and very few necessary stability conditions are known from the literature. Recently, Zhang and Zhang (1996) have introduced a practical necessary condition based on the Jacobian of $f$. However their result can be used only in very special cases.

In this paper we will focus on the Lyapunov function method and will introduce necessary stability conditions which are only slight modifications of the corresponding sufficient conditions. Based on the results of this paper the marginal stability, asymptotical stability, or the global asymptotical stability of an equilibrium can be analyzed for practical systems.
2. NECESSARY AND SUFFICIENT CONDITIONS

Sufficient conditions. Introduce the notation:
\[ \Omega = \{ x / \| x - \bar{x} \| \leq \varepsilon_0 \} \] (3)
with some \( \varepsilon_0 > 0 \) and assume that \( \Omega \subseteq S \). Let \( V : \Omega \rightarrow \mathbb{R} \) be a real valued function defined on \( \Omega \). Introduce the following function properties:
(a) \( V \) has a unique minimum at \( \bar{x} \);
(b) \( V \) is continuous at \( \bar{x} \);
(c) \( V \) is continuous on \( \Omega \);
(d) \( V \) is nonincreasing along any state sequence of system (1) which is in \( \Omega \);
(e) \( V \) is quasi-strictly decreasing along state sequence of system (1) which is in \( \Omega \), that is, it is nonincreasing and if \( x_i \neq \bar{x} \), then there is a \( t^* > t \) such that \( V(x_{t^*}) < V(x_t) \);
(f) \( V \) is strictly decreasing along any state sequence of system (1) which is in \( \Omega \), that is, if \( x_i \neq \bar{x} \), then \( V(x_{i+1}) < V(x_i) \).

The following sufficient conditions are well known from system theory:

Theorem 2.1. If there is a real valued function \( V \) defined on \( \Omega \) which satisfies conditions (a), (c), and (d), then the equilibrium \( \bar{x} \) is marginally stable; If there is a real valued function \( V \) defined on \( \Omega \) with properties (a), (c), and (f), then the equilibrium \( \bar{x} \) is asymptotically stable.

The proof of this theorem can be found in most books on difference equations or on systems theory.

Assume next that the state space \( S \) is unbounded, and \( V : S \rightarrow \mathbb{R} \) is a real valued function defined on \( S \). Introduce the following additional function property:
(g) \( V(x) \rightarrow \infty \) as \( \| x \| \rightarrow \infty \).

The following theorem, which is also well known from system theory, guarantees the global asymptotical stability of the equilibrium.

Theorem 2.2. If there is a real valued function \( V \) defined on \( S \) such that it satisfies conditions (a), (c), (f), and (g) with \( \Omega \) being replaced by \( S \), then the equilibrium \( \bar{x} \) is globally asymptotically stable.

The following corollary is useful in many applications.

Corollary 2.1. If \( S \) is bounded, and there is a real valued function \( V \) defined on \( S \) which satisfies conditions (a), (c), and (f) with \( \Omega \) being replaced by \( S \), then the equilibrium is globally asymptotically stable.

Necessary conditions.

Theorem 2.3. Assume that the equilibrium \( \bar{x} \) is an interior point of \( S \).
1. If \( \bar{x} \) is marginally stable, then there is a real valued function defined on \( S \) which satisfies conditions (a), (b), and (d), where \( \Omega \) is replaced by \( S \);
2. If the stability is asymptotical, then there is a real valued function defined on a neighbourhood \( \Omega \) of \( \bar{x} \) which satisfies properties (a), (c), and (e);
3. If the stability is globally asymptotical, then there is a real valued function defined on $S$, and there is a neighbourhood $\Omega$ of $\bar{x}$, that satisfies properties (a), (c), (e), and (g).

An alternative approach, it is that if $f$ is differentiable in a neighbourhood of an equilibrium $\bar{x}$, and $\|J(\bar{x})\| < 1$ with some norm, where $J$ is the Jacobian of $f$, then $\bar{x}$ is asymptotically stable. This result is a simple consequence of the continuity of $J$, the mean value theorem of derivatives, and the contraction principle. However, $\|J(\bar{x})\| < 1$ is not necessary as it is shown by the selection of the function:

$$f(x_1, x_2) = \begin{pmatrix} x_1 e^{-x_1^2} + x_2 e^{-x_2^2} \\ x_2 e^{-x_2^2} \end{pmatrix}$$

3. CONCLUSIONS

Exponential stability is a strong form of stability; in particular, it implies uniform, asymptotic stability. Exponential convergence is important in applications because it can be shown to be robust to perturbations and is essential for the consideration of more advanced control algorithms, such as adaptive ones.

These results play a fundamental role in analysing the asymptotical behavior of discrete dynamic economic systems. For example, their applications in oligopoly theory.

REFERENCES

ABSTRACT

The aim of the paper is to present an overview of procedural aspects of the European Commission’s 2020 strategy, as laid out in 2010, and to point out how the realization of the economic goals set by the strategy could be ensured. Any economic strategy aimed at the European Union as well as its member states has to be effective if the set targets are to be reached globally. To this aim, appropriate procedures must be set up at a legislative and administrative level. This purports especially a functioning cooperation, monitoring and at least as important, an effective sanctions mechanism.

KEY WORDS: EU 2020 strategy, economic policy, legislation, sanctions

JEL: K39

1. INTRODUCTION

The European Commission’s (EU Commission) Strategy 2020 of March 2010 sets out ambitious targets to be achieved within the decade 2010-2020 in areas such as employment, education, energy use and innovation with a clearly stated economic aim: to overcome the impact of the financial crisis and ensure economic growth in Europe. The latter of the two objectives is also intended as the main approach of ensuring Europe’s position in the world in the broad context of globalization.

The strategy, as laid out by the Commission, comprises three main areas of action:

1. Smart growth: developing an economy based on knowledge and innovation.
2. Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
3. Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

It can be observed that the three areas in which the Commission sees a need to take action purport to different aspects of the EU-economy. This reinforces the view that the current difficulties which affect the Union of 27 member states are purely economic of nature. However, as it will be shown further on, this is not accurate.

Applying policies further detailed in the document should lead, according to the Commission’s concept, to concrete results (“headline targets”):

• The employment rate of the population aged 20-64 should increase from the current 69% to at least 75%, including through the greater involvement of women, older workers and the better integration of migrants in the work force;
• To increase innovation intensity while investing 3% of the EU’s GDP into research and development;
• To reduce greenhouse gas emissions by at least 20% compared to 1990 levels or by even 30% under certain conditions; to increase the share of renewable energy...
sources in the final energy consumption to 20%; and to increase energy efficiency by 20%;

- A target on educational attainment which tackles the problem of early school leavers by reducing the drop-out rate to 10% from the current 15%, whilst increasing the share of the population aged 30-34 having completed tertiary education from 31% to at least 40% in 2020;
- The number of Europeans living below the national poverty lines should be reduced by 25%.

These “headline targets” commit both the EU and the member states, which should form a “partnership” to be able to implement this strategy of improved economic coordination. This paper aims to present a brief and general insight of the Commission’s concept with regard to its realization on an administrative level. It is not the intention of the author to analyze the economic aspects of the Commission’s document.

2. OVERVIEW OF THE 2020 STRATEGY’S PROCEDURAL CONCEPT

The need to analyze the procedural aspects of implementing the EU strategy for smart, sustainable and inclusive growth may seem rather secondary when compared to the compelling economic solutions to the immediate problems the Union is fraught with at this moment. Especially the economic crisis started in 2008-2009 seems to have wiped out “gains in economic growth and job creation witnessed over the last decade”. However, as the Commission actually points out, these circumstances actually exposed the structural problems of the entire European structure. The Commission refers only to demographic and economy-related issues, merely mentioning “differences in business structures” as an administration-related issue. More important, the Commission observes how “reforms, or the lack of them, in one country affect the performance of all others”. The other identified problems would seem to originate solely from economic interactions.

The Commission also lists some positive aspects, mainly noting what measures and actions where useful and effective in combating the economic downturn. When referring to what has been observed as functioning rather well during the first years of the crisis, the document mentions the common actions of the member states and the EU when combating the problems of the banking system.

To surmise the aforementioned conclusions made by the Commission, one can see that influencing and acting as a framework for the economic aspects there are always administrative and legal component: The differences in business structures exist mainly because of the rather large differences in legislation which exist between the member states. Also, the problem of a lack of perhaps necessary reforms can be traced back to a lack of or an incomplete legal framework that would make such reforms a matter of obligation, coordination and harmonization between the member states.

The 27 member states are highly interdependent on an economic plane, therefore influencing each other very much. Opposed to this, member states enjoy at the same time a high degree of independence in any area of legislation in which competences still lie in the hand of national legislators and are not being transferred to the Union. Herein lays the greatest potential of improvement and a great risk if no action is taken. This could be the reason why the Commission pleads for “stronger external representation”, as well as “stronger internal co-ordination”.

To solve this situation and implement its strategy, the Commission proposes a “strong governance framework” based on two pillars:
• a thematic approach focused on the delivery of the main headline targets and
country surveillance.

The first pillar implies coordinated and harmonized actions of both the Union as well as the member states as partners. The second pillar refers to state reporting and evaluation, done by the Commission and the member states respectively.

The legal instruments used in implementing the strategy would be in the first place so-called “Europe 2020 integrated guidelines” which would be adopted by the Council following the opinion of the Parliament. These guidelines would comprise the agreed targets. Second, policy recommendations that will take the form of Opinions under Council Regulation no. 1466/97 as well as recommendations under the broad Economic Policy Guidelines (art. 120 Treaty on the Functioning of the European Union (TFEU) and following articles). Enforcing such recommendations would be the responsibility of the Commission.

The procedure proposed by the document would place the guidance and elaboration of the strategy in the competence of the European Council, on the basis of Commission proposals. So far the procedure stays in line with the role of the Commission as the main actor of European integration. The European Council however, would step up from its rather moderate role, that is also stated by the modified co-decision procedures under the Treaty on the Functioning of the European Union (TFEU), to the main institution regarding the guidance of the Europe 2020 program. This step is motivated, in the opinion of the Commission, by the integrating role of the European Council with regard to the member states.

The Council of Ministers keeps the role of an expert body acting according to its various formations, representing also a forum of exchange of policy information of good practices.

The Commission would also act as an executive body, monitoring the implementation of the strategy as well as its effects, presenting policy proposals, policy recommendations and warnings when such actions are required.

The European Parliament should play, according to the Commission’s strategy document “an important role in the strategy”, acting in conformity to the TFEU as co-legislator. Beyond this, the Parliament should mobilize citizens as well as the national parliaments. Also all national, regional and local authorities should implement the partnership, mainly by contributing to the elaboration of national reform programs as well as to its implementation.

The Commission concludes that “by establishing a permanent dialogue between various levels of government, the priorities of the Union are brought closer to citizens, strengthening the ownership needed to deliver the Europe 2020 strategy.“ An intention that closely follows and cites the provisions of art. 1 of the Treaty on the European Union (TEU), which holds the consecration of the democratic principle as one of the core values of the Union.

3. EVALUATION OF THE PROCEDURE AND OF THE ROLE OF EUROPEAN INSTITUTIONS

From a legal point of view, the procedure seems at a first glance in consonance with the provisions of both treaties governing the Union – the TEU and the TFEU, also respecting the general layout and role of the different European institutions. The procedure is based on art. 120 and 121 TFEU concerning the economic policy of the
Union. These articles provide also the legal basis for the analyzed 2020 strategy. However one cannot but observe that the Commission’s new strategy of economic governance focuses narrowly on the achievement of very detailed economic targets, proposing that one institution, the European Council, should take the “ownership” of the strategy, should “steer” it.

As defined by the TEU, the European Council, composed of the heads of state and government of the 27 member states has the prerogative to “define the general political directions and priorities” of the Union (art. 15). But the European Council is prohibited “to exercise legislative functions” (art. 15 TEU). After coming into existence four decades ago, the European Council has been fully integrated into the institutional system of the Union only with the reform treaty of Lisbon. The nature of this institution is not undisputed, as it crosses the boundaries of traditional state bodies as defined by legal and state theory. The European Council is widely regarded as part of the executive but through its large concentration of political power and its prerogatives with regard to guiding European integration and policy making, it can influence even the legislative process of the Union. This happens indirectly, though the mediation of the Council, whose members are, on member state level, subordinated to the members of the European Council. The Council’s attributions are both those of a European legislative (art. 16 I TEU and corresponding provisions of the TFEU) and an executive.

The treaty of Lisbon has somewhat diminished the rather large legislative role of the Council – indirectly also reducing the influence of the European Council in this matter – by extending the use of the co-decision procedure and thus enhancing the role of the European Parliament. It was however precisely the intent of the last reform treaty on the EU – the so-called Treaty of Lisbon – to elevate the European Parliament more into the role of a real representative legislative body of the Union. But the Parliament’s role as an initiator of policy remains rather secondary, as Council (and indirectly the European Council) and Commission retain this specific prerogative. This structure, imposing the primate of the Council over other institutions is a vestige from the early days of European integration.

The European Parliament itself, the co-legislator on the Union-level (according to art. 14 TEU) should mobilize European citizens and national Parliaments and communicate joint views with the latter to the European Council. However those views would bear in practice little binding force on the other institutions if a regular legislative procedure is not required. This would lead to a large democratic legitimation deficit when implementing the 2020 strategy. According to Section 6 of the strategy document, the Council will be requested by the European Council to “take the necessary decisions” to implement the Commission’s proposals for specific initiatives, that would follow the recommendations and guidelines of the European Council. The Parliament’s role in this procedure remains unmentioned. Besides the strictly necessary procedural aspects, the direct representatives of the Union’s citizens would remain excluded from initiatives.

This aspect only restresses the weak democratic influence on the strategy and accordingly limits the citizen’s participation in important decisions on Union level. That is in contrast to the aim of the TEU as stated in art. 1 of the treaty. The entire procedure as proposed by the Commission respects the procedural provisions of the treaties. On the other hand, the treaties do not prohibit the participation of the Parliament from such actions and procedures either. Democratic institutions, such as the European Parliament, also have clear rules referring to accountability and transparency. The European Council’s activities are however sorely lacking these two aspects. Despite the fact that
the European Council’s conclusions are legally not binding, they are usually very
detailed and are an expression of the political consensus reached between the highest
representatives of the member states. These very representatives do not have any
accountability for their decisions taken in the European Council and as such are not
required to assume any responsibility regarding them.

The Commission assumes with regard to the 2020 strategy its traditional role of an
executive body with its old prerogative of legislative and policy initiatives as well as
keeping its executive role. National, as well as regional and local authorities should have the
obligation of implementing the strategy in partnership with the EU-institutions. The
Commission itself would start a monitoring process of these implementations, issuing
yearly reports on the progress towards meeting the headline targets. The monitoring with
regard to the 2020 strategy allows the European Commission “to present policy
recommendations or warnings, make policy proposals to attain the objectives of the strategy
and will present a specific assessment of progress achieved within the euro-area.” There
aren’t any explicit and special sanctions mechanisms provided or even intended. Of course,
sanctions depend mainly on other subsequent legal instruments used by the Council and
Parliament, or the Commission, as a means to ensure the implementation of the strategy.
This leaves an actual “partnership”, as described by the Commission’s strategy document,
in which cooperation is voluntary and not mandatory. That, in turn, poses another problem,
one already encountered during the economic crises started in 2009 (and also before that) : the problem of the member states’ willingness to implement internal reforms. As there is no
legal obligation strengthened by means of coercion to modify the internal legislation of the
member states, the effectiveness of any recommended actions remains a matter of
speculation.

Concluding the evaluation, the following can be stated:

The 2020 strategy is intended by the European Commission to represent an
active approach to the mainly economic problems caused by the recent economic crisis.
The scope of this paper is not the evaluation of the proposed economic approaches, but
of the procedures and the legal foundation of such measures. Considering the far-reaching
effects the implementation of the strategy will have not only on Union level
but even more on the legislation of the member states and implicit on the European
citizens the aspects of the democratic legitimating of measures which could affect many
aspects of the lives of European citizens and that of a proper mechanism of
implementing the recommended changes in order to reach the desired results are
observed to be left unaddressed by the Commission’s document.

4. OBSERVATIONS AND RECOMMENDATIONS

4.1 Democratic legitimation

As presented in the section before, the Commission’s 2020 strategy leaves some
sensitive areas of the European construction unaddressed. To the defense of the
Commission it has to be said, that the elaboration of a strategy regarding sustainable and
social economic growth does not require addressing those issues. Leaving them open,
however, could, on a medium or long term, slowly erode the ultimate goals of the Union,
as stated in article 3 TEU, mainly those mentioned in para. 3: to combat social exclusion
and discrimination, and to promote social justice and protection, equality between
women and men, solidarity between generations... and promote economic, social and territorial cohesion, and solidarity among member states.

The Union pledges to create “an ever closer union among the peoples of Europe, in which decisions are taken as openly as possible and as closely as possible to the citizen.” (art. 1 TEU) As presented above, the European Parliament’s role is rather reduced. It should motivate citizens but if it lacks the possibility to express the political opinions of those represented, the motivation would consist mainly in information campaigns. The modest turnout at the European Parliament elections could be an indicator of the perceived role of the institution within the decision-making process of the Union.

The reform treaty of Lisbon tried to adjust the situation by extending the co-decision procedure to more areas and therefore elevating the Parliament more into its intended role of a European legislative. However, the Council remains the Parliament’s “partner” in the co-decision procedure, but a partner that also has executive duties. As discussed above, the 2020 strategy, guided by the European Council, could be under circumstances be adopted and implemented with minimal interaction from the Parliament. The Council itself consists of members whose functions are based on a mediated democratic legitimation, trough national parliaments, but having a larger role in deciding for the citizens of the entire Union, than the very direct representative of those citizens. Thus it is no wonder that decisions on Union level, which in the present case will have a large impact on private persons, are perceived to be adopted in an un-transparent way, leading to a reduced acceptance and to a decreased effectiveness of those measures.

In conclusion strengthening the democratic legitimation of the EU would not only lead to adherence with the Union’s scope and values, as stated in articles 1, 2 and 3 TEU but also to the justification to use more effective means – such as sanctions – on non-complying member states. This would help and ensure reaching the projected goals of the 2020 strategy.

4.2 Procedures

The second aspect with regard to the Europe 2020 strategy lies within its implementation. As referred before in section 3, the proposed partnership between European institutions and the member states does not ensure the effective realization and achievement of the set targets. As observed by the Commission itself, because of the interdependence of the member states, it is recommended that all 27 states work towards the same goals in a coordinated manner but taking into account their specific circumstances. Such a closely coordinated and tuned action on the side of 27 member states is not easy to achieve. One should be reminded of the high number of infringement procedures opened against member states. And the reader should be reminded that in the case of an infringement procedure, sanctions are part of it in order to ensure its effectiveness.

As provided in the 2020 strategy, the only action that can be taken against a member state, that has failed to adequately respond to a policy recommendation of the Council or has even developed policies which are contrary to the advice, under art. 121 para. 4 TFEU, the Commission could issue a warning. It is however neither not clear what legal force such a warning would have, nor what consequences would arise if the warning fails its effect. Recommendations are legally non-binding, secondary Union law instruments of the European institutions. They are not provided with any direct effect for that matter. Doctrine
holds that recommendations have, however some indirect legal effects, such as constituting a prerequisite for later actions – e.g. an infringement procedure. But a direct procedure in the case that a member state should disconsider a recommendation of the Council is not possible due to the non-binding nature of the act. The Council could decide (not taking into consideration the vote of the representative of the concerned member state) to address the member state in question a recommendation and to make that recommendation public. No further sanction is possible.

Considering the complexity of the task at hand, as well as the implications on a national level when initiating administrative reforms, it is not provided that the absence of direct sanctions will achieve the desired results. The lack of will to conduct the necessary changes in one member state could possibly affect others or even the Union as a whole.

A possible remediation of this situation would be the creation of a sanctioning mechanism similar to the mechanism for cooperation and verification (MCV) of progress in Bulgaria and Romania to address specific benchmarks in the areas of judicial reform and the fight against corruption. Set up by the accession treaty of the two countries to the EU, the mechanism provides for clearly determined sanctions in case of non-compliances with Commission recommendations: the so-called safeguard measures (as defined in art. 37 and 38 of the Protocol to the accession treaty) “including the suspension of Member States' obligation to recognize and execute, under the conditions laid down in Community law, Romanian judgments and judicial decisions, such as European arrest warrants.” The legal basis of the MCV is the accession treaty of the two states to the EU, the two countries having agreed on a voluntary basis into submitting to the monitoring mechanism. Such procedures cannot be implemented against the will of current member states, as the TEU and the TFEU do not provide such possibilities. Revising the treaties would be the only option for providing a legal base for such actions.

An effective sanctioning mechanism would greatly improve and ensure the compliance of the member states for the realization of the set targets of the 2020 strategy. Such a measure, which could potentially have a pronounced effect onto the remaining sovereignty of the member states, has to be balanced by granting more democratic participation rights to European citizens. Also, setting up or, better said, extending a MCV to other policy areas, some of which should be introduced into the treaties, like the fight against institutional corruption both on Union and on member state level, would ensure that necessary reforms would not be set off indefinitely by the states. An analysis of such an extension and its effects are however not the scope of this paper.

5. CONCLUSION

Proper procedures need to be implemented with regard to the implementation of such instruments like the 2020 Strategy. This needs to be done with regard to all member states to ensure proper and coordinated realization of such complex measures. Only legislation represents a proper guarantee that such important targets will become a benefit to the citizens of Europe and also other states. Proper legislation and effective procedures would represent a solution that would ensure the functioning of the Union not only on a short term, helping Europe to overcome the present situation, but a means to ensure the success of the European model on a long term. The institutional and conceptual reform of the EU must not be left aside, the main aim and at the same time main means for achieving this being the increased democratization of the Union.
A proper sanctioning mechanism would ensure effective coordination and transposition of Union measures and especially the 2020 Strategy. Needed reforms executed to this aim on a member states level need however have to be based on a truly democratic base, if cooperation at Union level is required. The absence of a democratic legislation and decision-making process, as by the active implication of the European Parliament, would render even the most well-planned economic and procedural regulations moot.

The role of the EU on the global scene cannot limit itself to a purely economical aspect. As stated in the preamble of the TEU, the European Union also upholds certain political and social values. This is especially true with regard to the values upheld by the Charter of Fundamental Rights of the European Union as well as in the light of the planned EU accession to the European Convention on Human Rights. Success is often measured more easily on an economical scale. And economic success – such as growth and prosperity – reinforces the political life and workings of a society. However, narrowing down and reducing a form of social organization merely to its tangible and material results would nullify most civilizing and cultural achievements of the European continent, depriving human society as a whole of a wide range of alternatives and perspectives.

REFERENCES

Schoo, J., „Das neue institutionelle Gefüge der EU“, Europarecht (EuR) Beiheft no. 1/2009, p. 31;
THEORIES REGARDING THE HUMAN CAPITAL

Mirela MINICA

ABSTRACT
The article proposes a brief presentation of the definition and approaches of the notion of human capital from the viewpoint of the specialists in economics. The correlation between education - economic growth - human capital points out, both at the micro- and at the macroeconomic level, the role that investments in man play for any evolved society.

KEY WORDS: human capital, education, revenues and incomes
JEL: I21

1. INTRODUCTION

The human capital is one of the most important factors which, during the last decades, has decisively contributed to the economic success of developed countries. The organic connection of the human capital with all the other production factors used in economy, with the informational society and with the human economy, with the technical progress, the quality and efficiency of the output of goods and services, has become an axiomatic truth of modern world, so that no strategy of economic growth and development could be successful if it ignored or minimised its importance.

2. DEFINITION OF HUMAN CAPITAL

The support of the human capital is given by the total population of a country, especially by the (total country’s) potentially active population. From this perspective the human capital is permanent, varying in volume, structure and importance along the evolution of mankind. Moreover, the human capital differs from one country to another, in accordance with the number of the population and its degree of training, with the technical progress, the quality and efficiency of the output of goods and services, has become an axiomatic truth of modern world, so that no strategy of economic growth and development could be successful if it ignored or minimised its importance.

The human capital reflects, on the one hand, the physical and intellectual aptitudes characterising the labour and creation capacity of man, and on the other hand, the expenditure made for the improvement and acquisition of these skills. 

The analysis of the human capital can be made only in direct correlation with labour, in its capacity of production factor, of original and permanent factor of

1Deputy Professor PhD, Faculty of Economic Sciences, “Eftimie Murgu” University Resita, Romania
production concretised in the active and creative participation of man in the process of transformation of natural resources in goods and services. The active, aware and creative participation of man in the development of any activity meant to acquire material goods or services requires the existence, in man's living personality, of certain aptitudes and skills, some of them inherited, but most of them acquired within society.

The activities increasing the theoretical and practical knowledge of individuals, their intellectual, psychical and physical aptitudes, as well as the future revenues of those who are trained, in a word the expenditure and the actions increasing the quality of human resources are called investment in man, and their result incorporated into the living personality of man is called human capital. The numerous forms of investments in the human capital include expenditure for education, training at the place of work, medical assistance, migration and information search regarding the revenues and incomes earned through labour.

During these past decades we have witnessed the accentuation of the programmatic and theoretic (connected) preoccupations related to the investment in the human capital. The main motivational factor was probably the comprehension of the fact that the increase of the physical capital explains a relatively small part of the income growth in most countries. The search for better explanations led to the modalities of measuring the improvements of human capital and to an interest linked to less tangible entities, such as the technical modification under the influence of the human capital.

The result was the accumulation of an important number of proofs attesting the economic importance of human capital, and especially of education. Probably the clearest evidence is that almost always the persons with a higher education and qualification tend to earn more than the others, and so the inequality in the distribution of earnings and incomes is directly proportional with the inequality in professional training.

At the macroeconomic level, no country has ever reached a sustained period of economic development without having invested substantial amounts in the labour force, and the qualitative assessments of its contribution to development have assigned an important role to the investment in the human capital.

Education and professional training are the most important investments in the human capital, and therefore we have to analyse numerous phenomena in this perspective, together with their economic and social implications:

1. The earnings usually increase with age, by a descending rate. Both the increase rate and the delay rate tend to be positively correlated with the qualification level.
2. The unemployment rates tend to be inversely correlated with the qualification level.
3. In their relations with the employees, the firms from the underdeveloped countries seem to be more "paternalistic" than the firms in developed countries.
4. Young people change their job more often and benefit from more training at their place of work than older people.
5. The distribution of incomes is positively inclined, especially in the case of professionals and other qualified employees.
6. The persons who are more capable benefit from more education and other types of professional training than the others.
7. The dimension of labour is limited to the dimension of the market.
8. The typical investor in the human capital is more impetuous and thus he/she is more likely to make mistakes in comparison with the typical investor in the tangible capital.

At a simple analysis one remarks a wide and complex range of practical implications that must be demonstrated.

2.1. Schooling

Conventionally, one considers that the compulsory education assures the foundation on which, later on, one builds the individual human capital.

A school can be defined as an institution specialised in assuring the training, in a distinct manner compared to a firm offering training programmes in connection with the process of goods output.

Some types of knowledge can be better mastered if they are simultaneously correlated with practice, others require long specialisations. This means that there are many complementary elements between the learning process and labour, between the learning process and time.

Schooling will accent the slope of the age-earning curve, will combine the income and capital costs, will introduce a negative relation between the permanent and the current earnings of young people, and, implicitly, will assure the possibility of amortising the own capital.

2.2. The training at the place of work

Many employees increase their productiveness acquiring new qualities and improving their old ones at the place of work. The future productiveness can be improved only for a price. This cost includes the value of time and effort consumed by the trained persons, the knowledge taught by others, as well as the materials and equipment used.

A firm that would act for the minimisation of profit would be in a situation of equilibrium when the marginal cash-ins would be used to the margin expenses, the training programmes could reduce the current cash-ins and increase the current expenditure and yet the firms could offer these courses under profitable conditions if the future cash-ins were high enough or the future expenses were be small enough.

The professional training is useful in many other companies besides those providing these programmes, and that is why the persons benefiting from these programmes are willing to bear this expenditure, otherwise their future salaries cannot grow.

The employees pay for the general training at the place of work, receiving smaller salaries than the salaries they could obtain elsewhere. The earnings in the training period would represent the difference between an revenue term or flows (potential marginal output) and a capital term or stocks (training costs), so that the capital costs and the income would be interrelated, and a modification within each of them would affect wages. One usually underlines only the direct costs of school training, although the opportunities costs constitute an important part of the whole.
2.3. Acquiring further knowledge

The training at the place of work and in school are not the only activities triggering the increase of the real income, mainly through the development of knowledge at the request of a person.

The investment in the information regarding the favourable opportunities to find a job that will lead to the earning of a profit can represent another modality of acquiring future knowledge. The decision regarding the person who bears the search cost (the employee or the company) depends on the effect of the job change on the alternatives: the higher the number of available alternatives after a change, the greater the part of costs borne by the employee.

2.4. Productive increase of wages

A modality of investing in the human capital is the improvement of people’s physical and emotional condition. Health, like knowledge, can be improved in many ways.

A reduction of the mortality rate in the period of active life can improve the prospects at the level of earnings by increasing the period during which one benefits from the earnings; a better diet adds strength and vigour and thus increases the capacity of earning profits, whereas an improvement of the labour conditions can affect morale and productivity. An investment in the domain of health, simultaneously triggering the increase of productiveness in several firms, represents a general investment; it has the same effect as the general training, whereas an investment in the domain of health having led to a more visible increase of productiveness within the firm having applied it is a specific investment and has the same effect as the specific training.

The employees’ productiveness depends not only on their capacity and on the amount invested in them both at the place of work and outside it, but also on other motivations or on labour intensity. We must point out that the term “investment in the human capital” should not be limited to the costs and incomes, but the entire analysis is applied independently of the sharing the real incomes in a monetary component and a psychical one.

3. THEORIES REGARDING THE HUMAN CAPITAL

The theory of the human capital in se was created in the decade 1961-1970, its main authors being considered to be the American economists Theodor Schultz, Gary Becker and Robert Mincer. The main, much older, hypothesis on which this theory is based belongs to the classical school of political economics.

William Petty was the first who tried to assess the expenses necessary to man’s training. Labour is appreciated as an active principle of wealth, as the capital in se lacks value. Education - as a source of qualifications and thus of development – occupied a central place in the economic theory of Adam Smith. The level of education and qualification is considered by Adam Smith as a form of capital. The improved skills of a worker can be considered as a machine or a labour tool that improves and structures the labour process, and although it involves a significant expenditure, it is returned by the income increase it triggers.
Adam Smith insists upon the fact that the differences between people are not mainly natural differences, but mostly differences in education and conduct, which are finally transposed into the results of labour, in their incomes and in the social situation of individuals.

In his work “An Inquiry into the Nature and Causes of the Wealth of Nations”, Adam Smith mentions: “The difference between the innate qualities of different people is in reality much smaller than we imagined; the real remarkable aptitudes that appear and differentiate people in diverse professions when they reach maturity are often not the causes, but the effect of labour division. The difference between the most different individualities seems to come not so much from nature, but from skills, morals and manner, as well as education”.

For a long period of time after Adam Smith, the economists regarded the labour resources mainly under their quantitative aspect, considering capital as the strategic factor of growth. The labour force was considered rather a resource which, anyway, “automatically” adapts to the market needs, to capital. Under these circumstances, education and professional training of employees were not organically integrated among the developing factors, almost always appearing on a minor peripheral plane, attitude that later on proved to be completely wrong.

Alfred Marshall, in his paper “The Principles of Economics” (1890), attracted the attention upon education and professional training as developing factors, upon the investment in this field, which he considers “national investments”, the highest efficiency belonging to the investments in human beings. Unlike Smith, who had in mind the creative potential of proper professional training, Marshall takes into account also the function of education in its capacity of creator of the basis of professional adaptability and mobility of labour force. The man of our epoch needs general education, although it is of a less direct application; it makes man more intelligent, fitter, more trustworthy in his / her usual labour.

In the first decade of the 20th century, Irving Fisher elaborated a more complex theory on capital, which he did not reduce to the material assets bringing about profit; on the contrary, he considered that any stock of resources having the capacity of giving birth to flows of future revenues represents a capital.

People’s education (training), considered Fisher, like the usual capital investment, gives birth to future flows of revenues and can be included into the notion of capital. Although the relation between capital and revenue had been proved, in the sense that any capital represents the updated value of the anticipated revenue, the assimilation of man’s training in the concept of capital could not become operational in the first decades of the 20th century.

The cause of this state of the economic theory was constituted by the non-commercial character of most activities in the field of education.

After the Second World War the need for specialists in all fields became extremely critical in all domains of activity, and thus their training was considered to be a “lucrative industry”, and the training efforts (expenses) became an investment in man.

The theory of human capital, elaborated in the sixth decade of the 20th century, was deepened and enriched with new elements, in the following fields. The most important feature defining the present stage of the theory of human capital refer to several essential aspects:
a) education and training are no longer a luxury, but an imperative of modern production, and the economic power of a country is especially based on the scientific and technical achievement of man, created and developed through the education system; b) education increases the productiveness of the trained persons, so that it can be accepted as the support of a possible capital; the different degree of individuals’ training and thus their different productiveness triggers corresponding differentiation also as regards the future flows of income they are going to earn; c) the differences of productiveness and earnings among individuals are simultaneously the product of the genetic patrimony or of natural qualities of people and of the investment in man, in man’s education, training, culture and health, the genetic patrimony constitutes one of the premises of investment in man, as there is a strong interdependency between the natural qualities of the individual, his / her capacity to assimilate education and training and the efficiency of investments in education.

The natural qualities of people are usually measured by intelligence / IQ tests, which are not entirely relevant, as intelligence evolves with age and in accordance with the micro and macro-social environment of the trainee (parents’ profession, place occupied by the trainees at the previous level of training, etc.).

The investments in man are usually considered training expenditure effected after graduating from the primary and secondary education. Some more elastic concepts gather into the human capital all the expenditure for the job and profession change, which are added the costs of health and living conditions.

The investments in man has an instrumental value, as they allow the increase of the productiveness of the trained people and stress the positive changes in the economic and social activities. They always have profitableness stretching along the entire duration of active life of an individual, duration that is higher than the duration of most usual investments. The human investments fulfil a complex function in the process of development, having direct economic effect and social political effects;

d) under the circumstances of amplifying the investments in man, the labour factor ceased to be homogenous; due to the investment in education, it is divided in ordinary (unqualified) labour and trained labour or human capital. Thus the traditional binomial “physical capital – labour” has become a trinomial: “(unqualified) labour - material capital – human capital”;

e) the three factors - material capital, human capital and untrained labour - are remunerated at the level of their marginal productiveness;

f) the material capital, the (untrained) labour and the human capital, as distinct production factors, have a permanent mobility, according to the situation of the competition market of each of them, and thus the consumption good called “education” (training) has become a permanent component of the market, whose complementary forces are the education demand and education supply;

g) the foundation of the education market are: supplemental earnings of the trained persons (according to which one elaborated the earning model of human capital) and the costs implied by the education demand (i.e. the demand model of human capital).

4. CONCLUSIONS

The attitudes of the investors in the human capital are very different from those of the investors in the physical capital, as the former are usually younger and young people are supposed to overestimate their capacity and chances.
If this point of view were correct an investment in human capital providing a significant recovered value to the lucky persons with exceptional capacities would be much more attractive than any similar investment in the physical capital. Despite these arguments, it is difficult to obtain a credit for investing in human capital, as this type of capital cannot be offered as a collateral, and the jurists have disapproved the contracts that suggest, even indirectly, an involuntary connection.

This argument was used for justifying the much too small investments in the field of education, health and other types of human capital. Intense financing is something usual and consequently the wealthier families will tend to invest more than the poor ones. As the specialised knowledge of employees represents a part of the intangible assets and of the firm’s fame, and cannot be offered as collateral together with tangible assets, the capital will be made available more promptly for the replacement or modernisation of the physical capital, i.e. for specific investments rather than for the general ones. We cannot deny thus the difficulty of using the capital market for financing the investments in the human capital.

A deepening of the study of human capital is useful not only for highlighting the correlation between labour and resources, or labour and human capital, but also for explaining the differences between earnings along time or compared by regions, but also the differences among people or families within the same region.

Economists were aware for a long time that the conventional measuring units of the natural (genetic) factor – IQ tests or skill tests, the school marks and personality tests - although relevant to a certain extent, do not precisely measure the qualities required for succeeding in the economic domain. The personality tests consist in the highlighting certain types of personality, ambition and intelligence. Accordingly, several authors went to the opposite extreme and affirmed that the only relevant way of measuring aptitudes in the economic field is by means of results or earnings.

The persons with higher earnings are simply more able than others and an asymmetrical distribution of earnings implies an asymmetrical distribution of abilities. However, this path goes too far in the opposite direction. The main motivation of the connection between abilities and earnings is to distinguish its effects from the differences in education, training, family environment, and a definition putting in equation abilities and earnings excludes such a distinction.

REFERENCES

COMMON AGRICULTURAL POLICY THROUGH A MATHEMATICIAN EYES

Darian ONCHIŞ

ABSTRACT

In this paper we argue for the development of a systematically mathematical update of the key parameters involved in the modelling based on the CAP (Common Agricultural Policy). The goal is to set up new computational models that will allow performing with an overall robust performance under quite general situation including unusual situations (e.g. natural disasters). Such systematic approach should be able to handle situations which are not covered by the present algorithms, thus significantly improving the performance (e.g. by avoiding bottlenecks in large feature selections) and increasing the stability of the models. An example with diffusion maps for data reduction is given.

KEY WORDS: CAP, optimisation, GAMS, data reduction, grid, diffusion maps

JEL: C02, C30, C60

1. INTRODUCERE

The Common Agricultural Policy (CAP) aims to implement a sustainable agricultural model in the entire area of the European Union. Therefore, the qualitative analysis and the set of policies must be supported by adequate quantitative models. A current major gap in the effective development of these models is the lack of deep mathematical upgrade. If one searches the largest mathematical databases as ZentralblattMATH in Europe and MathSciNet in the USA, for researches involving model optimization for the quantitative CAP policies, it will be surprised to find only a very few of them (e.g. less then ten). If one tries to do the same search in the Economics databases, the results are overwhelming. Lot of papers exists, about modelling or about improving the CAP policies, most of them based on declarative statements instead of being based on the output of a true mathematical model. Still, there exist mathematical models and GAMS (General Algebraic Modelling System) simulations and these are considered as “de facto” for the policy makers or the statisticians. In reality, most of these studies are using optimisation algorithms found in the scientific literature without a sustainable link to the updates coming with the wave of mathematical discoveries. Therefore, most models are using by now obsolete mathematical techniques and therefore must be further optimised.

This document tries to be in a way a quantitative manifest to the Communication paper of the on the future of the CAP, made public by the European Commission [1]. It contains suggestions to update the existing core methods with more suitable new ones in terms of accuracy of results, speed and complexity. Therefore, the next two sections will be focused on systematically mathematical optimisation using proper algorithms selection, the integration of the algorithms into the models and data reduction using diffusion models.

---

1 Lect. Univ. Doctor, Facultatea de Științe Economice, Universitatea Eftimie Murgu, d.onchis@uem.ro
2. SYSTEMATICALLY MATHEMATICAL OPTIMISATION

Most of today’s CAP-related quantitative models are not in a general bottleneck situation “per se” ([2,4]). Therefore, instead of requesting a complete redesign of the CAP models, the focus should be on the improvement on the algorithmic side by using newer optimization methods. Actually, for some tasks the CAP-based models performs very accurate and quick ([3,4]). However, deep limitations in the applicability and operations of today’s models were observed (e.g. JRC researches or DG-AG) as well as new ideas in implementing and extending the CAP policies were introduced by the European Commission. In addition, recent advances in clustering (based on mathematical advances on random graphs) and data reductions are expected to overcome some of the limitations of today’s models.

This manifest is based on the idea that instead of letting the beneficiary to search by them selves for any algorithm that will do the job, every time a new feature is added to the model (e.g. a reduction of the stock), the approach is done in the most optimized way. For example, the reduction of the stock is an important task which is not sufficiently investigated in the usual models. The well-known stock models allow operations only which can reduce the stock at the price of increasing some other factor, say shortage. However, if a change of models is realizable the mentioned difficulty may not arise. In the paper [5], the author have shown, that if we change an order-up-to S policy for an (r,Q) policy (which is the transaction reporting system) in a simple way we can reduce both the average stock and the average shortage without changing the frequency of orders and a reduction is also estimated. Thus, we avoid the use of costs in the operation; the improvement is reached for physical processes themselves.

Another aspect that must be taken into consideration is the implementation of the algorithms in meta-programming. This task involves all the necessary steps to go from the scientific description of the selected algorithm to its conversion into meta-programming. This recommendation involves wrapping the algorithm within the quantitative models by replacing the old algorithm and making the necessary connections so that the new one should work properly.

Also, the modelling based on GAMS, should go in the direction of grid and cloud computing allowing a parallel execution of jobs arrays coming from the econometric scenarios. These scenarios capture complex interactions between multiple risk factors. There exist different modern methods for risk measurement: Mean Absolute Deviation Models, Index Tracking Models, Expected Utility Models, VAR Models (linear Version: CVAR). These models are solved over all scenarios.

Another recommendation is related to the continuously increase in the amount of data to be processed by the optimization algorithms. For a high dimensional dataset of features, one would like to be able to represent this data using fewer parameters while preserving relevant information. If we assume the original data actually exists on a lower dimensional manifold embedded in a high dimensional feature space, then recently popularized approaches based on graph-theory and differential geometry allow us to „learn“ the underlying manifold that generates the data. One such example of a new technique for data reduction before optimization will be given in the next section.

All the recommendations about properly selecting the algorithm are valid for the new CAP based prototype models. The aim is to improve the quantitative aspect but the reduction of the data is also becoming an essential pre-processing step that was not taken too much into account in the existing models [5,6]. Therefore, the presentation of
the diffusion model will be equally important for new and existing models that are facing higher and higher amounts of data.

3. DIFFUSION MODELS

Sometimes called Diffusion Maps or Laplacian Eigenmaps [7], these manifold-learning techniques preserve the local proximity between data (e.g. clean features of any type) by first constructing a representation for the underlying manifold with vertices and edges. The vertices, or nodes, represent the data points, and the edges connected the vertices, represent the similarities between adjacent nodes. If properly normalized, these edge weights can be interpreted as transition probabilities for a random walk on the graph.

After representing the graph with a matrix, the spectral properties of this matrix are used to embed the data points into a lower dimensional space, and gain insight into the geometry of the dataset. These methods perform exceptionally well with clean sampled data, problems arise with the when the data exists and multiple sub manifolds but this might be overcome during the classification process. Therefore, the spectral clustering is a powerful tool to be used for the Training with sample data. It can be described as follows:

Given $N$ data points $\{x_i\}_{i=1}^N$ where each

$$L_{i,j} = K(x_i, x_j) = \exp \left(-\frac{\|x_i - x_j\|^2}{2\epsilon}\right)$$

then the distance (similarity) between any two points $x_i$ and $x_j$ is given by

$$D = \text{Diag} (\{D_1, \ldots, D_N\}) \quad \text{with} \quad D_i = \sum_{j=1}^N L_{i,j}$$

with Gaussian kernel of width epsilon and a diagonal normalization matrix. We need to solve the normalized eigenvalue problem:

$$L \phi = \lambda D \phi \quad \text{or} \quad M \phi = \lambda \phi \quad \text{where} \quad M = D^{-1}L$$

and use first few eigenvectors of $M$ for low-dimensional representation of data or good coordinates for clustering. A symmetric matrix $M_s$ can be derived from $M$ as

$$M_s = D^{1/2}MD^{-1/2}$$

so that $M$ and $M_s$ has same $N$ eigenvalues,

$$M_s = \sum_{k=0}^{N-1} \lambda_k \phi_k \phi_k^T$$

$$\phi_k = \phi_k D^{1/2}, \quad \psi_k = \psi_k D^{-1/2}$$

$$\langle \phi_k, \psi_k \rangle = \delta_{k,k}.$$  

Under random walk representation of the graph $M$

$$p(x_{t+\epsilon} = x_j \mid x_t = x_i) = M_{i,j} = \frac{K(x_i, x_j)}{\sum_{j=1}^N K(x_i, x_j)}$$
If one starts a random walk from location \( x_i \), the probability of landing in location \( y \) after \( r \) time steps is given by

\[
p(t=r\varepsilon, y|x_i) = p(x' = y \mid x^0 = x_i) = e_r M'\]

For large values, all points in the graph are connected (\( M_{i,j} > 0 \)) and the eigenvalues of \( M \), are sorted

\[
\lambda_0 = 1 \geq \lambda_1 \geq \cdots \geq \lambda_{N-1} \geq 0
\]

In these conditions we can define the diffusion distance as a distance measure at time \( t \) between two probability distributions (corresponding to signatures):

\[
\text{Dist}_t^2(x_i, x_j) = \left\| p(t, y, x_i) - p(t, y, x_j) \right\|^2_w = \\
\sum_{y=x_i}^{x_N} \left( p(t, y, x_i) - p(t, y, x_j) \right)^2 w(y)
\]

and use it to select the clear features and their morphisms into new similar samples.

### 3. CONCLUSIONS

In this paper, we formulate a series of recommendations about the next quantitative models, to be developed following the future CAP policies. We argue for the use of new optimizations techniques and new preprocessing steps as the diffusion maps. The GAMS simulations must follow the direction of grid and cloud computing and the models should be further developed by joint teams of economists and mathematicians for an efficient improvement that will be able to face the new European Union needs.

### REFERENCES


FORECASTING – AN ESSENTIAL ATRIBUTE IN SOCIO-ECONOMIC ANALYSES

Irina ORIOL

ABSTRACT

The evolution of contemporary society, under the concomitant influence of economic, social and political factors, implies the existence of macroeconomic strategies that, using different methods and instruments specific to the market economy, may anticipate the quantitative and quality as well as structural transformations that may occur in the macroeconomic system.

The major role of forecasting calculations consists in the possibility to influence and to diminish the risk of the deciding process. At macroeconomic level, but also at medium and microeconomic level, the deciding process implies the adopting of some long term development policies, which are oriented towards the creation of a medium adequate for the carrying out of the socio-economic activities.

The present paper is a round up of the indicator groups regarding the demographic prognoses, of the social indicators and of the computing methods used in practice. The forecasting computing regarding the population of Romania, show, that on a medium period, there will be recorded the same tendency as in the majority of European countries.

KEY WORDS: forecasting, demography, types of forecasting, forecasting methods, demographic prognoses, the prognosis of social indicators, computing methods, the evolution of the population.

JEL: J00, J01, J10

1. INTRODUCTION

The forecast today emerged as a separate field of science, which is in close correlation with economics, social. Without a permanent bearing on possible solutions in terms of development action, the country or even worldwide, can reach in the face of adverse situations, sometimes even impossible to solve. In modern society has become a necessity inseparable forecast in all areas of society life. A forecast made at the time may attract attention at the right time on disadvantageous situations that may arise and the consequences that may affect the country's economic and social status.

Forecasts have a special place where the demographic factor is essential. They precede all other forecasts conducted on phenomena and processes in all sectors of national economy. Determine their population, to some extent, the size of the productive forces, which may trigger natural resources, material and financial resources of the country, determined simultaneously productive and unproductive consumption needs that society must meet a certain time. The diagram below is a summary form (can be done) basic areas of application of the forecasts concerning the population of a country.

2. CONCEPTS AND TENDENCIES IN FORECASTING ANALYSIS

The modern economy is characterized by a high level of complexity, given the variety of subsystems that compose it, a high level of mobility, manifested by rapid

1 PhD. in Economic Sciences, Department of Public Administration "Max Weber", "Eftimie Murgu" University Reșița
structural changes taking place, the emergence of new industries, professions, influenced progress in science and technology, and increasing connections between different sectors, branches, sub-branches of national economy.

All these processes are closely interdependent, requiring synchronization, to some extent, the different socio-economic activities, harmonizing them, avoiding the production of imbalances, disparities in human activity, is thus the need for rules and diversity of ways of knowing the correct changes and optimization products of human action.

Observing the dynamic economic and social processes can be said that currently, there is an absolute necessity for foresight; to anticipate future events (desired or undesired) that appears in the present and future impact assessment of various options for action.

Taking into account that the future is conditioned both by necessity and by chance, may be mentioned that during the course of future action can be found both predictable elements (seen in time and separated using various quantitative measurement techniques), as and random elements caused by unpredictable factors (natural, incidental, etc.). Depending on the intensity of influence factors and considering the circumstances, the forecast can be between certainty and uncertainty.

In practice, one meets several types of projections, among which we can call (Nicolae V., Grădinaru I., I. Micu, (1997)):

- Forecasts in terms of certainty, that the results and effects that can be anticipated in the short term. In this case, the results are in direct dependence on the conditions and factors of influence.

- Prediction of risk conditions, i.e. without knowing the exact results, but correctly anticipated the possible outcomes and the degree of risk.

- Predictions under uncertainty, i.e. conditions that can not be known or likely results, or even all possible outcomes. In this case, policy makers resort to additional information to determine the limits of probability of an outcome.

- Forecast the conditions of ambiguity, i.e. when there uncertainty generated by lack of relevant information for estimating the probability of conducting an economic process.

Taking from the literature we made an attempt to systematize and structure of several subsystems using statistical indicators in forecasting human resources and methods for their calculation. The way of grouping and composition of each group of indicators are presented in Table 1 (Oriol, I. (2000)).

The economic development issues simultaneously capture quantitative, qualitative and structural economic evolution, is correlated with demographic and human subjectivity. In terms of extensive and intensive economic development highlights in particular the production of goods and services, distribution of wealth and income within society, the influence of changes in the economy over the standard of living of the population, lifestyle, thinking and behavior people, the efficient use of natural resources, materials, financial mechanisms operating on sub-national economy.
<table>
<thead>
<tr>
<th>Nd/o</th>
<th>Indicator groups</th>
<th>Methods of computing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The prognosis of the total population (Pₜ)</td>
<td>° Global method:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° Average annual growth ((\overline{\Delta}P))</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° dynamic environment indices (7)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° mathematical functions based on the tendency:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° linear function</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° exponential function</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° parabolic function</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° logistics function</td>
</tr>
<tr>
<td></td>
<td>2. Total population prognosis based on the components:</td>
<td>The method of prognoses components of the total population (the fundamental method):</td>
</tr>
<tr>
<td></td>
<td>- By gender</td>
<td>° number of survivors</td>
</tr>
<tr>
<td></td>
<td>- By age</td>
<td>° general birth rate</td>
</tr>
<tr>
<td></td>
<td>- After living environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. The economically active population (AP) and inactive (IP) prognosis:</td>
<td>The derivational forecasting method of the population:</td>
</tr>
<tr>
<td></td>
<td>- By gender</td>
<td>° extrapolation of activity rates:</td>
</tr>
<tr>
<td></td>
<td>- By age</td>
<td>° direct extrapolation (by gender, age)</td>
</tr>
<tr>
<td></td>
<td>- After living environment</td>
<td>° indirect extrapolation (gender, age, age groups)</td>
</tr>
<tr>
<td></td>
<td>- By level of education</td>
<td>° existing correlations between the activity rates at some point and the main characteristics of economic development</td>
</tr>
<tr>
<td></td>
<td>- By marital status</td>
<td>° the projection matrix, which allows the combination of various factors which influence the economically active population</td>
</tr>
<tr>
<td></td>
<td>4. School population prognosis:</td>
<td>The method of derivational prognosis of the population:</td>
</tr>
<tr>
<td></td>
<td>- By gender</td>
<td>° the age group from 6 to 14 is analyzed</td>
</tr>
<tr>
<td></td>
<td>- By age</td>
<td>° the specific rates of schooling</td>
</tr>
<tr>
<td></td>
<td>- After living environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- According to the infrastructure of education: primary schools, secondary schools, high schools</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. The prognosis of the female population of fertile age</td>
<td>The fundamental method of population prognosis:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° specific rates of fertility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° specific rates of marriage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° specific divorce rates</td>
</tr>
<tr>
<td>6</td>
<td>The prognosis of the number of households and families</td>
<td>Factors methods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Simulation methods</td>
</tr>
<tr>
<td>7</td>
<td>The population prognosis according to the living environment:</td>
<td>Global methods:</td>
</tr>
<tr>
<td></td>
<td>- urban population</td>
<td>° extrapolation of the tendencies in rates of urbanization</td>
</tr>
<tr>
<td></td>
<td>- rural population</td>
<td>° births in urban and rural environments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° the mortality rate on environments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>° the population migration from rural to urban areas and vice versa</td>
</tr>
</tbody>
</table>
| 8. | The prognosis of the population in territorial profile: counties, cities, towns etc. | Matrices methods  
Derivational prognosis methods |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>II.</td>
<td>The prognosis of social indicators</td>
<td></td>
</tr>
</tbody>
</table>

1. Prognosis of nominal income  
The method of extrapolation  
The input-output method or the balance of connections between branches  
Evaluating the global volume of the income source

2. Prognosis of real income  
The method of extrapolating the real salary and the prognoses of the indices of consume prices  
The input-output model of the balance of the connection between branches

3. Prognosis of the consume of the population  
The method of extrapolating the consume goods and services  
Explorative and/ or norming methods

4. Prognosis of the indicators of the learning activities  
Extrapolation method  
Intuitive methods  
Derivational prognosis methods

5. Prognosis of the work conditions  
Extrapolation method  
Intuitive methods

6. Prognosis of the indicators of the health activities  
Extrapolation method  
Intuitive methods

7. Prognosis of the indicators that characterise the living conditions of the population  
Extrapolation method  
Intuitive methods  
Derivational prognosis methods

Source: Done by the author

It is important to stress that the fact that social protection is real, substantial and long term, it is inconceivable outside development and economic growth at macro, micro balanced, coherent and stable. This is the objective of promoting economic satisfaction of social protection for the economically active population and for the temporarily unoccupied. Hence the need to start collection actions insistent and implementation of social protection projects related words and false in facts. I think, only in this way can create new jobs, can increase the mass of goods and services, increase revenues and social individual, it becomes feasible than desirable and necessary macro and micro economic stability, absolutely undeniable aptitude for social protection and time.

3. THE INFORMATIONS AND INDICATORS SYSTEM USED IN THE FORECASTING ACTIVITY

The informational system of forecasting activity (ISFA) is a set of interrelated activities of collecting, recording, transmission, processing and storage of information, staff made using processes, methods, tools and techniques for providing in due time - an accurate and appropriate structure - the information necessary and sufficient activity forecast for the national economy at all levels (V. Nicolae, (1993)).

Using econometric models to assess the future economic situation is becoming increasingly present as a market economy requires the use of new tools and new
methodologies for forecasting economic and social processes that occur in our country. Econometric methods based on economic theory and quantitative methods related to the expression, are only able to provide comparisons made in order to choose those optimal decisions in specific areas of socio-economic life. Because social and economic sciences and qualitative characteristics include, they also may be included in the study, along with the quantitative.

The statistical theory is between economic theory (reduced to an econometric model) and the economic reality (described by the statistics).

In the ISFA, there are two categories of information flows: vertical and horizontal (Oriol, I. (2001)).

Vertical information flows is the flow of information between economic and administrative-territorial units, on the one hand and central bodies, which summarizes the forecast projects, on the other.

Horizontal information flows between units recorded traffic data, on the same level organizational institutions.

The structure and complexity of the information flows within the ISFA are determined by the complexity and scope, the nature of socio-economic activities.

There are three main sources of forecast information:
A. experience, which is based on science laws of evolution and development processes, phenomena and events;
B. extrapolating trends, development law, which was passed and is now well known;
C. composition models forecasting objectives applicable to expected future conditions.

To these sources of information are three methods used for forecasting, which are complementary to the other, namely (Oriol, I. (2000)):

a. analytical method, based on preliminary collection of information (based on surveys, polls, questionnaires, etc. ), their processing and forecasting expert opinions on issues;
b. trend extrapolation, that studying past and present development processes and phenomena studied and drawing directions of development in future periods;
c. Modelling - search models of the object normative research and forecasting expected or planned changes in the horizon.

The problem of increasing the quality of analytical research and forecasting, for the most part, depends on the information (information base), which must meet the following requirements (Oriol, I. (2002)):

a) The veracity of the quantitative characteristics of indicators;
b) The integrity and meeting the information provided, having regarded, first, the main features of economic and, of course, positive and negative processes are recorded either in the whole country and administratively-territorial;
c) Presentation of information, which implies interdependence of indicators, the link between different blocks or levels;
d) Comparability of indicators, qualitative data that must not be mutually contradictory,
e) Minimizing system response time information, with activities scheduled for proper operability;
f) Obtaining adequate information system efficiency, including through the establishment and operation of minimum cost.
The analytic calculations forecast is made, as mentioned, based on statistical information, i.e. information provided by the management of administrative-territorial units by economic enterprises and financial organizations. It is also used to characterize the situation of other countries information, etc. of the world economy. Some of the information necessary to obtain population based investigation or entrepreneurs. It also used information from the various specialists in certain fields of research.

Since the forecast is based on statistical information works, we believe it is necessary to mention the main factors that determine its quality:
- The amendments contained in the transition from total observation data using selective methods;
- The occurrence of irregularities in the primary information about the introduction of changes in statistical and accounting records;
- The methodology of calculation of aggregate indicators;
- The mismatch of statistical indicators of economic classes

4. THE EVOLUTION OF ROMANIA’S POPULATION DURING THE PERIOD 2010-2014

Romania is part of the global trend of aging, but, unlike the global trend of increasing world population. Aging in Romania is accompanied by a decrease in population in any of the following estimation made by the United Nations, as demonstrated by results obtained provisional census conducted in Romania in October 2011.

Aging causes in Romania are increasing life expectancy and birth rates decline. Graphical representation of the population pyramid reveals very suggestive, Romania aging process (see Fig. 1).

![Figure 1](http://esa.un.org/unpp)
To analyze the trend in the next four years there were used three methods of calculation: average gain absolute method, the method and the analytical index dynamic environment - the linear model.

Table 2

<table>
<thead>
<tr>
<th>Nr. crt.</th>
<th>Method used</th>
<th>( d_y )</th>
<th>( v_y = \frac{d_y}{y} \cdot 100% )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Absolute medium modification</td>
<td>516911,66</td>
<td>2,322</td>
</tr>
<tr>
<td>2.</td>
<td>Medium dynamic indices</td>
<td>458434,40</td>
<td>2,059</td>
</tr>
<tr>
<td>3.</td>
<td>Linear function</td>
<td>138383,59</td>
<td>0,621</td>
</tr>
</tbody>
</table>

In order to determine the best model for calculating the forecast data we used the coefficient of variation (degree of homogeneity). For calculating the average absolute deviation was used (see Table 2.)

\[
\overline{d} = \left( \frac{\sum d_i}{n} \right) \cdot 100
\]  

Based on data most relevant results are those obtained in the linear model for the degree of homogeneity is 0.621%.

The result from the application of econometric software Eviews 7.0 is:

\[
Y = a + b \cdot t
\]  

\[
Y_{2010} = 22.26137 - 0.04774 \cdot t
\]

Where:  
\( a = 22.26137 \);  
\( b = -0.04774 \);  
\( t \) – Time unit.

In Table 3 there are forecast values calculated by the three methods. The results of the linear model, as we found, are most relevant and can be considered as expected.

Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecasting values computed by:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Absolute medium modification</td>
</tr>
<tr>
<td></td>
<td>Medium dynamic indices</td>
</tr>
<tr>
<td></td>
<td>Linear function</td>
</tr>
<tr>
<td>20</td>
<td>( Y_{2010}=23,21-0,091(21-1)=21,379 )</td>
</tr>
<tr>
<td>10</td>
<td>( Y_{2010}=23,21*0,996^{21} =21,382 )</td>
</tr>
<tr>
<td></td>
<td>( Y_{2010}=22,26137-0,04774*21=21,259 )</td>
</tr>
<tr>
<td>20</td>
<td>( Y_{2011}=23,21-0,091(22-1)=21,287 )</td>
</tr>
<tr>
<td>11</td>
<td>( Y_{2011}=23,21*0,996^{22} =21,295 )</td>
</tr>
<tr>
<td></td>
<td>( Y_{2011}=22,26137-0,04774*23=21,163 )</td>
</tr>
<tr>
<td>20</td>
<td>( Y_{2012}=23,21-0,091(23-1)=21,196 )</td>
</tr>
<tr>
<td>12</td>
<td>( Y_{2012}=23,21*0,996^{23} =21,208 )</td>
</tr>
<tr>
<td></td>
<td>( Y_{2012}=22,26137-0,04774*25=21,068 )</td>
</tr>
<tr>
<td>20</td>
<td>( Y_{2013}=23,21-0,091(24-1)=21,1196 )</td>
</tr>
<tr>
<td></td>
<td>( Y_{2013}=23,21*0,996^{24} =21,208 )</td>
</tr>
<tr>
<td></td>
<td>( Y_{2013}=22,26137-0,04774*26=20,932 )</td>
</tr>
</tbody>
</table>

326
It can be observed thus that the next four years Romania’s population is decreasing and will reach 20.877 million inhabitants value (see Figure 2). But, after other methods of calculating the population will be expected to limit of about 21 million people. For Further calculations on forecast population is necessary to make structural studies of population by age group.

![Figure 2](image-url)

**Figure 2.** The evolution of Romania’s population, period 2010-2014

The main factors of influence that lead to lower their population can be considered on the one hand natural movement of population fluctuations, and on the other hand maintaining the external migration of population. We want to mention that at this time is necessary to involve the state, imposing the social and economic solutions to improve the country's demographic policy.

### 3. CONCLUSIONS

Apart from active research on indicators of work system analysis and forecast, of improving their functioning, the main disadvantages are still not exceeded:

- The existence of many inadequate signals, namely changes, in dynamics, of the economic indicators and indices that do not correspond to the changes taking place in the economy as a whole;
- The inconsistency, in dynamics, of various indicators and indices of the statistics;
- The mismatch of the dynamics (of the trend) indicators and corresponding changes in the economic circumstances;
- The complexity of qualitative assessments of predicted changes in the economy based on the system of indicators and indices.
Based on the considerations that it is quite difficult to use systems analysis and forecast indicators, many researchers in the field consider this more as an "art" than a science. Therefore, first, there shall be submitted the capacity and experience of the researcher, the deep knowledge in accordance with the laws of economic development, as a whole, and its features at this present stage.

A decrease or halt in the populations decline would be the combined result of increased birth rates, of lower mortality and of the reduction of external migration.

Romania needs a realistic view of its economic and social development in the coming decades. In defining and structuring a strategy for sustainable development, the population is the central element to such a building that could not be developed and translated into reality without signs of recovery of the demographic status. From this perspective, the major component of a sustainable development strategy should be precisely the prevention of the demographic landslide in which the country risks to enter.

Romania needs to intervene now, the only alternative that may be considered, is not for the stopping of the demographic decline, a goal that seems impossible to us to reach, but to reduce the degradation further of the demography.

REFERENCES

OVERVIEW ABOUT THE CONSIDERATIONS ON STATISTICAL METHODS IN DENTAL MEDICINE

Mălina POPA

ABSTRACT

Statistics finds its application in any field of human existence (medicine, economics, politics, natural sciences, behavioural science etc.), providing by its tool the role of a "mediator" between reality and theory, which assures the investigation of the phenomenon. Biological research is based on results obtained on a limited number of observations out of many possible, it is therefore a pattern research. Biostatistics can be founded on two types of reasoning, specific for the scientific method: inductive reasoning and deductive reasoning. In the case of deductive reasoning, you start from a generality, deducting by logical reasoning some certain properties of the studied phenomenon (e.g. dental-maxillary abnormalities and practicing oral bad habits by the child population). Statistical processing is performed with specialized programs in basic statistical research, such as: EPIINFO 6®, INSTAT® and SPSS®.

KEY WORDS: biostatistics, biological research, statistical study, statistical methods.

JEL: C18, C46, C80, Y20, Z00

1. INTRODUCTION

Mathematical Statistics is the science that seeks to explain the phenomena of mass through a relatively reduced number of observations. It uses inductive methods of research, starting from particular to general. Of course, conclusions drawn from statistical processing of experimental data are not absolutely certain objective laws, but the grade of uncertainty can be calculated. Knowing the grade of uncertainty of the drawn conclusions, the statistical research method can be considered as an exact mathematical method. [Mărușteri M., 2005]

In the process of knowledge, the initial information, based on which we make assumptions, make judgments and validate theoretical points of view, has a very important role. Based on data series accumulated in time, processes are analyzed quantitatively and qualitatively. [Andrei T., et al. 2002]

Statistics provide by various methods, depending on the specific phenomenon studied, the following:

- projection of observing the studied phenomenon, data collection and creating a database;
- primary processing of data series (in order to eliminate errors), systematization, classification and grouping them in order to be processed;
- data processing, using a set of methods, specific phenomena and available data sets;

1 Assistant lecturer, Phd, University of Medicine and Pharmacy „Victor Babes” Timisoara, Faculty of Dental Medicine, Departement of Pedodontics-Ortodontics, Romania, mali.popa@yahoo.com
• using the results obtained after processing, using elements of the theory underlying the studied phenomenon, in order to substantiate the decision. [Andrei T., et al. 2002]

Statistics finds its application in any field of human existence (medicine, economics, politics, natural sciences, behavioural science etc.), providing by its tools the role of a "mediator" between reality and theory, which assures the investigation of the phenomenon. [Andrei T., et al. 2002]

2. MATERIAL AND METHODS

In order to study the desired biological process from a statistical point of view (Biostatistics), experimental data should be systematized by graphs and tables, prepared by considering either the total number of data or a sample number extracted from these numbers. From this point of view, mathematical statistic operates with two basic concepts:

1. Population or corporate statistics;
2. Specimen (sample) extracted from the population under study. [Mărușteri M., 2005]

A statistical population can be defined by all phenomena or qualitatively homogeneous objects having one or more common characteristics.

Property of the statistical population is estimated only on a finite part of the population called sample, which must meet a condition sine qua non: it must be taken from the statistical population, so that each element of the population has the same probability of being part of the sample. Samples, which meet this goal, are called representative samples. [Mărușteri M., 2005]

Biological research is based on results obtained on a limited number of observations out of many possible, it is therefore a pattern research. The question is whether we can generalize the observations obtained on a limited number of cases, to the whole community studied, obtaining this way laws of general applicability. Generalization is only possible given the variability of the figures obtained and mathematical statistics offers the possibility to consider this variability.

Thus, if the pattern is reduced in number, the results obtained during the biological research may be different, even if contrary to truth, which is called pattern fluctuation. If the pattern is large, the result is obviously closer to the truth, the average results can be generalized to the entire population. [Mărușteri M., 2005]

Biostatistics can be founded on two types of reasoning, specific for the scientific method: inductive reasoning and deductive reasoning. In the case of inductive reasoning you start from observing and recording individual data, and through simplifications, abstractions or generalizations at the level of the entire analyzed phenomena, only what is generated by common causes will be retained, only the essential elements. Also in the case of deductive reasoning, you start from a generality, deducting by logical reasoning some certain properties of the studied phenomenon (e.g. dental-maxillary abnormalities and practicing oral bad habits by the infant population). [Jaba E, 2002]

When there is an expanse of the phenomena studied in space and time, the principles of survey research will be applied, which aim to know a statistical population based on the observations on a representative pattern, taken from this and estimation of characteristic of statistical distribution of data, verifying of assumptions about the connections between phenomena or to predict their future evolution. Survey research or
partial research, as it is known, aims to estimate the parameters characteristic of the phenomenon studied, based on the results of processing data obtained at the level of the pattern, using the principles of the probability theory. [Sipoş C., Preda C., 2004] In this respect, data for statistical units, included in the studied pattern will be collected and processed, obtaining various absolute, relative or average indicators, or statistical indicators, which describe in detail the respective pattern. Then, the indicators, namely the evidence obtained at the pattern are extrapolated, with some probability, at the level of the whole statistical population for its characterization.

Centralization of data is representing the totalization of individual values for the entire statistical population studied and, where necessary, homogeneous subgroups. Totalization of values is realised by directly adding or through coefficients of equivalence. [Berenson M.L., et al. 2004] In order to perform the operation of centralization, you must bear in mind that the data must be real, without recording and comparable errors, to refer to the same feature observed in unitary conditions and expressed in the same unit of measure. Grouping data is a method often used in processing statistical data and consists in separation of the units of a population in homogeneous subgroups, related through one or more features. Grouping should be done so as not to distort the conclusions resulting from processing. Typically, grouping is realised by specific criteria for each phenomenon under investigation, and if they are missing or cannot be specified, one can resort to a purely statistical method, except that it must meet all the necessary conditions.

Given the numerous factors of error, biological research would be insufficient or inconclusive if some wouldn't observe certain scientific rules during experimentation. These rules refer primarily to the elimination of the factors determining the variability of biological responses. Thus, several important steps are necessary:

- rigorous selection of patients;
- drawing groups from a sufficient number of individuals, statistically safe;
- ensuring the homogeneity of a group and between the groups in some experience through the above mentioned steps, by removing the error factors that depend on the patients under study. [Măruşteri M., 2005]

Factors of error that can't be eliminated, form the so-called systematic errors and affect the accuracy of the result. For example, factors related to individual reactivity can't be eliminated, causing random errors (by chance), that affect both accuracy and precision of experimental results. Variations that are determined by the error factors in a study, can be determined using the error calculations. Because these aleatory variations are subject to the laws of normal frequency distribution, their value can be calculated and thus the precision of biological research can be confirmed scientifically. [Măruşteri M., 2005]

Distribution of qualitative and numerical data from a statistical community can be done by statistical frequency of their characteristics, obtaining the community structure. For example, a multitude of experimental data can be distributed by the quality of effects, with or without effect, or with gradual effect depending on the doses. Through this repartition a frequency distribution of the concerned community is obtained. You can obtain a homograde frequency distribution (such as diagrams), with a single scale of comparison in the Cartesian system, or heterograde distributions. In this way you obtain the structure of this community and can observe the appearance frequency of some results. [Măruşteri M., 2005]
Frequency distribution allows to determine other characteristics: central tendency (e.g. average), median, form of distribution, variability from its interior.

Once the experimental results are obtained, they must be processed, presented, produced and mostly synthesized in order to detach the followed legality. Interpretation of particular experimental results should be given a great importance, because a too simplistic interpretation or, conversely, too pretentious interpretation can reduce the value of the performed research.

A decisive support in the correct interpretation of results and in affirmation of the conclusions is brought by mathematical statistics. Conclusions of a particular study should be examined, experimental data must be reproducible, conclusions should be scientifically grounded; this is not possible without adequate statistical data processing.

The following two types of tests are used successfully in interpreting the results of a scientific experiment:

- tests of validity;
- tests of significance.

Statistical data analysis is performed computerised, on a magnetic media file organized and managed in database of the type DBF (Data Base File).

Statistical processing is performed with specialized programs in basic statistical research, such as: EPIINFO 6®, INSTAT® and SPSS®, consisting of:

- calculation of pattern frequencies and percentages, for qualitative variables;
- calculating the arithmetic mean and the standard deviation for quantitative variables;
- calculating the safety intervals (trust-confidence interval) with a statistical precision of 95%;
- statistical comparing of percentages with the test $\chi^2$ (Chi square);
- comparing pattern averages with the tests: unpaired t-Student and Anova (analysis of variance). [Salvatore D., Reagle D., 2002]

Application of statistical calculations on empirical data obtained by statistical observation (of a disease, dental anomalies, malocclusion, phenomena etc.) allows the separation of statistical legalities which operate at the level of this phenomenon. They express only the behaviour of all statistical units and not of each unit in part, what induces the existence of a certain probability associated with the research. [Jaba E, 2002]

Statistical estimation of the results is performed for a minimum acceptable threshold of significance in biology $p=0.05$ corresponding to a statistical accuracy of 95%, using the decision criteria of statistical tests:

- $p>0.05$ - minor differences;
- $p<0.05$ - significant differences;
- $p<0.01$ - very significant differences;
- $p<0.001$ - highly significant differences.

3. CONCLUSIONS

Many times, the same statistical method can be applied to massive data analysis in medicine, economics, biology etc., the difference between these is given by the theories underlying the interpretation of the results obtained after processing. [Andrei T., et al. 2002]
The instruments and methods offered by biostatistics can be used equally in the process of simulation of the phenomenon.

For the normal growth of the dental-maxillary system and also for the oral health of the young patients, it is necessary to promote health and to assure access to dental care.

As it is well known in dental medicine, epidemiological studies of dental-maxillary abnormalities and bad oral habits are particularly important for primary and mixed dentition disturbances, for subsequent orthodontic predictive changes. Thus, all the changes of the dental-maxillary system, which occur both in primary and in mixed dentition, can be identified.

REFERENCES

THE LEVEL OF THE UNDERGROUND ECONOMY IN THE ECONOMIC CRISIS PERIOD

Lavinia Elisabeta POPP

ABSTRACT:
From the viewpoint of black labour, as form of underground economy, the system change intervened in Romania after 1989, followed by the repeated attempts of national economy’s restructuring, have led to the modification of the labour market structure.

The paper proves that in crisis times part of the economy operates extremely well, more precisely the underground one, phenomenon extremely difficult to eliminate both in our country and in the great states of the world.

The factual and statistic documentation vis-à-vis the level of underground economy level was performed by the consultation of the official statistics of speciality institutes and from the information offered by the studies and research in the field.

The underground economy in our country is a subsistence economy and continues to grow especially in the period of economic crisis, due to the increase of the poverty level and unemployment rate.

KEY WORDS: underground economy, black labour, the change, the level, the economic practice

JEL: Z13

1. INTRODUCTION

The phrase “underground economy” has become a term widely used not only by specialists but also by the large public, the studies dealing with these phenomena having to cope with the difficulty of giving it a unique definition.

The informal/formal dichotomy at the level of economy was first used by Keith Hart in 1971 (Romania: Report of poverty assessment, World Bank, Bucharest, 2003) in a study on the unemployment in Ghana. The classification was made as a result of the division of the economic activities in traditional and modern, the former containing the pre-capitalist activities, and the latter the activities using modern technology, professional planning and governmental regulations.

The definitions of the informal sector extended by terms such as: underground, irregular, invisible, black, grey, shadow, uncountable or unaccounted economy. K. Hart makes the distinction between the two economic sectors through the manner the individuals earn their living, elaborating a classification of formal and informal occupations, the latter including activities carried on at the primary, secondary and tertiary, levels.

In the economic practice one uses standardised systems of classifications, constituting the basic components of the economic informational system. They become indispensable instruments for the assurance of a unitary data collection, stocking, processing and analysis. This ensemble represents the unitary classification system and nomenclatures, operating at the macroeconomic level.

1 Lecturer PhD, University “Eftimie Murgu” of Reşiţa, l.pop@uem.ro
2. THE CONCEPT OF UNDERGROUND ECONOMY

The elaboration of the new classification of occupations in Romania (COR) aim first of all at aligning to the international standards elaborated by the European Community (ISCO-88-COM) and UNO (ISCO-88), assures the transparency of the economic-social information in the field of labour force resources and their use.

The occupations classification is the operation of systematisation of occupations of the active population, in which an occupation is classified only once. The occupation is the useful, income-earning activity (in money or in kind) of a person habitually carried on in an economic-social unit, constituting the source of existence for this person. The occupation is thus characteristic to active persons, who practice an activity recognised by society as useful for themselves and the other humans. The occupation of a person can be expressed by the position or trade exercised by that person.

The position is the activity carried on by a person in a functional hierarchy of management or execution. In the present classification, the positions are comprised in the major groups from 1 to 5.

The trades are the set of knowledge obtained through education and practice, necessary for the execution of certain operations of transformation and processing of the objects worked upon, or for the providing of certain services. The trades are classified in the major groups from 6 to 8.

For a correct definition of the notion of occupation and for the avoidance of confusion, we also need to define the notion of profession, that in some cases can also be an occupation, but in other situations it is not.

Thus, the profession is the specialisation obtained through studies, and the occupation is the specialisation (qualification) actually exercised at the place of work.

Later on, in 1972, The International Labour Organisation made the distinction between the formal and the informal sectors under the perspective of the company. In this perspective, the informal sector was in a direct relation with poverty; there is even a definition according to which the informal activity is that unregistered by the State institutions, comprising activities generating an income that is not settled by the State in social environments where similar activities are settled. Each definition of the phenomenon is structured on the basis of a research method. Even when the reference terms are identical from the linguistic perspective, they are different from the conception viewpoint.

The underground economy is presented by Austin Lawrence as being made of “any economic activity that is not registered in the official evidence” (1998, p.106). Dominik Enste and Friederich Schneider consider it to be “any unregistered economic activity currently contributing to the obtaining of GDP” or “the basis of the demand for the sale of goods and services (legal or illegal) that escapes the control in the official estimations of the Gross Domestic Product” (Enste, D., Schneider, F.,2005), while in the Dictionary of economy the underground economy is defined as being the “totality of all economic activities not declared to the institutions empowered to set taxes and social contributions that escape to statistics and national accounting registrations” (Dobrotă, N., 1999). Romania’s Court of Accounts defines the underground economy as a heterogeneous group of economic activities carried on illicitly and the economic component of certain criminal activities. The European System of Accounts (ESA) uses the following concepts: the illegal production of goods and services forbidden by the
law (gambling without licensing, smuggling etc.), as well as the legal production manufactured by unauthorised producers; the underground economy made of undeclared activities (hiding from taxation, failure to pay the corresponding social security contributions, ignoring certain standards) and activities not covered due to the lack of regulations; the informal sector comprising hidden activities performed by craftsmen, the members of a family etc.

The underground economy results either following the taking out of the legal framework of certain activities such as: prostitution, gambling, etc., or through the placement of participants, individually, at the limit of this frame (black labour, etc.).

The activities (Craiu, N., 2003) specific to the world underground economy can be classified into commercial (goods and services), non-commercial financed from forced contributions (taxes, fees) or voluntary (public and private donations), illegal (corruption, pimping), legal but not registered (household activities, voluntary labour) or undeclared (black labour, fiscal fraud).

The occult market underground economy comprises undeclared legal activities such as: production of clandestine companies, wages of minor children or decrease of the declared output of official enterprises, delinquent activities such as theft, pimping, prostitution, embezzlement, corruption, insurance fraud, drug trafficking and currency falsifying, as well as fraudulent activities such as fiscal fraud, black labour, traffic of labour force. The autonomous underground economy is made of the household labour of the self-consumption type, gardening, housekeeping baby-sitting, services of vicinity and associative activities. In the industrialised countries the major part of underground economy is made of undeclared licit activities, whereas in the developing countries the unofficial licit production is predominant. In the European Union, the concept of underground economy comprises the undeclared profit productive activities (i.e. the activities not registered in the system of national accounting, such as household work, voluntary labour, as well as the activities not declared at the financial administrations represented by black labour, tips), and also the undeclared illicit productive activities of goods and services (weapon trafficking, drug dealing).

The world underground economy represents a totality of economic-financial activities, illegal, delinquent and legal, declared or unregistered, bringing high illicit incomes, carried on throughout the world by natural or legal persons. Unlike the legal one, the world underground economy comprises the totality of goods and services that normally should be contained in the assessment of the gross domestic product, but which, because of their occult character, cannot be taken into calculation.

Regarding the social services management this is an concept which continues to development is generally defined as a process of coordination of interdependent activities to achieve the purposes of social services to ensure that the objectives of social services in accordance with a specified standard in a given time, with a budget using some resources that an organization / institution has at a time (Andrioni, F., 2011).

3. THE UNDERGROUND ECONOMY IN THE CONTEXT OF ECONOMIC CRISIS

The underground economy although more often encountered in the less developed countries, is also present in the OECD developed countries. In the ’90s, the southern countries registered the highest values, “grace” to Greece – 27.2%, Italy - 20.4%, Spain - 16.1% and Portugal - 15.6%. The lowest underground economy level
was registered in Switzerland – 6.9%, Norway – 5.9% and Austria – 5.8%. The same low rate was registered in the USA, i.e. 8.2%. It is shown that in reality taxes are not much higher in Greece and Italy than in the Scandinavian countries or in Austria, characterised by low rates of the underground economy. But the most striking evidence is encountered in southern Italy compared to the rest of the territories, the South being characterised by a deficient economic development and a greater expansion of underground economy, although the level of regulation is the same as in the North. This is explained by the forms adopted by underground economy. In Mediterranean countries, black labour is encountered as a standard practice of firms and employees. At the basis of this situations are the small firms that do not have the necessary technological force to face competition and remain on the market by decreased costs through black labour. By contrast, in the developed countries of Northern Europe and in the USA, the underground economy by means of black labour is a secondary issue, and generally the subjects of such activities are those who have another legal job.

Accepting certain forms of underground economy in certain developed states is a specific mentality, being known for instances that there is a tacit modality of obtaining economic growth by using black labour in Italy and Spain for instance, in the context of a more and more competitive international market. We remember the affirmation of Spanish officials regarding the advantages obtained as a result of the jobs of Romanian citizens, part of them being in the underground economy.

In the transition states and especially in the former socialist countries (Schneider, F.; Enste, D., 2005), the underground economy underwent a process of change and development. Among the former Soviet countries, Russia, Georgia and Azerbaijan have the largest underground economy, the lowest being registered in Uzbekistan. Among the other former communist countries in the ‘90s, the lowest rate was registered in Slovakia and the Czech Republic.

In the case of Eastern economies (Debare, M., 1996, p. 22-24) it was shown that the communist regimes with planned economies have known a parallel illegal economy, qualified by the economist G. Grossman as secondary economy.

Before 1989, the State economy, due to the penury and the depersonalisation of the individual property through collectivisation created a private underground economy. These activities prospered in the shadow of the planned economy under an illegal, unofficial or tolerated form. Nevertheless, it is considered that the underground economy had a regulating role of the penury of products, a large number of suppressed activities benefiting from the social consent. This secondary economy transferred production factors from the planned sector to the unofficial one, creating unemployment disguised in the second job.

In Romania, in the ‘80s we witnessed a repression of underground economy through the destruction of villages. Transition led to the temporary development of clandestine activities due to the disorganisation of the traditional circuits. The activities parallel to the official economy were permanently limited, especially through the direct or indirect pressures made by the State’s organisms, sometimes “announced” by the very citizens. In this situation a so-called combination of the activities of the State companies with the underground ones was done in a manner too unimportant to have an important regulating role of the product shortage.

Firms usually use black labour as complementary activities of the legal occupations and not as a substitute, because they create efficiency through stability. But the small companies with reduced economic force are sometimes in the position of
making appeal to the black labour due to the fact that they depend on economic activities in diverse economic domains.

The world market had a great influence upon States, either by determining an economic growth and implicitly a consumption growth, or by creating an international specialisation and changing the structure of national economies.

We ask ourselves if there is a system of international relations within the world underground economy and if yes, if it is done under the circumstance of a single world market. We must take into account that the world underground economy can only be approximately estimated, due to the occult character of the activities such as drug dealing, tax dodging, black labour or arms trafficking, which can be sometimes found at the limits of the law. Nevertheless, especially as a result of the globalisation phenomenon, we may remark that the trans-national criminal groups are caught in a denser and denser network of relations.

In Romania certain practices inherited from the period prior to 1989 continued (corruption, bribery), and others, especially those connected to the food shortage disappeared. Romania’s underground economy continued to grow after 1990, situation, according to the INS, Institute of World Economy, caused by following factors: incoherent fiscal legislation with many voids; increase of the corruption opportunities due to decentralisation; generalised attitude of accepting corruption from the part of the population (situation encountered also in Spain, Italy, Spain, France); parallel economies inherited from the old regime; economic restructurings leading to the apparition of small companies, important generators of underground economy (fiscal fraud and black labour); the delayed apparition of the tax dodging law no.87/1994; lack of true specialists in the fiscal; continuous growth of fiscal pressure and taxpayers’ impossibility to bear it.

Another cause of underground economy in Romania is represented by corruption, especially through the multiplying effect it has on fraud, each monetary unit paid representing an illicit advantage. Last but not least, the poverty level and the unemployment rate influence underground economy, as in this manner black labour and criminal activities flourish. It is known that human nature too, because of people's exaggerated desire to get rich, stimulated the underground economy phenomenon.

A survey effected by the Romanian Centre of Economic Policies showed that in Romania the underground economy is predominantly a subsistence one, the black labour representing 46.5% of the total underground economy. The main cause of the underground activity is represented by the high level of taxation, tax dodging being the argument with the most powerful significance for such an approach.

In the structure of the underground economy, assessed by the Romania Centre for Economic Policies for the year 2000, industry occupies the first place with 8.7% of the GDP, followed by constructions, with 1.7% of the GDP.

Because of the black labour one practically does not pay taxes, these businesses often lack productivity, being unable to reach a high level of the quality of the resources used.

In our country, the main forms of underground economy manifestation are represented by the phantom firms by means of:

- Issue of false document of origin for certain types of smuggled merchandise;
- The unreal accumulation of fiscal obligations generating deductibilities for diverse transaction partners;
As regards the place occupied by Romania in the world in terms of value of the underground economy, we remark that the OECD countries have low levels of the phenomenon, unlike the former socialist countries or the countries of Africa, Asia or Latin America. Thus, Austria with 10.6%, Belgium with 22%, France with %, Germany with 16.3%, Great Britain – 12.5%, Holland - 13% and Sweden – 19.1% are under the level of 33.4% registered by Romania’s underground economy. Among the former socialist countries, Romania is overcome only by Latvia, with 39.6% and Bulgaria with 36.4%, being before certain states such as Croatia (Source: Romania’s Court of Accounts, 2005).

Underground economy represents a plague difficult to eliminate not only in Romania, but also in all great states of the world. The level of underground economy in Romania is continually growing, according to the latest data, especially in the context of the economic crisis. This phenomenon has, in essence, negative effects on the “white” economy", i.e. taxed economy, but also positive effects, according to some economic analysts. The weight of unobserved/hidden economy in the GDP has grown from 14.5% in the year 2004 to over 21% in 2008. The black labour constituted the most important part of the unobserved economy. In the first 9 months of 2008, the black labour represented 50.8% from the unobserved economy, whereas the tax dodging related to the VAT payment reached almost 24 billion lei in the year 2008, compared to 7.4 billion lei in the year 2004 (Ministry of Public Finances, 2009). According to EUObserver (2009), the underground economy in Romania was at the level of 36-39% of the GDP. According to INSSE, the percentage of underground economy was of 20% of the GDP in the year 2009. In accordance with the study co-ordinated by Lucian Albu (The Romanian Academy), the underground economy ranges between 20% of the GDP (using the model of energy consumption) and 45% of the GDP (based on the monetary model). According to the AT Kearney consulting company, the weight of the GDP underground economy was of 35.4% in 2008. According to the opinions expressed by businessmen, the percentage of underground economy was between 30 and 40% of the GDP in 2008. Paradoxically, underground economy and corruption increased in the period in which the single taxation quota should have proved its efficiency. Nevertheless, Romania’s economic expansion not only failed to generate the reduction of the weight of underground percentage in the GDP, but it led to an increase, according to official data, by 8% of the GDP in 2008 compared to 2004. A study of the AT Kearney consulting company shows that the losses at the level of the contributions to social security were of around 7 billion euros per year in Romania, most of the underground economy coming from the manufacture sector. Because of the underground economy, the losses on the level of the value added tax (VAT) were of almost 3.5 billion euros, and those from the unpaid taxes on labour and social security contributions of 16.4 billion euros. Thus, the production segment, which contributed with 33.4 billion euros to the gross domestic product (GDP) in 2008, determined an underground economy in value of 14 billion euros, keeping in mind that 75% represented the undeclared labour, whereas 25% the under-reporting of sales, according to the company’s estimations. The second place is occupied by trade, with an underground economy of 6.1 billion euros, originated 10% of the undeclared labour and 90% of the under-reporting of sales. Moreover, in the third place we find the constructions, followed by transports and communications, then real estate and renting, each of the three sectors determining underground economies between 3 and 4 billion euros.
In 2008, Romania’s gross domestic product was of 503.96 billion lei (136.8 billion euros). With these figures, Romania was ranked fifth in Europe in 2008, according on the weight of underground economy in the gross domestic product (GDP), which was of 33%, after the first places where Bulgaria, Latvia, Estonia and Croatia were ranked. Part of the countries which have introduced the single taxation quota have registered the highest levels of underground economy. According to AT Kearney, keeping in mind that Romania’s GDP was of 139 billion euros, 46 billion euros represented the underground economy in 2008, whereas in Bulgaria, at a GDP of 34 billion euros, 12 billion euros were underground economy (36%). In Latvia’s case, the underground economy represented the same percentage (36% of the GDP), and in Estonia and Croatia the percentage was of 35%. On the other hand, the lowest weight in Europe was registered in Austria and Switzerland, where underground economy represents 8%. On the level of the European Union, the underground economy represented 16% of the GDP in 2008, and 2,100 billion euros, as shown in AT Kearney study. The report was done on the EU level, except three countries, i.e. Cyprus, Luxembourg and Malta, and also includes data from Norway, Switzerland and EU candidate countries. In 2009, black labour represented 12% of the GDP, and the VAT dodging around 5% of the GDP, the rest being losses from the informal sector. Black and grey market represented 50% of the food market in 2009. According to the consulting company AT Kearney (2009), Romania’s budget failed to cash in approximately 7% of the GDP in the account of the taxes and fees due to the state. According to trade unions, about 600,000 Romanians worked without legal documents, and one third of the employees received part of the money “in the black/hidden form”. The underground economy represented a third of the contribution of the GDP of constructions and trade (distribution and retail), and the black and grey market represented 50% of the food market in 2009.

Obviously, the degree of difficulty does not represent an impugnable barrier in the way of the attempt to reduce this phenomenon which is underground economy. Nevertheless, in order to know its scope, a multi-perspective analysis is needed. Econtext presented an analysis of underground economy from two angles: as weight in the gross domestic product (GDP) and in absolute value (in money) and a European ranking of parallel economy. From both perspectives, the data came from a report drawn up by the consulting company A.T. Kearney.

In Romania, the underground economy has a percentage weight of 37.1% of the GDP. This level ranks our country second in the European Union. As expected, the absolute champions are the Bulgarians with a percentage of 40%. After Romania and Bulgaria we find the Baltic states. Practically, the first half of the ranking is preponderantly occupied by the ex-communist states. At the opposite pole, the most reduced weight of black economy is in Austria, the Austrians being thus the most correct Europeans. In this country, the percentage of parallel economy is only 8.7%. Luxembourg ranks last but one, with a percentage of black economy of 8.8% in the GDP. These countries only have a rate less 10%. On the other hand, when it comes to absolute value, i.e. money, Romania is ranked in the middle of the top. More precisely, in money, Romania’s black economy was ranked 12th in the EU community block. This is normal, as Romania’s percentage is related to a lower GDP, compared to Germany or France. Thus, as we have shown, illegal economy represents 37.1% in Romania. If we relate this percentage to 2010, it results that our country’s black economy has a value of 45 billion euros. In comparison, the revenues of the state budget for the year 2011 are
estimated at 180.5 billion lei, which represents 44 billion euros. We may put the equality sign between the black economy of 2010 and the budgetary revenues of 2011, in other words the black economy is equivalent with this year’s Romania’s budget, with the revenues the Government predicts to obtain this year. The first positions in this second top are occupied by the countries with the highest GDPs in Europe, such as Germany, Italy, France etc. Compared to the percentages top, the ranking according to the value is exactly at the opposite pole. More precisely, in this value hierarchy, the first half is occupied by the West-European countries and the second by the East-European countries.

4. THE BLACK LABOUR

In times of crisis, part of economy operates extremely well, more precisely the underground one. Watching their business on the brink of bankruptcy or simply out of the desire to get the highest profit possible, many Romanian employers fail to draw up legal documents for all employees. This does not seem to bother the employees too much, who are content that, in times of recession, they have a job. They consciously ignore the dangers to which they expose themselves, and willingly waive the rights guaranteed by the European legislation.

"On the level of the European Union a directive is elaborated aiming at fighting against undeclared labour, which represents a problem for the entire EU community area. The preliminary data show that the scope of black labour is so ample that is has reached values of 20% of the GDP, and in some countries from the south and east of Europe these indices are even higher. As regards Romania, our estimations indicate a level of 30-35% of the GDP ", declared, according to NewsIn, Ovidiu Nicolescu (2008), chairman of the National Council of Private Small and Medium Enterprises. He pointed out that the field the most affected by black labour are constructions and housekeeping activities, and the social categories who determine these problems are mostly students, unemployed, immigrants and independent workers. Among the effects of undeclared labour, the members of the Council cited the drop of revenues from taxes, which leads to under-supplied budgets and denaturation of fair competition by employing staff without legal formalities. Moreover, in the employers’ opinion, black labour generates illegal emigration and immigration and encourages the precarious labour conditions.

The value of the black labour in Romania(2006) is situated between 16 and 21% of the GDP, and Romania is the EU member state with the highest proportion of citizens (23%) whose incomes and bonuses are not totally declared to the competent authorities (Eurobarometer).

The European Commission affirms that the scope of the black labour in the EU’s member states in the central and Eastern Europe is higher compared to the level of the old member states. Romania is in the fifth place from the viewpoint of the proportion represented by the black labour - 16-21% of the GDP. According to certain data available since 2006, Romania is overcome by Bulgaria (35% in 2004), Hungary (18% in 1998), Latvia (18% in 2000) and Lithuania (18.9% in 2002). The Eurobarometer indicated that the main reason for using black labour is the mutual benefit of the consumer and employer to avoid administrative taxes and contributions.

Moreover, black labour is especially used by students, the unemployment and self-employed persons. A 42% percentage of the Romanians consider that the unemployed are the category most inclined to black labour, and 5% think illegal
immigrants are, whereas the self-employed are viewed by 26% of the Romanians as the most inclined to hide their income. The black labour is practised especially in the domain of household and personal services, in constructions (especially in the central and Eastern European states) and in retail sales.

The direct handing of the payment (or „wages in an envelope”) – modality through which the employer avoids declaring all the amounts paid to their employees - is rather spread in Central and Eastern Europe, especially in constructions. Romania is in the first place among the countries practising the “wages in an envelope”, 23% of the employees receiving their wages, or part of these, as well as the payment for the extra hours, directly “in hand”.

Another conclusion of the study is that the persons considering that they risk very little to be caught in illegality are more susceptible to fail to declare their incomes, the persons making appeal to the black labour have also the tendency to accept behaviours that are not conform to the social norms. These behaviours range from the service providing in a household without declaring this activity and the afferent incomes, to the use of transport means without a ticket.

The persons with a high educational level belonging to highly-paid or above-the-average categories are more inclined to acquire goods and services “from the black area”.

The European Commission published on its site the first Eurobarometer about black labour, the survey was made in May and June 2007 in all the 27 member states. The latest statistic shows that after Romania’s EU joining, the western countries were invaded by Romanian workers. The serious issue is that most of them work on the “black labour market”. According to authorities, of four million Romanian workers, the figure estimated to be working in Europe, only 1.2 million work with regular contract, the difference being the army of the “black labourers”.

According to the centralisation effected at the level of the Ministry of External Affairs (MAE) and of the Department for the Labour Abroad (DMS), only 1.2 million Romanians are legally on the territory of the EU member states, the most in Italy (493,793) and Spain (445,000), the least in Slovenia (614) and Poland (650). But if we count also those who are illegally in Europe, their number trebles. “In order to have a quasi-real image of the number of Romanians working abroad, the official figure must be multiplied by three, i.e. a third work legally and two thirds are on the black labour market, declared the chairman of the trade Union National Block, Dumitru Costin, who pointed out also that only in Italy around two million Romanians work, 1.5 million more than those from the MAE statistics. Italy’s a Ambassador in Bucharest, Daniele Mancini, encouraged the Romanians to denounce any illegality incurred by Romanian from the part of Italian employers, even urging them to complain those agents who do not employ them legally. The Secretary of State, the Head of the DMS, considers that the number of Romanians working illegally in the EU states is below 700,000. “At an approximate estimation, the number is no higher than 700,000. Figures increase according to the interests of those expressing the respective figures. Not even the authorities in the countries where Romanians go to work can exactly assess the number of those working illegally”. From the perspective of the black labour, as form of underground economy, the change of system after 1989, followed by the repeated attempts of restructuring the national economy, attempts that unfortunately were far from the expected results, led to the modification of the structure of the labour market, closely followed by the apparition and growth of unemployment. All these mutations
appeared o the labour market was due to the following factors: the existence of the monopoly situation; the powerful segmentation by professions and qualifications, which did not allow a certain flexibility in the change of occupation.

5. CONCLUSIONS

Terms like “underground economy”, “parallel economy”, “informal economy”, “black economy” or “grey economy” are often encountered, without having an exact correspondent. In essence, they describe the untaxed economy, the companies or natural persons who do not pay their taxes, either partially or entirely; in other words, without legal documents and implicitly, without paying all taxes. A more poignant form is that of manufacturing and distributing products that have not been approved by the authorities of a state, such as cigarettes or building materials smuggling, etc. In the first case, we may say that the products manufactured or distributed are legal, but the afferent taxes are not paid, whereas in the second case the products are not legal and implicitly no taxes are paid for them. The term of underground economy includes both categories.

REFERENCES:

Andrioni F(2011), Management of social work services between theory and practice, Robotica &management, international journal, vol15, no.1
Austin L. (1998), The Underground Economy. A Strategic Scan of the Justice Enviroment, Department of Justice, Canada.
Baluţă A.V. (1999), Unemployment in the transition period to the market economy, exemplified for Romania, Academy of Economic Studies, Faculty of General Economy, Bucharest.
Craiu N. (2003), Taxonomia activităţilor subterane, Revista de finanţe publice şi contabilitate nr.6 / iunie.
Dobrotă N. (coord.), (1999), Dicţionar de Economie, Editura Economică, Bucureşti.
*** Curtea de Conturi a României, Nivelul şi evoluţia economiei subterane în România, Economistul nr.1787/ianuarie 2005.
*** Eurostat, The Institute of Statistics o f the European Union, articles and statistics regarding unemployment;
*** România: Raport de evaluare a sărăciei, Banca Mondială, Bucureşti, 2003
http://www.euobserver.com
http://www.econtext.ro
COMBATING GLOBAL POVERTY – THE CHALLENGE OF THE XXI CENTURY

Adrian TĂNASE¹

ABSTRACT
Poverty is a complex multidimensional problem with origins in both the national and international domains. No uniform solution can be found for global application. Rather, country-specific programmes to tackle poverty and international efforts supporting national efforts, as well as the parallel process of creating a supportive international environment, are crucial for a solution to this problem. The eradication of poverty and hunger, greater equity in income distribution and human resource development remain major challenges everywhere. The struggle against poverty is the shared responsibility of all countries.

KEY WORDS: poverty, investment, education, health, challenges
JEL: I15, I31

1. INTRODUCTION

If we analyse the world situation at least from the perspective of the economic indicators fulfilled, we must point out the remarkable progress achieved by mankind.

During the period 1950-2010, the world economy grew by unprecedented rates, the global world product increased seven times, and the living standards in certain parts of the world reached levels that could not be predicted years ago. In the year 2007 also, according to the International Monetary Fund, the growth of the world economy is incontestable, situated around the level of 5%, and the global economic growth continues to remain positive in 2008 also, despite a slight slowing down.

Keeping in mind that the world revenue increased seven times, and the living standard reached very high levels, a question occurs nevertheless, i.e. why the present world economic system, beside a high economic efficiency, still produces, paradoxically, an increasing poverty. A relative inequality and an increasingly accented social polarisation, an economic-financial criminality difficult to control, as well as the moral alteration of more and more citizens, the dissolution of the family and, what’s even more serious, the irreversible deterioration of the environment.

Unfortunately, although the world economy has grown during the last half a decade at a galloping pace, the poverty on the globe has not diminished, and the gaps keep becoming deeper and deeper.

Nearly half of the world’s population does not share the benefits of growing global prosperity as almost 3 billion people are living in poverty and earning less than $2 a day.

¹ Univ. Lecturer PhD., University “Eftimie Murgu” of Reşiţa, Faculty of Economics Sciences, Romania, a.tanase@uem.ro
2. WHAT IS POVERTY?

Poverty is usually measured as either absolute or relative poverty (the latter being actually an index of income inequality).

After the World Summit on Social Development in Copenhagen in 1995, 117 countries adopted a declaration and programme of action which included commitments to eradicate “absolute” and reduce “overall” poverty.

Absolute poverty was defined as „a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services.”

Absolute poverty refers to a set standard which is consistent over time and between countries. The World Bank defines extreme poverty as living on less than US $1.25 (PPP) per day, and moderate poverty as less than $2 or $5 a day (but note that a person or family with access to subsistence resources, e.g. subsistence farmers, may have a low cash income without a correspondingly low standard of living – they are not living „on” their cash income but using it as a top up).

Overall poverty takes various forms, including lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter destitution of people who fall outside family support systems, social institutions and safety nets. (UN Statement, 1995).

3. GLOBAL POVERTY - A VIEW FROM THE TOP

It estimates that in 2001, 1.1 billion people had consumption levels below $1 a day and 2.7 billion lived on less than $2 a day.

Six million children die of hunger every year – 17,000 every day. Selective Primary Health Care has been shown to be one of the most efficient ways in which absolute poverty can be eradicated in comparison to Primary Health Care which has a target of treating diseases. Disease prevention is the focus of Selective Primary Health Care which puts this system on higher grounds in terms of preventing malnutrition and illness, thus putting an end to Absolute Poverty.

The proportion of the developing world's population living in extreme economic poverty fell from 28 percent in 1990 to 21 percent in 2001. Most of this improvement has occurred in East and South Asia. In East Asia the World Bank reported that "The poverty headcount rate at the $2-a-day level is estimated to have fallen to about 27 percent [in 2007], down from 29.5 percent in 2006 and 69 percent in 1990."

In Sub-Saharan Africa extreme poverty went up from 41 percent in 1981 to 46 percent in 2001[citation needed], which combined with growing population increased the number of people living in extreme poverty from 231 million to 318 million.
In the early 1990s some of the transition economies of Eastern Europe and Central Asia experienced a sharp drop in income. The collapse of the Soviet Union resulted in large declines in GDP per capita, of about 30 to 35% between 1990 and the trough year of 1998 (when it was at its minimum). As a result poverty rates also increased although in subsequent years as per capita incomes recovered the poverty rate dropped from 31.4% of the population to 19.6%. The World Bank issued a report predicting that between 2007 and 2027 the populations of Georgia and Ukraine will decrease by 17% and 24% respectively.

World Bank data shows that the percentage of the population living in households with consumption or income per person below the poverty line has decreased in each region of the world since 1990.

The 2007 World Bank report "Global Economic Prospects" predicts that in 2030 the number living on less than the equivalent of $1 a day will fall by half, to about 550 million. An average resident of what we used to call the Third World will live about as well as do residents of the Czech or Slovak republics today. Much of Africa will have difficulty keeping pace with the rest of the developing world and even if conditions there improve in absolute terms, the report warns, Africa in 2030 will be home to a larger proportion of the world's poorest people than it is today.

4. SOLUTIONS FOR COMBATING GLOBAL POVERTY

Because poverty is a global problem, it will ultimately require a global solution. To effectively combat global poverty, we should concentrate on certain key areas:

• **Investing in Open Political and Economic Systems**
  Countries with market economies and democratic political systems consistently diminish poverty, enjoy greater freedom, and are less prone to violent conflict. By promoting democratic institutions and good governance, will be encourage the growth of the stable and prosperous market economies that limit poverty most efficiently.
  In order to function, markets need competent governments to provide the proper legal and judicial frameworks to curtail market excesses.
  Creating these frameworks requires the establishment of the rule of law, competent and fair systems of justice, an end to blatant corruption, respect for human rights, and the maintenance of law and order. It also requires social policies to protect and compensate those hurt by inevitable economic dislocation. Finally, economic and political openness requires governments that are willing and competent to initiate and manage change.

• **Promoting Education for All**
  Education has been proven to greatly improve individuals’ economic productivity and social activity, thereby planting the seeds for development and democracy in poorer countries. The next Administration should take the lead in international efforts to enroll millions more children in schools and eventually achieve universal education.
  So, education, vocational training and lifelong learning play a vital role in both an economic and social context.
  Health and education are not only human rights, they are also vital to enabling men and women to participate in and contribute to economic and social activity.

• **Improving Health Systems and Disease Prevention**
The large number of rapidly emerging infectious diseases directly contributes to global poverty, harms economic productivity, and severely threatens American and international security. Fighting disease will require cooperation with the rest of the world, concerted investment in health care infrastructure, and the provision of vaccines.

Poverty and health have a reciprocal relationship. Healthy people are more economically productive, and economically productive people typically have the resources to address their health problems more effectively. Addressing global poverty and creating effective public health institutions in developing countries are essential to creating this virtuous cycle.

The economic burden of epidemics such as tuberculosis, malaria, and HIV/AIDS on families and communities is enormous, particularly in developing countries. Tuberculosis costs the average patient three or four months of lost earnings per year. Malaria slows economic growth in Africa by about 1.3 percent per year. And when the prevalence of HIV/AIDS in a country reaches eight percent - a level now surpassed by a number of African countries - the cost in economic growth is estimated at about one percent per year.

Conversely, the economic payoff of improving health can be dramatic. One study estimated that increasing a country’s average life expectancy at birth by one year can raise that country’s per capita gross national product (GNP) by four percent.

• Opening Space in the Global Marketplace for Poor Countries and Poor People

Equitable trade liberalization, when paired with investment in domestic development initiatives, can greatly reduce the crippling effects of poverty on the ability of developing countries to participate in the international trading system.

Trade is an important strategic arena because it can play a critical role in expanding the number of prospering, stable, democratic states. With the right domestic policies, trade can be an important engine for the growth of developing countries, providing reforming countries with resources needed to address poverty and other problems. Global poverty, however, cripples the ability of developing countries to participate and compete in the international trading system, further isolating them from economic opportunity and undermining global security.

5. CONCLUSIONS

Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living in marginal or fragile environments, without access to clean water or sanitation.

Because poverty is a global problem, it will ultimately require a global solution.

To effectively combat global poverty, we should concentrate on certain key areas: Investing in Open Political and Economic Systems, Promoting Education for All, Improving Health Systems and Disease Prevention, Opening Space in the Global Marketplace for Poor Countries and Poor People.

While managing resources sustainably, an environmental policy that focuses mainly on the conservation and protection of resources must take due account of those who depend on the resources for their livelihoods. Otherwise it could have an adverse
impact both on poverty and on chances for long-term success in resource and environmental conservation. Equally, a development policy that focuses mainly on increasing the production of goods without addressing the sustainability of the resources on which production is based will sooner or later run into declining productivity, which could also have an adverse impact on poverty. A specific anti-poverty strategy is therefore one of the basic conditions for ensuring sustainable development. An effective strategy for tackling the problems of poverty, development and environment simultaneously should begin by focusing on resources, production and people and should cover demographic issues, enhanced health care and education, the rights of women, the role of youth and of indigenous people and local communities and a democratic participation process in association with improved governance.

Integral to such action is, together with international support, the promotion of economic growth in developing countries that is both sustained and sustainable and direct action in eradicating poverty by strengthening employment and income-generating programmes.

REFERENCES

A VIEW FROM THE TOP: SUSTAINABLE DEVELOPMENT

Diana TĂNASE¹
Adrian TĂNASE²

ABSTRACT
Sustainable development is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but in the indefinite future.

If we analyse the world situation at least from the perspective of the economic indicators fulfilled, we must point out the remarkable progress achieved by mankind, but if we analyse the present world economy from the viewpoint of the ecological indicators, we find an alarming deterioration of the natural systems.

In these circumstances, the idea that the economy must use the ecological principles, although it may seem hazardous to some, constitutes the only alternative reflecting the present and future reality.

The paper approaches thus a topic of present utmost interest, rising the interest of specialists, governance, media and, last but not least, the interest of entrepreneurs, irrespective of their domain of activity.

KEY WORDS: sustainable development, climactic changes, welfare.
JEL: Q01, D60

1. INTRODUCTION

How can we meet the needs of today without diminishing the capacity of future generations to meet their needs? Sustainable development implies a broad view of human welfare, a long term perspective about the consequences of today's activities, and the full involvement of civil society to reach viable solutions.

If we analyse the world situation at least from the perspective of the economic indicators fulfilled, we must point out the remarkable progress achieved by mankind, but if we analyse the present world economy from the viewpoint of the ecological indicators, we find an alarming deterioration of the natural systems.

From the critical analysis of the two categories of indicators it follows very clearly that the world present economic system is shaken every day, raising very poignantly the issue of its survival from the natural, human and general viewpoint.

2. WHY SUSTAINABLE DEVELOPMENT?

The present-day man is in a paradoxical situation: he is the only mammal who destroys his own habitat. The destruction of forests, pastures and hays and consequently the disappearance of tens and hundred of species of plants and animals, air and water pollution, increase of soil erosions, extension of desert areas, the greenhouse effect, the

¹ Assist PhD Candidate, University “Eftimie Murgu” of Reşiţa, Faculty of Social Sciences, Romania, d.tanase@uem.ro
² Univ. Lecturer PhD., University “Eftimie Murgu” of Reşiţa, Faculty of Economics Sciences, Romania, a.tanase@uem.ro
destruction of the ozone layer, the acid rains which have become a common presence in more and more extended areas of the earth, all these are only some of the disastrous effects “achieved” by Homo Sapiens.

The most dangerous phenomenon, resulted from the human activity, is considered to be that connected to the **climactic changes**, as a result of the release into the atmosphere of an increasing quantity of “greenhouse gases” (especially CO2) which nature can no longer absorb.

In this context, the idea of sustainable development grew from numerous environmental movements in earlier decades. Summits such as the Earth Summit in Rio, Brazil, 1992, were major international meetings to bring sustainable development to the mainstream.

The concept of sustainable development means many different things to different people, and currently there is no unanimously accepted definition.

Sustainable development is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but in the indefinite future.

The term was used by the **Brundtland Commission** which coined what has become the most often-quoted definition of sustainable development as **development** that “meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The field of sustainable development can be conceptually divided into four general dimensions: social, economic, environmental and institutional. The first three dimensions address key principles of **sustainability**, while the final dimension addresses key institutional policy and capacity issues. Sustainable development does not focus solely on environmental issues. The United Nations 2005 World Summit Outcome Document refers to the “interdependent and mutually reinforcing pillars” of sustainable development as economic development, social development, and environmental protection.

The sustainable development debate is based on the assumption that societies need to manage three types of capital (economic, social, and natural), which may be non-substitutable and whose consumption might be irreversible.

H. E. Daily, for example, points to the fact that natural capital can not necessarily be substituted by economic capital. While it is possible that we can find ways to replace some natural resources, it is much more unlikely that they will ever be able to replace eco-system services, such as the protection provided by the ozone layer, or the climate stabilizing function of the Amazonian forest. In fact, natural capital, social capital and economic capital are often complementarities.

A further obstacle to substitutability lies also in the multi-functionality of many natural resources. Forests, for example, do not only provide the raw material for paper (which can be substituted quite easily), but they also maintain biodiversity, regulate water flow, and absorb CO2.

Another problem of natural and social capital deterioration lies in their partial irreversibility. The loss in biodiversity, for example, is often definite.

The same can be true for cultural diversity. For example, with globalisation advancing quickly the number of indigenous languages is dropping at alarming rates.

Moreover, the depletion of natural and social capital may have non-linear consequences. Consumption of natural and social capital may have no observable impact until a certain threshold is reached. A lake can, for example, absorb nutrients for
a long time while actually increasing its productivity. However, once a certain level of algae is reached lack of oxygen causes the lake’s ecosystem to break down all of a sudden. The economic policies having favoured the growth of the world economy, unfortunately, continue to destroy the support systems of this economy. The life quality is profoundly affected by the alteration of the environment quality through the destruction of the natural balance and although most of us live in an urban society, with modern technologies, we are dependent on the world's natural systems to the same extent as our ancestors of the Stone Age.

3. CONCLUSIONS

Finally - and in many ways, most importantly - sustainable development is defined in practice. The practice includes the many efforts at defining the concept, establishing goals, creating indicators, and asserting values. But additionally, it includes developing social movements, organizing institutions, crafting sustainability science and technology, and negotiating the grand compromise among those who are principally concerned with nature and environment, those who value economic development, and those who are dedicated to improving the human condition.

The issue of global warming provoked by pollution has been constantly on the public agenda in the last years. The problem has triggered high-level meetings and negotiations among heads of states and governments. Moreover, the effects of pollution are intensely debated in the media and by the mere citizens.

In these circumstances, the idea that the economy must use the ecological principles, although it may seem hazardous to some, constitutes the only alternative reflecting the present and future reality.

The success of such a vision and project will go a long way to showing the world that wealth can be shared, value created, communities led to thrive, and economic growth achieved through sustainable development.

REFERENCES

Daly, H. E. (1973) „Towards a Steady State Economy”, San Francisco: Freeman, 1973;
THE ROLE OF PRODUCTIVITY IN THE INCREASE OF ECONOMIC COMPETITIVENESS

Diana TĂNASE

ABSTRACT

Competitiveness means productivity, understood as added value created based on a unit of utilised manufacture factor. It has a dynamic character, and novelties play the role of accelerators of companies' activity, which are forced to renounce to inertia and to stimulate innovation.

The paper approaches thus a topic of present utmost interest, rising the interest of specialists, governance, media and, last but not least, the interest of entrepreneurs, irrespective of their domain of activity.

KEY WORDS: productivity, competitiveness, economic growth

JEL: J24, O40

4. INTRODUCTION

The present interest of the competitiveness issue is accented by the fact that, as it is well known, the European Union set as a goal, on the occasion of the Council held in Lisbon in 2000, to become, until 2010, the most dynamic and competitive economy in the world, able to assure a 3% annual economic growth, better jobs and an increased social cohesion, the Lisbon Agenda being in fact a reaction to the relative worsening of EU’s competitiveness compared to the USA and Japan, in a stage of rapid economic ascension of China and other Asian economies.

The low competitiveness of the newly-joined members led to the conclusion, at the first analysis of the set concrete objectives and targets, that this goal may be impossible to reach. Consequently, EU 25 should update and fortify the competitiveness strategy, which means that each entity, from the continental economy of the 25-country European Union to the job in any organisation, has to solve with priority, in the 21st century, the issue of the increase of competitiveness and value.

5. GENERAL ASPECTS REGARDING COMPETITIVENESS

In the context of the integration into the European Union, the issue of the increase of firms’ competitiveness has become essential for Romania’s economy also, which requires as a mandatory condition the elaboration and application of certain clear strategies, both at the level of firms, and of the Government’s, with specific goals and actions. The problem now in Romania is finding the most efficient means enabling us to organically reintegrate, as society, into the western values, knowing that, in the global economy competition, Romania is not the leader in any category of products or services.

Competitiveness is defined as the set of factors, policies and institutions that determine the present level of productivity of a country. Productivity determines both the

1 Assist PhD Candidate, University “Eftimie Murgu” of Reşiţa, Faculty of Social Sciences, Romania, d.tanase@uem.ro
welfare level of an economy at a certain moment and the potential of its growth in the future.

From the microeconomic viewpoint, competitiveness may be defined as the capacity of a microeconomic structure to conquer or consolidate a certain market segment.

In order to resist in a competing environment, in view of reaching the goals of economic success maximisation, the modern company must dispose of high technology, of an important research – development department, of a good organisation of manufacture and sale etc., in short, of a quality management of resources, allowing the putting in practice, with maximum effects, of development strategies.

A company is competitive on a certain market when it succeeds in attaining certain economic indicators – turnover, market share, profit – comparable or superior to those of other competing companies, acting on the same market.

From the macroeconomic viewpoint, competitiveness can be defined as the ability of a macroeconomic structure to gain or maintain market shares on the exterior and interior. In other words, macroeconomic competitiveness means the capacity of a nation to extend its exports and limit its imports. Moreover, in defining macroeconomic competitiveness, the structure of imports or exports is equally important. A country with large imports, but predominantly of raw materials necessary to obtain products destined to an equally massive export is, no doubt, a competitive country.

Consequently, competitiveness is created at the microeconomic level, but is supported and consolidated at the macroeconomic level.

From this perspective, competitiveness depends, first of all, on a country’s institutional and economic capacity to support the increase of productivity and innovation.

3. PRODUCTIVITY – IMPORTANT FACTOR OF COMPETITIVENESS

Obviously, competitiveness means productivity, understood as added value created based on a unit of utilised manufacture factor. It has a dynamic character, and novelties play the role of accelerators of companies’ activity, which are forced to renounce to inertia and to stimulate innovation.

Calculated as a ratio between GDP and the average number of employees, labour productivity has also undergone significant growths in the past few years, its dynamics being superior to that of the GDP in the period 2000-2005.

- In 2000, labour productivity was around 27.9% of the EU’s average value, increasing up to 29.8% in 2001.
- In 2002, the level of labour productivity reached 32%, and the following year it reached the value of 34% of the EU’s average.
- In 2004 and 2005, the Romanian employees’ productivity reached 36.3%, and 39.2% of the EU average respectively.

In the year 2007, according to the data provided by the National Institute of Statistics, labour productivity in industry increased by 10.3%, in the first ten months, compared to the same period of the previous year. In October, labour productivity was by 6.9% higher than in September and by 10.5% higher than in October 2006. According to the same data, the growth of productivity comes in the context of an increase of industrial productivity and was by 5.8% above the previous year’s level.
We should mention that in this period the highest growth was registered in the branch of the processing industry, and an important increase was also shown in the construction sector, which grew by 34.5% compared to the previous year.

In this context, the European Bureau of Statistics estimated that the labour productivity in Romania reached the value of 40.9% of the EU’s average at the end of 2006, of around 42% in 2007, and predicted that it would reach the level of 44.2% in 2008.

Nevertheless, for the following period, one estimates productivity growths under those of the GDP’s, as an effect of active employment measures, aiming at increasing the employment rate in accordance with the Lisbon target.

Investments represent another fundamental element of the increase of productivity.

The evolutions in the period 2000-2004 show a slight increase of investments per employee in Romania compared to EU-15 and EU-25, but the gap remains still very wide.

The direct foreign investments (DFI) are a very important factor of for the increase of productivity, because they are a vector of high technology and high-performance management. In the year 2004, the DFI flow totalled 4,098 million Euros, competing thus with high-performance countries in Central and Eastern European in the attraction of DFI.

The foreign investors chose mainly the industry, due the advantages offered by Romania in this domain: the labour force is qualified in the field of industrial activities and at a low cost, the existing manufacturing capacities could be used as such or required reduced expenditure for modernisation and refurbishment, there is tradition in certain industrial domains.

Although it has made certain progress, Romania has significant competitiveness delays compared to the EU member states. The reasons are to be found at the level of all elements determining the competitive capacity and which in fact are synthesised by the level of productivity.

In accordance with the general goal, that of increase of the Romanian enterprises’ productivity, the utmost priority refers to the increase of competitiveness grace to the improvement of the companies’ access to the market, which requires measures for the support of productive investments, development of the access to financing, development of the business infrastructure and business consulting services, the support granted to the access to external markets. A second priority refers to the development of the knowledge-based economy, through the promotion of research and innovation and the acceleration of the development of the informational society.

This represents not only a desideratum, but also an essential condition for Romania’s development under the competition conditions imposed to the globalisation process, although the goals set in Lisbon in 2000 have proved to be too ambitious. Romania aims at a coherent process of competitive development, and in the period 2007 – 2013 it will focus on investments allowing the creation of the fundamentals of the knowledge-based economy.

The measures meant to support the fulfilment of such a desideratum are focussed on the encouragement of the application of RDI in the manufacturing sector, stimulation of investments in the infrastructure of RDI, the close co-operation among universities, research institutions and industry, support of the use of IT, development and efficientisation of modern electronic public services.
Despite the process in the economic growth registered by Romania after 2000, our country is behind the European competitors. The level of the GDP per capita represents around 50% of that obtained in the countries having joined the EU in 2004 and about 1/3 of the EU-25 average. As regard labour productivity, in 2004, Romania reached only 35.3% of the productivity registered in the EU-25. The increase of productivity depends on a set of factors, among which: technology, quality of products, marketing and other sources determining the increase of the value added per unit of production factor used in the process of creation and obtaining of products and services.

4. CONCLUSIONS

For the Romanian economy to be competitive, one should first of all take a series of measures with the purpose of increasing the labour productivity:
- Improvement of legislation and regulations in the field of entrepreneurial activity;
- Establishment of economic and financial measure facilitating efficient investments;
- Improvement of the management quality, both in the private and the public sector;
- Granting an increased importance to the activity of research, development and innovation;
- Attraction and optimum use of the specialists’ competence in all the branches of economy;
- Dimensioning the manufacturing facilities in accordance with the solvable demand.

Obviously, we are entitled to believe that the actions of modernisation of the existing manufacturing capacities, as well as the apparition of new manufacture capacities, especially due to the increase of the volume of investments, will lead to a high dynamics of labour productivity and consequently to the intensifying of the GDP increase rate, which will be reflected in the increase of the Romanian economy’s competitiveness.

REFERENCES

Imbrescu, I. & Băbăiță, I & Anghelina, A. (2007), „Issues connected to the increase of Romanian economy’s competitiveness in the period of the EU pre-joining and post-joining”, Session of scientific papers, University „Vasile Goldiş” Arad;
THE INFLUENCE OF ECONOMIC HISTORY ON THE XXI CENTURY SOCIETY: THE INTERWAR GREAT DEPRESSION VERSUS THE CURRENT GLOBAL ECONOMIC CRISIS

Ana Maria TULUC

ABSTRACT

Although it emerged more than three years ago, the global economic crisis still represents a major impediment to the economic development of many countries. Following the collapse of U.S. banking system, the economic crisis determined the bankruptcy of several financial institutions and companies worldwide, deteriorating the living conditions and increasing the political instability. In the context of an increasingly turbulent market environment, the similarities between the current economic crisis and the Great Depression during 1929-1933 have become more conspicuous. Characterized by long periods of economic decline and sharp increase of poverty, the two global crises left their negative mark in all economic sectors. This paper aims to discuss an issue of great interest to the current economic and business environment, highlighting the major implications of global economic crisis on society. In this sense, the paper analyzes the context of Great Depression emergence in Romania and describes its impact on subsequent economic development. Also, the article shows, by comparison, the two economic crises, identifying their causes and providing proper solutions. The article represents a starting point in understanding and solving the global economic crisis, the obtained results describing the importance of the previous financial crises analysis and their impact on Romania.

KEY WORDS: economic crisis, Great Depression, economic history, crisis management, society.

JEL: G01, H12, N10.

1. INTRODUCTION

The last years’ period of economic decline has meant, for many countries, the collapse of the national banking system. The economic crisis of the financial markets has expanded rapidly causing significant changes both in national government and in the leadership of the main financial institutions. At lower levels, the crisis has caused stock market losses, business failure or the decrease of the social prosperity index. All these negative effects have created the premises for the implementation of short-term emergency measures to support national economies. An important role in the attempts to revive the economy has been attributed to previous financial crises, whose analyses lead scientists towards simulative economic models and towards suggesting possible directions for overcoming the effects of this crisis. This paper aims to bring forefront the importance of studying past financial crises to maintain the economic stability of a society. In this sense, the paper presents broadly the economic crisis of the interwar period, during 1929-1933, otherwise known as the “Great Depression”. The paper analyzes the causes of its emergence and global expansion, making correlations with the current financial crisis. The two economic crises are similar in several ways: both have emerged as a result of the instable economy of the United States of America, both crises

1 Ph.D. candidate, Faculty of Economics, Bucharest Academy of Economic Studies, Romania, anamaria.tuluc@yahoo.com
have had a significant impact on the Romanian economy, and both represent moments of hesitation regarding the world economy, although the economic analysts have long refused to acknowledge its severity. In this article, special thought is given to the context of emergence of these crises, emphasizing the superficiality with which the national governments have treated this problem, ignoring the possibility of its expansion toward many countries. Negative effects have appeared rapidly and affected mostly ordinary people, leading to lower standard of living and creating prerequisites for misunderstandings and conflicts. Overcoming the interwar crisis marked the end of a period of great economic fluctuations, establishing stability on the stock markets and a gradual recovery of the banking system. The analysis of both economic crises is made based on several economic indicators: industrial production value, income per capita, GDP and agricultural production value, but also on the budgetary execution or external debt. Using these indicators, the article describes the similarities but also the discrepancies between the two economic phenomena, proposing solutions and providing support in subsequent researches. The case study of the article indicates by comparison the situation of Romania in the interwar period and during the current crisis, highlighting the particularities of each economic crisis in the context of different levels of economic development and of a contrasting population size. Results of tests carried out indicate a similar context of emergence and evolution of the two economic crises, and a similarity in terms of the social influences. The differences between the two economic phenomena capture their effects on the population, given the different degree of economic development during the two periods of prosperity as well as the contrasting population index, much higher now than in the interwar period.

2. THE GLOBAL ECONOMIC CRISIS OF THE XXI CENTURY

The economic crisis emerged in the summer of 2007 caused heavy losses in all business sectors, affecting countries worldwide. Due to the rapidity of its expansion and the significant influence on the economy, the current financial crisis was considered unprecedented in the economic history after World War II.

The causes that have led to the emergence of the global economic crisis were the rapid growth of household indebtedness, the abundance of liquidity, the increase of asset price and the artificial development in the real estate sector (Cline (2010)). Along with the collapse of the banking system, the financial anxiety gradually encased the economy, affecting investor confidence and causing the decline of demand among the population (Kaar (2009)). Although in 2009, some countries have shown signs of financial recovery, the economic crisis has not ended, and national governments have proposed radical measures so as to reorganize the industrial sector.

The statistics show that, in 2010, the economic crisis has caused massive losses at a global perspective, the financial indicators reaching alarming levels in the developing countries, as well as in the highly developed ones (Figure 1). Thus, the budgetary deficit rate has increased dramatically in countries such as Ireland, Great Britain and Greece, while the unemployment rate has reached 30% in Spain, followed by Latvia at close distance (28%) and Lithuania (26%).

According to financial analysts, the current economic crisis will leave deep marks over the global economy, increasingly affecting stock markets and capital stocks. Overcoming the crisis implies changing financial and monetary policies by adopting new strategies, more restrictive, but more efficient. In such periods, recognizing the
importance of establishing a framework for action and crisis management is imperative for the future of the world economy.

The current economic crisis presents many traits in common with past economic recessions. Thus, the collapse of the financial system was, and still is, the main cause of the recession in Japan from the early 1990s, or of the Asian crisis in late 1990s. However, the best tool for comparing the current financial crisis remains the Great Depression between 1929-1933.

3. THE GREAT DEPRESSION DURING 1929-1933

The early 1930s economic depression has marked a period of financial instability and poverty, due to, on the one hand, the massive collapse of the banking system in the United States of America and Europe and, on the other hand, to the inadequate measures adopted by national governments.
The crisis of the 1930s, initially emerged in the United States of America, has quickly spread worldwide, causing substantial losses in GDP and decreases in industrial production (Bernstein and Bernstein (1989)). The most affected economic activities were the global trade and the international capital flow, which have significantly dropped due to the expansion of protectionism (Figure 2) and to the adjustment of the exchange rate.

Although in economic history, other economic depressions have also been described, none of them had an impact as strong as the one in the 1930s, hence the name of “The Great Depression”. The devastating effects of this crisis have been felt by almost all countries worldwide, regardless their level of development.

The stabilization and the fragile recovery of the economy began in 1933, although in many countries, the financial losses continued until the beginning of World War II.

4. COMPARATIVE ANALYSIS BETWEEN THE GLOBAL ECONOMIC CRISIS AND THE INTERWAR GREAT DEPRESSION

Striking similarities exist between the global economic crisis and the interwar Great Depression, especially regarding the conditions of their emergence and their geographical origin.

Hereby, both crises occurred after an economic boom, namely the excessive growth of the stock market concerning the Great Depression, and after the artificial development of real estate sector concerning the current economic crisis. This economic boom marked the beginning of a spectacular economic collapse, resulting in both cases in periods of recession and financial panic (Salisbury, (2010)).

Both economic crises led to panic in the financial sector, although the negative impact of the Great Depression was much greater and more lasting than the impact of the current recession (Figure 3).

Negative effects of the Great Depression have been felt relatively evenly in all countries, though, in the case of the current economic crisis, the most affected economies were those under development, whose growth depended on international capital flows.

Both crises have recorded losses in trade, falls in asset prices and significant changes of the real economy and have globally expanded, although the Great Depression did not affect the world economy as fast as the current recession.

Figure 3 – GDP levels during two global crisis
(Source: Adapted from Smits, Woltjer and Ma, 2009)
Regarding unemployment rate, both economic crises have recorded significant increases (Figure 4). During the Great Depression, unemployment rate reached 38% in the United States of America, and 30% in Europe, the highest unemployment rate being recorded in Germany, 43%.

![Figure 4](image_url)

**Figure 4** – Unemployment rates during the Great Depression and the present crisis in the United States and Europe
(Source: Adapted from Mitchel, 1992)

The current economic crisis is certainly the most severe crisis after the interwar period. This can easily be observed especially concerning trade, where losses were far higher now than during the Great Depression (Figure 5 and Figure 6).

![Figure 5](image_url)

**Figure 5** – The decline in world trade during the 1929-1933 crisis
(Source: Adapted from Eichengreen and O’Rourke, 2010)

Although the decline of the world trade was greater than during the interwar crisis, economic analysts expect a quick return following it. This is due to the current recession’s reduced impact of on production and to the advancement in economic development, as compared to the Great Depression period. In addition, the level of economic knowledge is much higher than compared with the interwar period, ensuring a more rapid recovery to sustained economic growth using specific economic mechanisms.
In conclusion, the current economic crisis presents many aspects in common with the Great Depression of the 1930s. Analyzing the relevant economic factors and drafting models of economic crisis management, national governments can more easily overcome the current recession, thereby providing stability and faster economic recovery.

5. CASE STUDY: IMPLICATIONS OF THE INTERWAR GREAT DEPRESSION ON THE CURRENT RECESSION IN ROMANIA

In Romania, the economic crisis began soon after the collapse of the banking system in the United States of America in 2007. Its impact was unexpected and caused losses in almost all economic sectors of the country.

Along with the worsening of the crisis in 2009, economic analysts have spotted the opportunity to study the past economic crises in order to more rapidly overcome the current one. The comparison between the current recession and the Great Depression from the 1930s has become even more relevant as the similarities between the two crises increased.

The first analyzed economic indicator was industrial production (Figure 7 and Figure 8). During the Great Depression, the industrial output value dropped dramatically from 60.9 to 32.5 billion lei, while the number of employees was reduced by 25%.
Regarding actual recession, the industrial output fell by 4.7% in 2009, increasing by 3.2% in current prices. The unemployment rate also increased, reaching 17.5% in 2009, and the trend of decline continued in 2010.

The second analyzed indicator, foreign trade, has dropped in both crises, although the ratio of exports and imports was different. Thus, in 1929, Romania had higher values of exports than imports, exports amounting to 58.6 billion lei, while imports - to 30 billion lei.

The decreases were maintained until 1933, when the value of exports reached 25.9 billion lei (-55.8%) and the value of imports came to 14.2 billion (-52.7%).

During the current recession, in 2009 exports fell by 13.9% compared to 2008, while imports fell 32.3%, adding to 38.8 billion Euros.
The last analyzed indicators, budgetary execution and foreign debt, recorded discrepant values during the two periods of economic crises. Thus, during the Great Depression, the decrease of national income, and implicitly of the budgetary income, has led, in 1932, to a value of 5.7 billion in budgetary deficit. Furthermore, the 40% reduction of public spending has led to the increase of the fiscal rate from 20.6% in 1928 to 28.3% in 1930. To cover the budget deficit in 1929, the Romanian government has contracted two foreign loans adding up to about 25 billion lei, which increased the public debt to 175.6 billion lei.

Figure 11 – Budgetary execution during 1928-1934
(Source: Josan, 2004)

In comparison with the interwar period, in 2009 the Romanian government spent 22% more than it collected, given that the budget revenues fell only by 5.4% by comparison with the previous year. The non-profit sector was one of the least affected sectors, social communication being focused in 2009 on the online environment (Serban (2010)). Regarding public debt, Romania registered a value equivalent to 29.29% of GDP, up 7.49% over 2008. As during the Great Depression, in 2009, the government contracted a foreign loan from the International Monetary Fund, which has led to the increase of the external debt by 20 billion Euros.

Figure 12 – Budgetary execution during 2007-2010
(Source: Orgonas, 2010)

In conclusion, the economic crisis of the interwar period has had a much stronger impact than the current economic crisis, the implications being large enough to provide the basis for subsequent financial analysis. The dramatic declines during the Great Depression, of -51% industrial productions, -55.8% exports and 43.9% budget deficit, as well as the legislative measures taken to counter these negative effects may provide solutions to overcome the current recession and can lead to a more efficient and quicker financial recovery of the national economy.
6. RECOMMENDATIONS CONCERNING THE GLOBAL ECONOMIC CRISIS

In recent years, several international statistical organizations and economic research institutes have intervened so as to solve the current recession, developing projects to support the economy in order to provide stability and to assist the economic recovery.

The strategic response to global recession basically consists in the development of two economic areas: financial and legislative. In the financial sector, governments must provide the appropriate framework for the application of risk management measures and must implement an effective system of economic forecasting, while in the legislative sector, recessions prevention and resolution requires the periodical intervention of governments in reviewing and improving national policies, in order to provide the proper conditions of economic growth.

The supportive economic reforms in times of recession include the following issues: reducing budgetary taxes for population with low income, encouraging the development of infrastructure projects and improving the legislation regarding anti-competitive practices. But the main purpose that the governments must focus on remains the economic recovery, which takes the following aspects into account: the stability of the economy, the transparency of economy and the precision of the economic development (***, (2009)).

The economic stability requires: improvement of regulations, encouragement of innovation, investment promotion and development of policies for economic growth. Transparency of the economy is achieved by promoting integrity, fighting corruption and eliminating tax evasion. The last aspect, correctness, involves: creating new jobs, improving education services and facilitating access to health services.

Once these conditions are met, the global economy will stabilize and the overcoming of the economic crisis will be more easily achieved. The support of the development and the increase of the prosperity therefore represent the two key economic activities that can lead to a balanced economy and to globally social welfare.

7. CONCLUSIONS

In this paper, the author has described in detail some of the features of the global economic crisis, also making a comparison between the current recession and the interwar one, known as the Great Depression. The purpose of this article is to highlight the importance of studying economic history in preventing and solving the global economic crises. This paper gradually presents both economic phenomena, afterwards performing a comparative analysis based on similarities and differences that characterize them. The case study of the article describes the influence of the Great Depression on the current economic crisis in Romania. In this sense, the paper analyzes a number of relevant economic indicators and describes the relationships between them. The evolution of the following indicators is presented, during the 1929-1934 and 2007-2010 time period: industrial production, unemployment rate, foreign trade, budgetary execution and foreign debt. The results show that the impact of the Great Depression over the economy was much stronger than of the current recession, and the measures that led to the solution of the interwar crisis can be used as support in the development of specific measures regarding the current economic crisis.
REFERENCES


*** „Tackling the crisis – a strategic response”. available on-line at http://www.oecd.org/document/27/0,3343,en_2649_201185_41973851_1_1_1_1,00.html. accessed on December, 21st, 2010.
SECTION IV
SOCIAL POLICIES & PUBLIC ADMINISTRATION

GUIDELINES FOR A METHODIC EXPLORATION OF THE INTERPRETATION PRINCIPLES

Claudia ANDRITOI 1

ABSTRACT
The development of a theory of legal interpretation involves the building of a system of statements that constitute an explanatory model about something from exterior, i.e. to explain the field. This system includes basic concepts and principles of interpretation, on the one hand, and on the other hand, sentences and concepts derived. Legal theories have a specific component that shows a direct observational and a dual significance, factual and normative.

Giving a particular importance to the relationship between law and value, we must underlined the bivalent and reciprocal determinate links that are established during the historic old ages between these two essential concepts that are completing each other in a logical manner with the position analysis, role and functions of law in the finality of relations that are governed by them, relations which, necessarily, fall under the regulatory scope of other social rules (moral, religious, common, etc.).

KEY WORDS: law, argumentation, value, interpretation, “the engine of law”, epistemology, sentences.

JEL: K 10

1. INTRODUCTION

The term “public order” refers to the preventing of disorder and represents more than a normal mention of law and order. It includes the breaching of the law by ceasing disorders. The French term “ordre public” represents, on the other side, a sum of basic rules and principles founded on the society. For this reason, the English term is often followed by the French term in brackets. For this purpose, the hierarchy of public order is building on the principles of lawfulness and equality of the states in front of the law. The Project of Articles of the International Law Commission of the United Nations considers that problems of “accountability”, “responsibility” and “liability” as a foundation of international public order. „Responsibility” is associated to the breaching of the international legal obligation and „liability” – with the prejudice produced by that state. It is true that the doctrine has led to some considerable problems regarding jus cogens principles, as they are defined and how can they be determined. Sir Hersch Lauterpacht considered that jus cogens represents the ordre publique on the international arena, but he has also introduced, rules of international moral as being cogens, and, in consequence, jus cogens can be applied to political interest in international relations.

Jus cogens was perceived as positive law (in the practice of the stare). De Luna considered that positive law represents rules established by the states, when jus cogens is

1 Conf.univ.dr., University Eftimie Murgu Resita, România
not positive law, but, if positive law represents rules applied in the practice of international community, than jus cogens is positive law. In Prosecutor vs. Furundzija, International Criminal Tribunal or the Former Yugoslavia (ICTY) it has been declared that jus cogens can not be breached by any state through international or local treaties or special custom ones, which do not posses the same normative force”. It is true that jus cogens norms are not established in a definitive manner, but in many cases of jurisprudence are provided as examples of jus cogens. The Inter-American Commission of Human Rights has emitted a rapport without a legal obligation in the case Michael Domingues vs. United States establishing that there is a “jus cogens norm to not impose a capital punishment on natural persons who have committed crimes until the age of 18”. Also, ICTY has declared in Prosecutor vs. Furundzija that there is a jus cogens norm for the interdiction of torture. The jus cogens norms have a special statute according to article 53 of the Vienna Convention which establishes that, no state can prefer a practice of a treaty contrary to jus cogens even if it may have an interest to do so. But, jus cogens represents an important part of international custom law and of the reasons invoked by Goldsmith-Posner regarding the satisfaction of interests of the states by coercion, cooperation or coordination (even by breaching jus cogens) can not be applied in this undeniable sector of community international law. Yasseen considered that unanswerable norms represent a part of public order seen nor only as natural law, but also as positive law according to De Luna’s opinion. This refers to positive practices of states but nor to dispositions.

The diversity of the interpretation techniques and the contradictory structure of the revealed hypotheses bring forward all the possible significances of the interpreted text. In the case of the interpretation of a juridical norm one always starts from a singular case, and then one approaches the issues from the perspective of disputatio in utramque partem, and eventually one discusses the resulted significances. For instance, art.204 par.1 of the Civil Procedure Code: “the experts can be challenged for the same reasons as the judges”. We interpret this norm text starting from a singular case, that of an expert, and we remark that the major premise does not contain a true sentence, but a permissive norm, the minor premise being a ascertaining one, and the conclusion is not a true sentence, but a normatively modalised one. Consequently, we reach, after having pointed out all the contradictory hypotheses, the conclusion that the expert can be challenged, for the same reasons as the judges. But a norm text usually contains two or more contradictory meanings, consequence of the plurality of interpretation, which leads to a multitude of possible significances.

In the course of the judicial trial, the formal structure of the procedure obliges the parties to elaborate their own points of view for which one develops an argumentative discourse, correctly built from the formal perspective, from which the intention to persuade emerges. The persuasion means are either from the sphere of rationality, or from the sphere of affectivity, in variable weights according to the topic, receiver and situation. In the attorney’ plea we can identify both the rational argumentative component and the oratoric one, through the use of the so-called rhetoric figures of speech, The proving argumentation transfers, through reasoning schemes, an opinion from a person to another; the opinion is the informational content of the argument comprised in a model that can be a pari, a fortiori, a majori ad minus, a contrario etc. In order to avoid arbitrary one takes into consideration both the principles of interpretation and the argumentative criteria of grammatical, teleologic, systematic order, all subjected to the rules of formal logic.
The problem of legal theories terms is one relating to the meanings production and fixation derived from interpreting the legal, regulatory, and their exterior. These meanings can be thought as not only regarding the functions of terms within the deductive and inductive organization of such theories but also that of their participation in legislation and case law.

A characteristic feature of contemporary scientific knowledge is focused on construction, testing and application of scientific theories. The problems are formulated within the framework of theories in which are developed or summarized assumptions, that can only be validated through the test of theory and then as a following within their framework it is incorporated the significance of rules and their analysis. The main meta theoretical categories are such defined as being in relation to the overall ordered assumptions that constitute a theory. Action itself as far as it is based on rational it is built up upon a scientific theory (I.Pârvu (1981)).

Starting from simple to complex it was observed that the legal standards as a common regulation, meet in the branches of law. In turn, branches of law are constituted as elements of the integrative system of law, component of the society (Gh. Mihailă(2006)).

Rhetoric aspires to outline the optimum path to convince a concrete receiver through logic argumentation, by a concrete rhetor, that it is good, useful and coherent to assumatively adhere to an idea in view of an action. The issue of assuming the truth seems secondary to the rhetorician, because he operates with probable sentences in the sense of their definition given by Aristotle. Everybody manipulates with the legal or non-legal axio-pragmatic probability. For example, I, attorney A, aim at convincing the court that my statement – the contract x was executed in accordance to the clauses established by the parties in good faith – corresponds to the stipulations in vigour and is coherent, being verisimilar, although expressis verbis I say true. I, attorney B, aim at convincing the court that my statement – Ion is wrong – is good, useful and just, it corresponds to the stipulations in vigour and is coherent, being verisimilar, essentially true. I, the prosecutor, aim at convincing the court that one of those affirmations is verisimilar.

The common note of interpretation methods is the relatively numerous attempts to analyse the main structural-phenomenology ideas, even sometimes on a comparison line with other law systems, for detaching the main directions and meanings of what they emit. It was stressed out the importance of the advanced hypotheses having relevance the innovative, semantic, conceptual, the integration of contemporary sciences data in the construction of the ontological principles of interpretation.

The evidence means are at the disposal of all, however the information extracted interpretatively presented differently, through persuasive reasonings, supposedly correct from the formal logic perspective; through reasoning of law interpretation, supposedly correct from the formal logic perspective, and with the observance of the interpretation principles. Nevertheless, the judge will not adopt a radical solution regarding both parties in contradiction, irrespective of the fact that one or both are organisms of the state. He / she is blocked by the logic-formal principle of non-contradiction and by the principle of interpretation consistency that guarantee the observance of all the requirements of the thinking correctness: it is impossible that something and its opposite be both verisimilar in the same degree, at the same time and in the same ratio. Each party strives to give coherence to their speech, i.e. to be subordinated to the law of correct thinking, to the logic formalism. Similarly, in debates,
the partners, being at the same time adversaries, attempt to argue and counter-argue in order to convince each instance, using the formal-logic rules of thinking, but without being limited to the latter.

The final unity of significances results from the recourse to the just, honest and useful without questioning the rules governing the interpretation of the norm exemplified above. The issue of choosing from among several meanings highlights neither the method of interpretation used, nor its technique. It remains to the latitude of the judges, denoting their prudence in obtaining the just-legal sense.

The rhetoric model of interpretation, does not make the distinction according to the criterion of the nature of the act subjected to interpretation, that may be a law, decree, contract of testament (Vonglis(1969)). From this perspective the judiciary interpretation is seen by the adepts of the rhetoric model as a paradigm of interpretation of acts in general, having the capacity to import concepts even from other sciences, such as semantics, literature, hermeneutics etc.

It is equally interesting to know if rhetoricians have taken their interpretation formulas from juristconsults or, on the contrary, if the latter have been influenced by rhetoricians. Vonglis considers that this influence of rhetoric is incontestable, although it is not about the proper assimilation or the pure reception by the jurists through the adaptation of oratory and of its useful character to the specifically legal techniques (Vonglis(1969)).

Nevertheless, if controversies occur around the mutual influences, it is obvious that there is a great similitude between the sources of rhetoric and the legal sources as regards content. The jurists, observers of the system, often neglect the capital difference between the two types of their formal sources. They appear through the legal interpretation of a particular situation, but equally if we concentrate on the history of hermeneutics in general. Rhetoric englobes hermeneutic elements, and interpretation contains them both.

Once the interpretative process begun, the interpreter must identify the techniques enabling him / her to discover the authentic meaning of the legal norm, passing thus through several stages, from the initial meaning to the meaning revealed through the method of interpretation, which must eventually coincide with the meaning intended by the legislator at the moment of edicting the norm. The legal hermeneutics considers that there are certain affinities between the two significances, due to the fact the initial meaning offers an access path towards the second meaning. There is no hierarchy between these two significances, the situation being somewhat similar to that referring to the “letter and spirit of the law”, two poles, theoretically equal, but between which one cannot choose.

2. CONSIDERATION OF THE LAW CONCEPT THROUGH THE BASIS OF LEGAL CONCEPT

The development of a theory of legal interpretation involves the building of a system of statements that constitute an explanatory model about something from exterior, i.e. to explain the field. This system includes basic concepts and principles of interpretation, on the one hand, and on the other hand, sentences and concepts derived. Legal theories have a specific component that shows a direct observational and a dual significance, factual and normative.
A characteristic feature of contemporary scientific knowledge is focused on construction, testing and application of scientific theories. The problems are formulated within the framework of theories in which are developed or summarized assumptions, that can only be validated through the test of theory and then as a following within their framework it is incorporated the significance of rules and their analysis. The main meta-theoretical categories are such defined as being in relation to the overall ordered assumptions that constitute a theory. Action itself as far as it is based on rational it is built up upon a scientific theory.

As early as the Ancient Times a general theory of legal interpretation was developed, which was not reduced only to a presentation of the issues occurred in the positive law referring to the matter of interpretation, but also contained a rhetoric of interpretation conceived as a topic of legal aspects, orders in a system and supported by legal arguments (M. Villey (2000)). In the Ancient Times also interpretation was considered to “the engine of law” without granting a special attention to theorisation, codification or inclusion of interpretation into a precise methodology (Vonglis(1969)). It constituted a variety specific to argumentation, the latter being a chapter of rhetoric.

The analysis made for of the concept of law brings its contribution to the completion of positive emptiness law through a continuous process of adapting the law to the reality of social phenomenon. Along with the domestic law, the international law is conditioned and is a subject of interpretation of law by various members of international society. Contemporary system of international law produce sensitiveness on the view of civilized nations regarding the universal eternal values: equality of states, people freedom, unity and responsibility of the states for the future of humanity, righteousness (justice) etc. between peoples. International legal consciousness is deeply marked by the general principles of law, pre-existing to the fundamental principles of public international law. Around the law idea the internal and international juridical life is developing.

The concept of law is a matter of extreme resonance in legal thinking the rebirth of natural law is both a revival of the concept of law, major part of human nature (conscience).

Regarding the configuration we uncounted the natural environment in a broad sense, the socio-political frame (M. Villey (2000)) including the economic component, ideology or all prevailing beliefs and fundamental values in a society (in this category is included also religion), other social structures, the human factor and not at least the phenomenon of globalisation, which, because its scale and complexity effects may be considered as an important factor of the current configuration of the existing law.

From this incorporation of rhetoric into interpretation one identifies a complex model, adaptable to its transposition into the practice of law. We may thus examine the relations uniting the old rhetoric to the practice of law, so that the distribution of tasks between orator and juristconsult might take place in an efficient manner. This special character of interpretation (incorporation of interpretation into rhetoric) makes the interpretation of legal texts a favourite domain of rhetoric, on the one hand, and on the other hand of the legal codification, granting a special status to the spirit of the law that took a considerable advance in the history of western hermeneutics. The reception of this interpretative model including both hermeneutic and rhetoric elements is complicated, and the doctrine debates regarding it have been continuing up to the present.
Aristotle’s epistemology confers us a first lead for the understanding of the influence of rhetoric on the legal interpretation.

Aristotle appreciates reasoning (for instance Ion is a perpetrator) as a mediation between the general (perpetrator) and the particular (Ion), so that in order to solve a litigation in accordance with the law we need to apply a general norm (definition of the crime) to a particular situation (Ion’s situation) and thus an interpretation principle occurs, necessary to be applied to a contingent phenomenon (in situation X Ion committed crime Y).

Theoretical guidelines of explanation are noticed in time and concentrated on the major current an schools of legal thought (natural law, the German historical school of law, positivism, Marxism), in addition to any such legal thinking and thinking have had over the old ages and all over the world, an effervescent dialectics. In an attempt to establish a clear picture of how the right was set up and imposed we should referee to modern trends, which have exerted strong influence on the evolution of legal thought and philosophy of focusing on the idea of law oscillation between two current with all their variants: idealism and positivism.

Law is regarded as a system along with the applications structuralist method - the systematic regularity of knowing the organization and operation of the right as a system of social organization. Hereby it should be noted that the elucidation of this concept is particularly important in surprising the law substance. It can not exist but only as a system because legal standards as the basic cells, are set up in structures more and more complex in order to give the right configuration, which generates such order.

The rules of interpretation are outlined along the reconstitution of the rhetoric forms, returning thus, in the most rigorous manner possible, to its internal legality. The freedom of interpretation is an entirely different thing than the arbitrary principle, it involves risk and liability.

There is, in this attempt of interlacing rhetoric and interpretation, no claim to find authenticity again, or to affirm an exclusive right with name and mark, or to correspond in a more faithful manner to the original intention of authors. It is only about not renouncing too hastily to a patrimony of ideas that – obviously, also on the basis of a certain interpretation of what we think to have found in it – seems to bring profit above its value. The interpretation we propose will be the legal, juridical one, with rhetoric and hermeneutic significances, which do not alter its sense, but complete it in a unitary way.

What we should point out is that right, not concept nor operational, it is not the amount or the rules system caught by the hierarchy of normative acts, but much more - it is the justice that the legislative authority seeks volitional and interested to catch, to capture and to determine it in some way.

Being the first structural element of positive legal order, the legal rules defined through the entire as a public rule of conduct, general and impersonal, aimed to inter subjective exteriorisation of private conscience erected in its universality, creating ultimately a typical behaviour on individuals in agreement with the followed social model, required under the legitimacy of its collective consciousness level and that on need may be brought out by coercion.

The hermeneutic ontology developed by Gadamer insists upon taking into consideration this Aristotelian reasoning, not only because the idea prevailed that the theory of interpretation could be only general, i.e. not specialised by domains and territories, but rather because hermeneutics itself has lost its relation with a certain
limited and specific domain of phenomena – as though besides the interpretative activities there were also another sector of activity characterised otherwise, for instance the scientific knowledge (G. Vattimo(2003)). Consequently, only the juridical norm has a determined character, and not its applicability, in which one brings into debate random and unpredictable particular circumstances.

The result of a social process is never certain, nor can it be determined in advance, it functions and evolves in accordance with the time, place and opportunity circumstances. The activities of the judges, that in the Ancient Times was more often exercised by citizens without legal training, was based especially on the truth and virtues (B. Frydman(2007)).

3. CONCLUSIONS

It is important to achieve a right image and the significance thereof, beyond the blocks with which we are accustomed to, finding that due to its complexity, right may not be reduced to a single and unique representation.

Explanatory value of the principles of interpretation lies in the disclosure of rationale founder of social values, they contain the grounds of evolution and transformation. Unlike the principles, teleological explanatory value of legal norms is quite secondary, their purpose being to preserve and safeguard the social values beyond the reason of explaining their existence.

This was literally understood by ancient Greeks, when, to describe the phenomenon of law, they have recourse to personify it. Thus, in Greek mythology, we meet on the one hand, Themis, which symbolizes the law dictated by a power, and on the other hand, one of his daughters as a result of union with Zeus, Dike, which is embodying that law in action, concrete justice, implemented by people. As a follow of this approach for a better understanding of the concept of law an analysis should be done for those elements or features essentially common to law and e.g. the law constants, giving great importance to the substance, content and form of law.

The legal issues are not proved through demonstrative reasoning, but are discussed, as they do not reveal a formal logic character, but the legal technique adapted to the given solution. Rhetoric represents this very technique of the contingent legal discussions, being conceived to allow the triumph of the truth through a useful and just solution obtained.

The reasoning of the court relies on a neutral choice based on numerous normative acts in vigour that, although hierarchically disposed, allow, each of them, an interpretation margin. That is why it is said that each judge has the legal availability to apply the law to the cases he / she enquires. It is so because we can not identify with certainty the valid norm for the concretely proven case, not even through debates; the debates lead us to subjectional probabilities, and not to certainties. Nevertheless the principles of interpretation lead us to the obtaining of the correct meaning.

The common note of interpretation methods is the relatively numerous attempts to analyse the main structural-phenomenology ideas, even sometimes on a comparison line with other law systems, for detaching the main directions and meanings of what they emit. It was stressed out the importance of the advanced hypotheses having relevance the innovative, semantic, conceptual, the integration of contemporary sciences data in the construction of the ontological principles of interpretation.
REFERENCES

droit “, Archives de philosophie du droit, tome 11, Paris, Sirey,
Enciclopedică, Bucharest.
Pontica Editions, Constanţa.
Vonglis, D. (1969) „La lettre et l’esprit de la loi dans la jurisprudence classique et la
ABSTRACT

This paper aims to highlight the need and especially the use of physical education and sport among specialized intervention activities used in the child protection system. The determining role played by social services responsible for children in distress, that through an understanding of the opportunities offered by this field, additional to social assistance could contribute to a diversification of services provided.

KEY WORDS: dyad social work - physical education and sport, child institutionalized, specialized, multidisciplinary intervention.

JEL: A12, A13

1. THE INSTITUTIONALIZED CHILD BETWEEN NEEDS AND INTERVENTION PLANS

Since time immemorial care, health, development, training and education of children stood at the center of family and society. Moreover, today, health care and ensuring optimal conditions for the development of children is, indeed, a state problem. Nowadays the modern world, with its accelerated pace of evolution and constant change, with a level of comfort increasingly high, arrived to change the lifestyle of contemporary man and its relationship with the environment, which should require increased attention to counteract the harmful influence of sedentary lifestyle, of the increased stress load, while increasing the caloric diet, by practicing physical exercise, by forming an active life style.

Nowadays society stresses individuals in various aspects, it claims a permanent adaptation to changes occured and to the dynamics of social phenomena and processes. Future adult will be asked for greater organizational capacity, leadership and self-orientation, more skill and physical strength and long focus of attention in a changing society. Each company can establish empirically that its goals and objectives can be achieved only with healthy, vigorous and physically trained people. Moreover, we must worry about the problem of institutionalized children, to see how we can help them to grow and develop to be useful to society, within the limit of each one’s possibility, and not to feel like “misfits” of society. If until recently I could say that there is a shortage of specialists, after the events of ‘89, with the advent of many higher education institutions
in the field, this problem started gently, gently, to disappear, and even more specialists of complementary fields of social assistance try to contribute to the formation and shaping of future members of society.

Although it experienced a remarkable evolution in recent years, C. Bocancea and G. Neamtu C. (1999, p. 14) point out that "welfare is an area and an activity that clearly has not his own theoretical and methodological background, must derive the theoretical foundations from sociology and psychology. Furthermore, D. Tompa shows that "social assistance appears to be a profession, and a team of truly professional social intervention affirms itself especially through interdisciplinary states (apud. C. Bocanceaa., G. Neamtu, 1999, p. 85) . Therefore, in the case of an individual work, the social worker often has difficulty in achieving approaches. From here we can see that a closer collaboration between social worker and all other specialists able to help in its efforts of solving the social problems that the individual must face, is more than necessary. It is a great error to believe that the social worker can do all these, that he knows and can provide solutions to all the problems encountered.

Just as A Menthounnex (apud. C. Bocancea, G. Neamtu, 1999, p. 14) states, the difficulty of this approach lies not only in diagnosis and intervention plan, but also in the relationship social worker - customer, and this is primarily due to the differences that might exist between values and perceptions of the two "characters" and not least due to the difficulties posed by the development of comprehensive action plans where the necessary multidisciplinary knowledge may exceed the operation limits of the social worker.

To have the greatest possible efficiency, intervention programs that are to be developed should include both short-term goals and long term goals. It requires that the designation of priorities should be made on rational grounds, by a very accurate assessment of the problematic situation. On the other hand, we should not ignore that the targets in order to have a greater effectiveness need to be more realistic. Just setting realistic goals adequate to the needs, desires and availability, we can provide opportunities for the acquisition of success and satisfaction in their work, which work together to structure a trust and a growing respect for the institutions of social protection.

The changes aim at in various intervention plans find difficulties in recording the expected success as long as they are not backed up by changing the overall vision of the real needs of institutionalized children. The policies of the social protection institutions will be rethought in such a way as to ensure the creation of normal living conditions for all those using or benefiting from social protection.

Thus, as Nirj and Perrin state, ensuring the access to existential patterns and daily living conditions, "the principle of normalization can be applied effectively to improve the conditions and programs to be granted in an institution" (www.scribd.com, p. 74). In the specialised literature, to ensure their normal life conditions, it is recommended:

- Ensuring the four basic rhythms of existence: daily, weekly, annual and development (ie life long development);
- Ensuring normal environment conditions, that assuming the existence of private housing and environmental and operational necessary adjustments;
- Ensuring sufficient economic level in order to support normal living arrangements;
- Ensuring the right to live in a society with no sex discrimination;
- Respecting the right to independent personal existence, in accordance with individual abilities and aspirations.

2. THE DYAD SOLUTION OF THE SPECIALIZED INTERVENTION

The institutionalized children should be regarded as separate entities that require professional help. Social assistance system should be understood as a multipersonal entity composed of specialists in several areas that need to take care of preparing the intervention plan and the role the assisted person plays, which is nothing but "a role directed by a complex of rules and expectations that come from the welfare agency, the reference group and community" (Bocancea C., Neamtu G., 1999, p. 85).

Starting from the concept of "educational strategy" developed by P. Bourdieu and JC Passeron that "parents are given the role to design and achieve children's education according to their expectations in a given social context" (D. Batăr, 2000, p. 5) for institutionalized children, we assign the social protection centers with the parental role and automatically the mission to design and to achieve the children's education according to the demands of society which the child is ready to join.

This process of the design and achievement of children's education is a particularly complex one and it must be the result of joint efforts of many specialists from various complementary fields of social assistance, which together may increase the chances of success in achieving the proposed desiderata.

A professional intervention should be based on a comprehensive assessment of the child's needs and available resources in the community. In this case the social worker is recommended to use case management to develop and implement an individualized service plan in collaboration with other specialists who may be either in their own institution or other local bodies.

It is sure that the needs of children in institutions are many and their comprehensive approach is difficult. Therefore, the literature has heavily debated this issue, especially since the "human needs are the focus of social assistance" (C. Bocancea, G. Neamtu, 1999, p. 34) and all the work which it conducts in order to restore normal operating capacity of its customers. In the several needs the institutionalized child is facing, an important place is occupied by the need to move.

Who is interested to follow closely the children’s daily activities is impossible not to remain impressed by the ability of motion manifested by running, the questions of their mind, fooling, and lively games. Often noted as "child at play seems not to tire. Through the game he regains strength, likewise ANTEU or a battery that is charged by a dynamo" (G. Durand, apud. V. Farcas, 1984, p.19). In full period of growth and development, children need varied movement, practical applications interestingly made and combined, in which the initiative and daring, skill and imagination are fully used.

It would be wrong to understand that the education we must give to a child is only done through books, subjecting them to a rigorous program of study, without allocating them time to practice physical exercise. Over time we see that those who do not come away from the books lose "freshness" of the mind, and paraphrasing EG White (1903, p. 209) we can say that while those who give due attention to physical development will develop much more in terms of "intellectual acquisitions" than in the case when they would use all their time for the study.

When rejecting the need to practice exercise, we merely condemn them to inactivity. It is not enough to understand what is good and healthy for the children’s
body. The key to success lies precisely in achieving contagion of the human body and
the necessary physical activity. "Children should not be long detained between four
walls and should not be required to devote only to study before they ensure them a solid
foundation for physical development. For the first eight or ten years of a child's life the
field or garden is the best classroom. Even when aged to enable him to go to school, his
health should be seen as more important than the knowledge gained from books, and
thus, the child should have around him/her the most favorable development conditions,
both physical and intellectual "(ibid.).

Issued from the moment of coming into the world of the new member of society
- and maintained throughout life – the need to move must be satisfied since the first
days of life, when at the doctor’s advice we must daily perform gymnastic exercises
with the new born. As time goes by, this is not a need that can fall 100% in any of A.
Maslow's pyramid structures, according to which to meet a particular need is based on
priorities and emergencies, first taking into account the primary needs, then the higher
order ones. Due to the fact that to meet the physiological needs is also found in higher
levels of the pyramid (Fig. 1), we could understand the complexity of engaging in
physical exercise.

Fig. 1. Representation of the satisfaction of movement need
(Sursa: Autor, 2011)

The child’s need to move should not be viewed only as a necessity due to his
institutionalized condition, but should be understood as a need imposed by human
nature. Hence the need for collaboration between social worker and teacher of physical
education and sport, and the link between social and physical education may give rise to
a "dyad of hope", a dyad which prioritize the children’s interest among the individual
and joint activities.

Both welfare and physical education tries to individually solve its "customers"
problems and it is normal because each individual has his personal needs. Although
these problems can be solved through collective action, their individual treatment is
mandatory.

In addition to social assistance, physical education can be considered a factor in
the mediation of development processes of physical, mental and social integration of
the child. When I refer to this function of mediation, we must keep in mind that both
physical education and sport through their methods and their means of operation can
complete the efforts undertaken by social care professionals.
Table 1.
Mediation role of the dyad: social assistance- physical education and sport.

<table>
<thead>
<tr>
<th>Mediation Factor</th>
<th>Social Work</th>
<th>Physical Education and Sport</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Identifies deviant behaviors, problematic situations;</td>
<td>- Identifies the problems of physical development, skills development and poor motor skills in children;</td>
<td>- Identifies the problems of physical development, skills development and poor motor skills in children;</td>
</tr>
<tr>
<td>- Develops action plans to improve living conditions of those in distress;</td>
<td>- Developing physical activity programs for a harmonious physical development, to correct certain shortcomings and to form an active life style;</td>
<td>- Developing physical activity programs for a harmonious physical development, to correct certain shortcomings and to form an active life style;</td>
</tr>
<tr>
<td>- „Mediates the relationship between the formed society, the marginal and excluded groups or local society”.</td>
<td>- Regulating relations between major functions of the body, and between body and environment and help to establish social relationships.</td>
<td>- Regulating relations between major functions of the body, and between body and environment and help to establish social relationships.</td>
</tr>
</tbody>
</table>

(Sursa: Autor, 2010)

The social worker and teacher of physical education must take into account that "in any society the accordance to the behaviour models socially accepted, constitutes the basic condition of integration” Bocancea,, G. Neamţu, 1999, p. 29). Thus, the institutionalized children should be in contact with the community. Facilitating opportunities to relate with the local community and understand the commonly accepted behaviour patterns is a widely accepted basic requirement for the management of child’s protection institutions. These social relations, as illustrated by V. Prelici (1980, p. 15) "should not be understood as external factors of growth, but as the essence of personality." Otherwise we have to deal with an important category of social assistance clients and after the period in which they should leave the child welfare centers, when due to insufficient or deficient socialization, they can get into problematic situations, being marginalized or even deviants. In order to avoid such situations „Dyad of hope” efforts should be channeled for inclusion and integration of children in various sports communities, the aim being to optimize the relationship between children of same age (and beyond), strengthening relationships and positive value of group relations, practising micro-and macro-groups relations.

3. INSTEAD OF CONCLUSIONS

Even though the work itself may be considered more a plea for integration of physical education and sport among the specialised activities in the protection institutions of child in difficulty, it is necessary to insist on the compulsory management structures of these institutions to seek all the facilities and professionists who could bring an improvement in welfare services offered. It should also be noted that the role the physical education and sport can play, and thus the expert in this area, means increasing educational opportunities offered to children in institutions. As a result, sport should be a priority for building partnerships between welfare centers of the child in need and local sports organizations or other community organizations.
REFERENCES


THE RELATION BETWEEN THE CIRCULATORY MIGRATION AND THE CONJUGAL PARTNERSHIP.  
A CONCEPTUAL MODEL

Adela CIORTUZ¹

ABSTRACT

The phenomenon of the circulatory migration of the work force is considered by sociologists as the most dynamic form of social mobility in Romania, fact, which confers to the research themes adjacent to this phenomenon a degree of major actuality. The circulatory migration is a factor of social change that generates complex transformation in the basic structures of the society-family. In this article we have proposed to identify the variables that describe the consequences of the circulatory migration on the conjugal partnership and to elaborate some hypotheses regarding the relations between these variables. The results of the exploratory research are discussed and presented as well as their leading to a conceptual model.

KEY WORDS: circulatory migration conjugal partnership, conceptual model
JEL: J12; J61.

1. INTRODUCTION

Romania's integration into the European Union internal socio-economic development (reduced capacity of the economy and society to generate jobs and corresponding salaries) and not least of globalization as a whole have increased circular migration. Changes that occur as a result of this phenomenon were analyzed from the perspective of sociological, demographic, economic and political. From a sociological point of view circular migration is a factor of social change as a result of population mobility, integration and adaptation into the reception area, by shifting to a new social environment, in terms of work, the reorganization and redistribution family roles, social and community relations.

Investigating the relationship between circular migration and conjugal partnership is a necessity because many social implications. On the one hand it was found statistically that there is an increasing trend of divorce among couples where one partner is abroad. On the other hand the increased number of children who remain in the care of relatives or other people being exposed to such different risk factors. For these reasons we consider necessary to study carefully the impact of migration on families and the factors that mediate this impact.

In the context of this research approach we intend to identify variables that describe the impact of migration on marriage and partnership relations between these variables. Thus, we defined conjugal partnership and have developed a conceptual model, identifying its underlying assumptions.

¹ PhD Candidate, Faculty of Sociology and Psychology, West University of Timișoara, e-mail: adaciortuz@ymail.com
2. THE CIRCULATORY MIGRATION AND THE SOCIAL PARTNERSHIP

The circulatory movement (circulatory, of going back and forth) is defined by Anghel and Horvath (2009, p.29) as "the pendulum movement between home and one or more countries of destination." It follows that in the context of circular migration, migrants go and work for a period abroad, returning home, stay a while, then leave again. Circular migration can be multiple (in several directions) or repeated (for the same purpose) (Diminescu and Lăzaroiu (2002); Sandu (2000); Grigoraș and Șerban (2000); Sandu (2001)).

There is no definition of conjugal partnership. We can deduce such a definition of significance of the two associated words. The partnership usually means "association of two or more partners" (DEX (2007)). Meaning is related to conjugal marriage and refers to "spouse" (which is the spouse – DEX (2007)). We can define marriage as a partnership association of two partners in marriage (a family).

The family has proven, over time, it is the oldest, most widespread, but the most stable form of human community because of its perpetual. However, the diversity of family types that has been or is not easier to find common characteristics that lead to a definition of family. From a sociological point of view, the family is considered the human community that is founded upon marriage, "family as a form of human community-designate specific group of people united by marriage or family lineage, characterized by community life, feelings, interests and aspirations" (Voinea (1994)).

For Mitrofan and Ciupercă (2002) "The family is, in any society, a form of human community consists of at least two individuals, united by ties of marriage and / or father, realizing, more or less on biology and / or the psycho-sociological." What are characteristic of family life are the many relationships that link with a family, being the foundation of marriage and family. Zamfir and Chelcea have summarized family characteristics as follows: is composed of people united by the marriage relationship, blood or adoption, family members usually live under the same roof, forming a single household, is composed of people who interact and communicate in the role of husband-wife, mother, father, maintain and perpetuate a common culture, derived mainly from data the company culture.

Most researchers in the field of family support that in recent decades, the family in contemporary society underwent significant changes. At the same time, it remains a fundamental institution in society for which the public debates the issue of "family decline" is viewed with increasing concern.

The family picture, taken in the political and scientific discourse, is an institution that preserves the traditions and national values, is relatively independent of socio-economic context and with a high capacity of inertia (Ghebreia, 2000). Not to diminish its importance as a social institution, changes in decades in the field of family justify the conclusion that, on the contrary, the family is no longer a conservative institution, but a more suitable transformation of society: the family is now seeking to get rid of "glory "conservatism, the" merit "to be the guardian of national values, soon becoming" barometer "of social change, passing through a visible process of democratization, secularization and liberalization (Mihailescu (2000)). The family seems more integrated dynamic society increasingly subject to economic and social changes, influencing in turn the overall development. Classic concept "family structure" is currently associated with "restructuring of the family" (Voinea (1994)).
The changes in recent decades in Western society have the idea that we face a new civilization - post-industrial or postmodern post materialist. There are new styles of life, a philosophy of freedom and experimentation, a new phase of consumerism, a controlled hedonism, and other ways of spending free time. Post modernity means the primacy of individual interests that society has expectations of the family. Nuclear family spread to classical alternative models, the redefinition of family functions, roles and statuses democratization in the family and, not least, changing family values.

The predictions about marriage and family "as we know it" are often pessimistic. The family was the benchmark of stability over time in the lives of individuals. The accelerated pace of change in contemporary society leaves its mark, making it more difficult to final option or a lasting relationship. In the context of increased social mobility, individuals change their lives several times over the home, work, specialization, friends or religious denomination. In these circumstances it is almost impossible to long-term compatibility between two partners.

In the tradition of Ulrich Beck, it is considered that changes in the family are the result of long-term trends in modern societies to grant increased autonomy of individuals. Individualization of responsibility led to the release of the traditional type and personal empowerment. As a result, the family standard of living that model was replaced by a multitude of lifestyles.

Traditional family ties have been replaced by "pure relations" (Giddens (2000b)) as the foundation of personal life. A pure relationship is built on communication emotional rewards derived from such communication are the primary basis for continuing the relationship. It is maintained by external factors, but built by participants through their personal effort. Intimacy is the couple's relationship, whether it ends in marriage or cohabitation only informally. Emphasis is placed on the relationship and not the institution of marriage.

The separation of work to family to maintain the sexual division of labour and inequality among family members continues, the man still holding a privileged position. But women are beginning to build their independence, trying to overcome their domestic duties and to assert more and more economically. Changing social status of women through her involvement in professional extra family activities determine new configuration of relations between the two partners within the meaning of redefinition of their roles. Thus, the emergence and proliferation of career and social trajectory of women have complicated relationships within the family. Modern family structure is characterized by flexibility and power of authority. However, in the struggle with traditional gender roles, women often become trapped in the conflict between autonomy and economic dependence on marriage that it generates employment and maintain it in a vicious circle ((Vlăsceanu, (2007). Decisions appear rather egalitarian child-rearing problems and leisure (free time) and not financial ones (Chipea (2001)).

In terms of intimate relationships, there is a fundamental shift considered: pure relationship (Giddens (2000b)). Pure relationship is "initiated a relationship only for herself, for what each person can achieve a sustained association with another, and continue only to the extent that both parties consider that it provides sufficient satisfaction for each preserve it" (Giddens (2000b)). Type relationship is not just pure love relationships, but also applies to others: parents, children, relatives, and friends. All these relationships are constantly evolving and gradually discover that the way reporting to the other. Appear alternative strategies to increase children: quality of the relationship comes first, sensitivity and understanding on both sides, privacy replacing parental
authority. Parents are more "friends" child protectors, confidants and advisers of. Friends are as important as family, a kind of "family that you create it," a "family of choice" (Hardyment (2000)). In addition to affective and emotional support they provide crucial links with economic and social world outside (Broderick (1988)).

When we talk about the impact of circular migration on marital partnership and family we actually put under discussion the impact on family roles. Family roles are coherent set of behaviours that family members expect from each of its other members, depending on the position they occupy in the family system. Family roles have been identified: the role of spousal (partner, husband / wife) regarding relationships with spouse, parental role (the parent) regarding the role of fraternal relations (brother) regarding relationships with siblings. Conjugal role includes knowledge of self and partner, mutual satisfaction of needs affective-sexual interests and aspirations about life couple, mutual support in pursuit of tasks and functions of family, intimacy and life shaping children's torque, torque boosting operation by use of all resources. It is reasonable to assume that circular migration affects all family roles. Voinea (1994) for example identifies several mechanisms, among other essential causal "restructuring of the family" (and therefore the roles of family) as a migration territorial mobility, permanent or temporary (circulatory).

3. RESEARCH METHODOLOGY

To identify variables that mediate the impact of migration on marital partnership and its consequences was conducted exploratory research (interviews un-standardized/ half controlled) among the three categories of respondents (Table 1) to capture various perspectives as the phenomenon investigated. Sampling was a theoretical 30 people being interviewed. Recruitment of respondents was done through social networking (Facebook). Interviews were conducted individually, face to face in respondents' homes, according to the interview guide, the audio recorded and later typed and printed. If the respondents are minors it is necessary to obtain the consent of parents or guardians (grandparents). The structure and content of the interview guide were adapted according to the class of respondents. The content of the interviews was analyzed according to themes identified in the interview guide. The text was first "cut" the basic unit of analysis (according to main themes). Units identified were then grouped into several categories consistent, complete and exclusive (relations between partners, relations between partners and children, changes in family, emotional and behavioural changes occurring in the children).

Table 1.
Categories and numbers of respondents included in the sample of exploratory research

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of respondents</th>
<th>Characteristics of the respondents</th>
<th>Motivation of the inclusion in the sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>I (partners)</td>
<td>5</td>
<td>Partners with children</td>
<td>The mediating effect on the existence of children, their age and number is investigated.</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Partners without</td>
<td>Idem</td>
</tr>
</tbody>
</table>
### II (children)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>5*</td>
<td>Sole child for parents</td>
<td>The effect of the circulatory migration on the children left at home is investigated.</td>
</tr>
<tr>
<td>5**</td>
<td>Two or more siblings</td>
<td>The effect of the circulatory migration on the children left at home without any parents is investigated.</td>
</tr>
</tbody>
</table>

* of which 2 Both parents gone

** of which 2 Both parents gone

Idem

### III (grandparents)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Grandparent left alone with children</td>
<td>The effect of the circulatory migration on the children left at home without any parents is investigated.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Grandparents left with one parent</td>
<td>The effect of the circulatory migration on the children left at home without any parents is investigated.</td>
</tr>
</tbody>
</table>

(Source: made by the author)

### 4. RESULTS OF THE RESEARCH

The variables that mediate the impact of migration on marital partnership identified by the exploratory research that have been introduced in the conceptual research model (Figure 1) are: personal factors (socio-demographic characteristics of the partners: age/educational level/religion/income); number and age of children, age of partnership, changing the mentality of the left, values of the community in the country of destination, change of identity. The Time variable was made operational as a factor moderating the influence exerted by the other variables of a factor as potential negative consequences.

The change of identity, one of the mediating variables is also a consequence of the impact of circular migration on conjugal partnership. Changing identity is conceptualized in the literature in relation to the concept of "world." The identity of an individual is located in a "world." This world is the family, community and society of origin. For this world are the migrant community and the society of destination.
Mobility between the two "worlds" leads to a change in individual and collective identity (Kun (2010)).

Figure 1 – The conceptual model of the research
(Source: made by the author)

The conjugal partnership malfunctions occurred under the influence of migration identified in the conceptual model of research are: divorce, abandonment of children, changes in the relationship between partners of child risk factors (low school performance, personality changes, various forms of abuse, juvenile delinquency, child prostitution).

Conducted interviews leading up to several hypotheses that describe relationships between variables of influence and consequences included in the conceptual model: (H1) Time is a factor that moderates the impact of other factors of influence they have on the conjugal partnership. Variable time has emerged as a key moderator of others' influence factors included in the conceptual model, (H2) The length of time spent away from family partner is more variable with time it will increase the influence of others variables. Interviews indicate that the more time spent away from home one of the partners is greater with both spousal influence other variables becomes
more acute, (H3) The partner is before age and education and higher incomes, the risks of divorce or major changes in the relationship between partners is lower, (H4) The number of children their age is higher and lower, the risk is lower family abandonment, (H5) If the partnership is greater seniority, couple better resist migration induced circulatory changes, (H6) The greater the amount of time in which one partner is away, the more are likely to change its mentality and default voltages occur in partnership marriage, (H7) in the country of destination community values strongly influence the impact of circular migration on marital partnership, (H8) The greater the amount of time for which one partner left the greater ability to manifest change its identity; (H9) In the absence of a member changes occur in the functional structure of the family, (H10) circular migration can generate changes in the relationship between partners, (H11) The greater the time spent by one of the more foreign partners the risk that changes in the relationship between partners lead to divorce, (H12) circular migration is a contributing factor of divorce partners, (H13) circular migration can lead to abandonment of children, (H14) with greater time spent by partners abroad, the greater the risk exposure of children to risk factors, (H15) circular migration is a contributing factor of children's exposure, risk factors.

The model of positioning assumptions in the conceptual model is illustrated in Figure 1. To test these hypotheses in the future we plan to conduct a descriptive and explanatory empirical research.

5. CONCLUSIONS

The exploratory research shows that the circulatory migration of one of the partners influences negatively the conjugal partnership. The relations between the partners become tensed, leading in some cases to divorce. The children left at home are profoundly marked affectively and behaviouristically by the leaving of the parents, fact which influences negatively their later development. Complex changes in the roles of the family have been notices, but most consequences appear in the ranks of the children. Children of parents gone for work abroad, have a similar profile with those who live in mono parental families resulting after the demise on one of the parents or their separation. Another effect put into evidence in the interviews is the fact that leaving by one of the parents determines a damaging of the relation of the child with the parent staying at home. The research shows however that the circulatory migration has positive effects on the children as well. The main positive effects are related to the material well being of the children and to their concrete perspectives. In order for the results of the research to be relevant for the local authorities, for NGOs with social concerns and for the wide public confronted directly with the social effects of circulatory migration, the conceptual model needs to be tested in a research that is both descriptive and explicative, so as to surprise the quantitative dimensions of this phenomenon.

REFERENCES

Ghețău, V. (2000), „Demografia anilor 90 și populația tânără,” UNICEF, Bucharest;
ABSTRACT

The overwhelming majority of the scientific research (mainly PhD studies) in social sciences (marketing, economy, sociology and even psychology) is carried out empirically according to the positivist paradigm (positivist epistemological orientation), by methods that imply an objectivist ontological commitment (questionnaire-based surveys). This happens despite the fact that, from a conceptual (theoretical) perspective, the same research approaches address the investigated phenomenon according to an interpretive epistemological orientation and a subjectivist ontological commitment. We define this paradox „ontological duality” and by an exhaustive analysis of philosophical, epistemological, ontological and axiological presuppositions that support the different research paradigms, we intend to emphasize the negative consequences induced by the ontological duality on scientific knowledge validity. The implications and causes that led to the spreading of this phenomenon within scientific research in Romania are discussed on the basis of in-depth interviews conducted among PhD students from the social science field.

KEY WORDS: epistemology, ontological commitment, research paradigm, social sciences.

JEL: B41.

1. INTRODUCTION

Do the research approaches from the social sciences field (mainly PhD studies) produce a valid knowledge? Placed in an academic context this question might seem at least curious. Its perplexity may be probably equal only by the question “Does God exist?” addressed to a religious community. By how rigorous are the PhD researches monitored and evaluated, the answer is thought to be only an affirmative one. But what happens if the principles by which scientific research are carried out and evaluated are rather the expression of a discursive control, based lethargically on the routine of some practices accepted for a long time and less the consequence of the researcher’s conscious assumption of the presuppositions of the research paradigm used? How credible is scientific research without the researcher’s explanation (primarily to himself) of his epistemological and ontological commitment? How do the epistemological, ontological and axiological orientations of the researcher influence the scientific research conduct? And what happens when between the research methodology used in the empirical research and the epistemological and ontological presuppositions assumed (consciously or unconsciously) by the researcher in his theoretical approach of the

---

1 PhD Candidate, Faculty of Sociology and Psychology, West University of Timișoara, e-mail: adaciortuz@ymail.com
2 PhD Candidate, Faculty of Economics and Business Administration, West University of Timișoara, e-mail: gelutrisca@yahoo.com;
phenomenon investigated is a real discrepancy? How true are in this situation the scientific “truths”?

We ask these questions starting from several observations. First, it can be seen a quasi-dominance of the quantitative researches (questionnaire-based surveys – Zamfir (2010)) among the PhD researches (and not only) conducted in all social sciences. Secondly, in the doctoral studies curriculum, the problem of scientific knowledge is either superficially approached or completely ignored. Because the subject of the scientific research in social sciences is the human being, a subjective entity (with amorphous valences - cognitive, affective, sensory and spiritual) these two observations reveal the need for a more profound analysis of how knowledge is acquired in the social sciences.

Through twelve in-depth interviews conducted among the PhD students from the social science fields (Sociology and Marketing) we highlight the existence of an ontological duality phenomenon, according to which the research methods used in investigating a social phenomena correspond to a different ontological commitment than the one in which the phenomena is conceptualized.

In the context of recent transformations in the academic field where the severe evaluation criteria of the research activities emphasize rather the quantity of scientific production, the assessment of its validity can only be beneficial. Before producing scientific knowledge (materialized in scientific articles) we should know how to acquire valid knowledge. The off-handedly way of writing scientific articles without having specified and understood the limits of knowledge truth is of concern.

2. SCIENTIFIC KNOWLEDGE – METATHEORETICAL CLARIFICATIONS

According to a widely accepted understanding of philosophers (e.g. Hollis, (2001); Earle (1992)), the knowledge is „a true and reasoned opinion,” the truth being immanent to the concept of knowledge. In ancient Greece the true and reasoned knowledge was named episteme, opposed to doxa which means faith but in the sense of mere opinion, something that is closer rather to the genuine (common) knowledge. In contrast to ancient terms, Earle (1992) establishes the following question as a fundamental one for epistemology (epistemology = theory of scientific knowledge; DEX (2007)): How can be doxa transformed in episteme? (this transformation being precisely what science aims at).

The transformation of doxa in episteme implies the explanations and understanding of the phenomena in order to carry out predictions. The predictions (the normative dimension of science) are possible only on the basis of theories, theories that anchor from an inductive perspective the empiric correlations in law-like necessities (nomic laws). Therefore, a strong requirement of science is the production of theories. No theory can be taken for granted unless checked, the prediction being the modality to do this. If a theory cannot be checked because it does not produce verifiable predictions, it is a worthless one, at least as long as it remains unverifiable (Earle (1992)). This logic was dominant in the context of natural sciences, even though the theory of relativity and quantum mechanics featured also in this domain the problem of knowledge certainty, as well as the one of fundaments and its sources.

Unlike the natural sciences though, the transformation of doxa in episteme can be undertaken in the social sciences in many ways, each having its own limits. These
methods are different by the epistemological (philosophical) presuppositions and of the ontological commitment assumed by the researcher. The level of truth and knowledge foundation thus obtained may be appreciated and understood only in relation to these frameworks. Therefore, in the scientific knowledge from the social sphere we cannot speak about absolute truths but rather about epistemological and ontological contextual truths. Natural sciences („hard” sciences – physics, chemistry, biology) deal with the physical, objective and measurable phenomena, being free from such limitations. Therefore, in these sciences the explanation, understanding and prediction go hand in hand. It is not the same case for social sciences. The distinction between explanation and understanding (both being the positive dimension of the science) reaches much deeper meanings. In this article we shall simplify the analysis of the epistemological orientations and ontological commitments exactly on the basis of this dichotomy. We may anchor the explanation in a naturalist perspective of the world and the understanding in an interpretive (hermeneutic) one. We shall work further on with this dichotomy by grouping the schools of thoughts around these two pillars.

2.1. The naturalist perspective

The naturalist perspective of the world groups various philosophical fundaments: positivism, empiricism, rationalism/Kantianism and positivist epistemological orientations (positivism, empiricism, realism etc). The positivism, as a philosophical basis, marked the transition from theological and metaphysical phase to the one of positive spirit. The term „positivism” contains any approach that applies the scientific method of the human being problems seen as if belonging to a natural order open to objective research (Hollis (2001)). Thus, Comte, Durkheim, Weber and Marx are seen as positive philosophers. They share a global naturalism. In a restricted sense the positivism designates such a radical behaviorism that rejects all psychological data and qualitative methods. This meaning is based on the assumption that behavior alone is observable the science must limit itself to it. The positive science goes hand in hand with an empirical practice in the scientific knowledge, based on observation as the moment of truth when the hypotheses are tested by facts.

The Empiricism (imitated by the English philosopher Francis Bacon) is the philosophical doctrine of testing, experimentation and supports the idea that the entire human knowledge comes from senses and experience. The Empiricism is considered the core of the modern scientific method, the theories must be based on empirical research and a posteriori inductive reasoning rather than pure deductive logic. The empirical process of knowledge reconstruction on solid basis provides a big project of a science inductive foundation. The Empiricism rejects the hypothesis according to which people have had ideas they were born with or that anything can be known without reference to experience. According to the empirical people, at birth the intellect is a „tabula rasa” and only experience can provide new ideas. The Rationalism (launched by Rene Descartes) affirms the need of introspection and of a priori deductive rationalism. It starts from the belief of the real world existence, an independent existence from human capacity of knowledge. Due to imperfection of perception mechanism, this capacity is though limited in such a manner that a human being cannot affirm with a definite certainty, that his experiences and opinions correspond indeed to the reality. He must admit that each of his attempts to solve a problem may be fundamentally false. This fact implies – on one hand – a permanent critical exam of his beliefs and presuppositions.
and – on the other hand – the use of methodic and rational techniques in solving the reality problems (methodical rationalism). Kantianism is based on the presupposition that the source of need and of universality of knowledge must be sought in a priori intuitions of intellect (transcendental reflexivity). Kant thinks the truth and knowledge in the terms of final fundament, absolutely certain and unchanging (Flonta, 1983). Relativism sustains the existence of an infinite referential systems that can overtake and characterize in a determinant way the reality or human being. As a consequence, no perception, no representation, no linguistic description of reality, no description interpretation, no state measurement, no extraordinary modeling, no structural of procedural feature assessment of reality is not unique and absolute. From a scientific perspective, the relativism infers that the undertaken measurements deliver different values according to the particular referential system they are produced in. From an epistemological point of view, all these philosophical fundaments are transposed in what is called positive approaches (positivism, logical empiricism, neopositivism, logical positivism, realism). The positive approach means an epistemological orientation specific to natural sciences. It deals with the observable social reality and the final products of such researches are the law-like generalizations, meaning the identification of law-like regularities similar to those produced by natural sciences. The positivist research is based on the presupposition that only phenomena that can be observed will lead to the production of reliable data.

The existing theory for hypothesis development will be used for generating the research strategy for the collection of this data. These hypotheses will be tested and confirmed totally or partly or they will be rejected, fact that will lead to a further development of the theory which could be tested by future research. The developed hypotheses lead to facts collection that shall provide the basis for subsequent hypotheses testing. The positivism is interested in facts and not in impressions. These facts are consistent with the notion of social reality observable in a similar way with the reality that is the study object of natural sciences (Remenyi and others (1998)).

Positivist research is carried out as far as possible in an objective way. The researcher considers himself as impartial (outsider to the data collecting process), the collected data remaining therefore not altered. Logic positivism, ferocious version of empiricism formulated by the Vienna Circle in the ‘30s has imposed itself in an almost sovereign manner. The core principle of logic positivism was that we shall not be entitled to assert the existence of nothing beyond any possible experience. There is probably less certain that there are structures, forces, instincts or dialectic unobservable processes. The knowledge is based on individual observations and may be extended towards general assertions only to the extent that experience can confirm. Logical empiricism subscribes almost perfectly to the positivist vision following theory development based on deductive hypotheses, using formal logic and objective empirical observation in order to test these hypotheses (Peter and Olsen (1983)). The doctrine of logical empiricism is also based on unaltered observation of reality (Anderson (1983), p.19). Realism though requires some additional nuances. Direct realism sustains that what is seen represents what exists, what we experience by senses describes the world accurately. Critical realism states that what we experience are sensations, images of things in the real world rather than the things themselves directly. Critical realists underline that senses may deceive us. The answer of direct realism is that what we call illusion is a consequence of not disposing of enough information. According to the critical realism there are two stages in experiencing the world. Firstly, there is the object
itself and sensations delivered and secondly there are mental processes that take place after the sensations arouse our senses. Direct realism argues that the first stage is sufficient. Critical realism affirms that we are able to understand the social world only if we understand the social structures that led to the phenomena we are trying to perceive. In other words what we see is the part of a bigger picture. Thus, the position of critical realism states that its own knowledge of reality is the result of social conditioning and may not be separately understood by social actors involved in the derivation process of knowledge (Dobson (2002)). In terms of how research changes the way we perceive the world we study, direct realism suggests that knowledge about the world operates (in business area for example) on a single level (individual, group or organization). Each of these levels has the capacity to modify to change the understanding of what the researcher is studying. This leads to the existence of a greater variety of structures, procedures and processes and admits the possibility of these structures, procedures and processes to interact with each other.

2.2. Interpretivist perspective

Interpretive (hermeneutic) perspective of the world, the second pillar previously identified, groups two streams of thoughts: the phenomenology and symbolic interactionism. The phenomenology refers to the way people understand the world around them, while the symbolic interactionism claims that people find themselves in an ongoing interpretation process of the social world they live in, interpreting the actions of those they interact with. These interpretations lead further on to the adjustment of their own meanings and actions. Interpretivism as epistemological orientation argues that it is necessary for the researcher to understand the differences between people and their role of social actors. These emphasize that social sciences undertake research on human beings and not objects. The term of social actor is defining. This metaphor suggests that people play a role on the scene of human life. Just like actors who play a role according to their own or director’s vision, people interpret their daily social roles according to the meaning conferred to these roles. Moreover interpretivism sustains that people interpret (it explains) the social roles of others according to their own set of values. Adoption of an empathic attitude by the researcher is essential in interpretive epistemology. The challenge is the entrance in the social world of the subject and understanding its own perspective. Interpretivists claim that generalization is not of a crucial importance but the acceptance of living in a dynamic world, the today circumstances might not be possible to be applied in several months. Therefore generalization value is lost.

2.3. Ontological commitments

Epistemological orientations represent accessible ways (although each subject to limitations) for obtaining the scientific knowledge. They represent ways of finding the truth. Epistemological orientations refer to a certain ontological commitment. Ontology is based on the nature of reality. To a greater extent than epistemological orientations, this brings up to discussion the presuppositions internalized by researchers on how people operate around the world. Faithful to naturalist/interpretive dichotomy previously proposed, we discuss two options widely accepted as producers of valid knowledge: objectivity and subjectivity. Objectivity, a naturalistic ontology, states that social entities exist in reality outside the social factors. Subjectivity argues that social
phenomena are created from perceptions and actions generated by them, belonging to social actors. Moreover, this is considered to be an ongoing process, social phenomena being constantly reviewed by social interactions. Remenyi and others (1998) state that such commitment leads to the necessity of studying the details of each situation in order to understand the reality beyond them. This perspective is often associated with the notion of constructionism or social constructionism. Constructionism derives from interpretive position that supports the need to explore the subjective meanings that motivate the actions of social actors for the researcher to fully understand them. Social constructionism perceives the reality as being socially built. Social actors, such as consumers, may place different interpretations on the situations they find themselves in.

Individual consumer will perceive different situations in various ways, as a consequence of their own perceptions about the world. These different interpretations are assumed to affect their own actions and social interactions. The objective-subjective debate is similar to the way practical and theoretical approaches on organizational culture have been developed. According to Smircich (1983), objectivists tend to perceive the culture of an organization as something the organization provides while objectivists as something that is, created and recreated by a complex set of phenomena that include social interactions and physical factors.

Conscious and responsible adoption by researcher of a particular epistemological orientation and of a research paradigm is influenced by researcher’s own values as well. Heron (1996) argues that the values of each human being represent the guiding reasons of his actions. Axiological commitments of the researcher play thus an essential role in choosing the research topic. They greatly define what topic could be of interest for the researcher. The choice of a particular epistemological approach also reflects these values.

Naturally, the research methods derive from epistemological commitments. According to the dichotomous pattern we operate in this article, the naturalist pillar will group methods such as observation, experiment, on questionnaire-based surveys while the interpretive pillar will group methods such as in-depth interviews, phenomenological interviews etc. Thus we do not refer to the quantitative/qualitative distinction but to the one between explanation and understanding. Explanation has a causal, determinist dimension and an objective ontology, its actions being addressed in the manner of natural sciences, from „outside“.

Understanding is a hermeneutic approach, with a subjective ontology which implies that the world may be understood from interior and not explained from exterior. Instead of seeking behavior causes, the significance of action is searched. The actions acquire a meaning from ideas and shared rules of social life and are committed by actors who aim by them at something (Hollis (2001)). Meanings range from what is consciously intended to what is generally significant and often involuntary. Both explanation and understanding (acquired by various means previously listed) allow the researcher to make predictions. The validity of these predictions depends on the awareness and deep understanding by the researcher of the epistemological assumptions of this approach and the consistency between ontological commitment assumed and research methodologies used.
3. ONTOLOGICAL DUALITY – EMPIRICAL EVIDENCES

Empirical research was based on conducting twelve in-depth interviews in the period April 2011 – June 2011 among PhD students from two different scientific fields: Sociology and Marketing. Doctoral students from two universities were selected according to the following algorithm: six doctoral students for each area investigated (three for each university) two by two in different stages of doctoral research (the first, the second and the third research report drawn). This distribution of respondents allowed on one hand the exploration of the situation in many doctoral schools and on the other hand enhanced the aim of the phenomenon investigated in accordance with the two scientific research fields and the three levels of thoroughness of doctoral research. The recruitment of respondents was carried out directly by operators on the basis of their belonging to the categories identified a priori. The respondents were selected from the participants attending two doctoral seminars. The interviews were conducted individually, face to face, according to the interview guide, being led by a semi-directive manner, audio recorded and later typed and printed. The interviews were focused on the general scientific research approach and did not address a particular research topic.

Epistemological orientations listed above are accepted to produce valid knowledge although each of these guidelines is contested and appreciated as having serious limitations. Adoption of an epistemological orientation indicates that the researcher has chosen a particular way to produce knowledge. We asked ourselves to what extent is this choice a conscious one? And if not, why and which are the consequences?

The interviews indicate primarily a quasi-general ignorance of the respondents regarding internalized epistemological or ontological presuppositions, regardless of the research field or the research stage they come from. Although all subjects interviewed carried out empirical research by questionnaire-based surveys and associate generally this scientific positivist approaches (logical empiricism in particular) do not seem to question the link (adequacy) between the nature of the phenomenon investigated and the research methodology used. Therefore the choice of research methodology is not itself a choice, it is adopted on the basis of research tradition in doctoral schools.

The causes of this situation identified by respondents are on one side the superficial way in which the problem of scientific knowledge has been addressed in doctoral schools and on the other side the strong philosophical load and related terminology that makes the understanding of presuppositions and the conceptual patterns difficult. It is interesting to note that during the theoretical argumentation process of the phenomenon investigated, the doctoral students end up adopting a particular epistemological view and thus ontological as revealed in reviewed literature. Therefore common situations result in the cases where there is a contradiction between the internalized presuppositions in conceptualization of the phenomenon and ontological commitment (often objectivist) that drive the empirical research. We name this situation “ontological duality” and consider that this phenomenon questions the scientific knowledge thus acquired. Such examples are the experiential aspects of consumption investigated in a good positivist tradition by questionnaire-based surveys, even though phenomena investigated concern subjective and phenomenological aspects inside the subject.
As shown previously, the truth obtained in an epistemological framework is valid only in relation with this framework. To what extent do the researchers understand and specify this fact clearly? And if they do not understand this, how does this aspect influence the validity of scientific knowledge?

As revealed by the interviews, the poor recognition by the respondents of epistemological and ontological presuppositions makes it difficult for them to understand the limits of their own research. Therefore, not only the limit of the research paradigm according with which the research is conducted is not specified but generally the idea of specifying the limits of the research is viewed with suspicion. The respondents prefer not to specify in their research reports the possible inaccuracies recorded during the empirical research, ignoring them with nonchalance, instead of reporting them as limits of the research. At a first glance this situation may seem as poor research ethics. The interviews reveal that the respondents feel rather the constrained need of having a “perfect” research and do not have a conscious illicit attitude (per se). The way these practices influence the validity of scientific knowledge places us in front of a paradox. If the research limits would be correctly identified and specified, the knowledge acquired would be valid within the given limits and thus the research project would be useful. Not specifying the research limits that obviously exist cancels any validity of knowledge obtained by respective research approach.

4. DISCUSSIONS AND CONCLUSIONS

We have to admit that social sciences have become more and more institutionalized. The scientific truth or its evaluation is relative to the conceptual framework of a group of scholars. These observations led us to the idea of a discursive control. We have not found in interviews that the passive adoption by PhD students of a research methodology or its epistemological or ontological presuppositions is the result of such control. Rather the poor epistemological training of the PhD candidates makes questionable the validity of knowledge acquired through these research approaches.

As we have showed, the scientific knowledge from the social sphere is based on epistemological assumptions and ontological commitment adopted by the researcher. These frameworks actually define the „domain” of the research truth. The truth and its foundation may be appreciated and understood only in relation with the epistemological, ontological and axiological framework. Without identifying and understanding its presuppositions, the research limits are not clear and the validity of the knowledge thus acquired is putted into question.

In this paper we have not addressed the issue of supremacy of a particular research philosophy but the need of avoiding ontological duality which seriously affects the validity of scientific knowledge. The problem is not to choose between quantitative and qualitative methods but to adopt an ontological positions and epistemological presuppositions that lead to the scientific truth.

The link between the nature of the phenomenon investigated and the methodology applied should be considered. The methodology should be adapted to the nature of the phenomenon, which implies knowing and understanding the ontological commitments. Even though there are many acceptable methodologies to obtain valid knowledge we must understand that this knowledge is true only within the paradigm limits. Without identifying the epistemological presuppositions on which the research is based on or simultaneous adoption of contradictory ontological commitments put in question the validity of the research approaches and the knowledge thus acquired.
It has to be stressed that according to pragmatic approaches a determinant element in the adoption of a research philosophy is the research question – a certain approach being more appropriate in finding an answer to a specific question. If the research question does not clearly suggest which approach (positivist or interpretive) is more appropriate, pragmatic epistemology states that it is perfectly possible to work with both philosophies. This implies that mixed, quantitative and qualitative methods can be used. Tashakkori and Teddlie (1998) argue that is more appropriate to consider adoption of the research philosophy as continuity and not in antagonistic, opposite terms. In our opinion even qualitative research methods (as in depth interviews or focus groups) are conducted according to the positivist paradigm, from an outside perspective. So a continuum of the research philosophy can be understood only in these terms. Otherwise it will lead to the ontological duality.

We may conclude that the truth and implicitly the act of knowledge are rather seen as relative than absolute certainty. Referring to the epistemological significance of Heisenberg’s uncertainty principle, Patrick Suppes concludes that certainty of knowledge either in the sense of psychological immediacy or in the sense of logical truth or complete accuracy of measurements is unreachable (Suppes, 1990).

REFERENCES

Earle, W. J. (1992), „Introducere în filosofie,” All Educational Editions, București;
ABSTRACT
The answer of the work market to the new challenges induced by the globalization process, by the technological developments, by the current communication and IT possibilities are comprised in the concept of telework. Through this concept the European Union supports the organizing and the implementing of telelabour and the European parliament considers telework as an alternative and a major direction of research and action. The research aims to identify the possibilities of implementing, planning and developing programs of telework with the involvement of the local public authorities and/ or those of the private sector supported more and more by a financial contribution of the structural funds. The results of a research regarding the necessity of implementing telework in the Caras-Severin county- Romania are shown. It is considered that telework is a new form of labour that facilitates the occupation of the work market and reduces unemployment.

KEY WORDS: telework, telecommuting, tele-nomadism, security, flexibility.
JEL: M53, R58

1. INTRODUCTION

Telework in Romania represents a relative new concept that has appeared as a product of good practices in some countries of the European Union and of North America. In the same time, the debates have had as a source conceptual approaches of some specialists from the academic field. Thus, globalization, the underlined tendency of informational and techno-scientific development have brought into awareness this modern and flexible way of work by means of the telephone. As George M. Piskurich states, the interest for this concept appeared during the process of knowing tele-nomadism, at the beginning of the 1970s in the American CTC firm from California. Some organizations use the concept of flexible work to describe programs and processes that are not traditional and that are related to the concept of tele-nomadism. The flexible work place, in which people go about their activity may include the living space and is a part of tele-nomadism. The people who work in offices or far away centres, each day, yet are present only on a virtual level, without being nomads, in the proper sense of the term, may be considered as employed in telework centres. As Brian Clegg (1999) stated, telework is a socio-economic creation because: “innovation is applied to the idea of generation, (probably due to its new roots) especially when it comes to products, while creativity incorporates innovation as well as the task of solving problem…”

2. CONCEPTUAL APPROACHES REGARDING TELEWORK

The general interest regarding the concept of telework appeared in the conditions generated by the oil crisis at the beginning of the 1970s. Jack Nilles from...
Southern California University has stated that the information technology (IT) was able to replace the physical movement through electronic communications, thus work being carried out at a distance. With the engagement of the general interest this flexible form of work has enjoyed much attention. It has also received an increasing number of definitions, firstly through theoretic founding and secondly through regulation.

Besides the term telework or Teleworking, introduced by the European Union authorities, firstly used by Jack Nilles and then by Francis Kinsman in his book Telecommuters of 1987, several definitions have appeared. The two terms: telecommuting and telework can be found in Europe and the USA as well, with identical meanings. However, Jack Nilles, named the father of Teleworking offers an alternative definition by which a distinction is made between the two terms: “telecommuting means periodical work outside the office, one or several days a week, either at home, or at the customers home, or at his or her business residence. The work is done usually in a centre fitted with hardware specific to tele information, thus reducing or cancelling the transport to and from the workplace, regardless of the type of work contract”. “Teleworking is the process that takes place the actual act of labour implies any form of substitution of the transport to and from the work place by using information technologies under the form of tele-communications and/ or computers. Thus labour is transferred towards the worker”.

The authors is of the opinion that telecommuting is a form of Teleworking in the sense that it solves only the distance to the work place, but it is not a specific form of organization of labour such as Teleworking. Both definitions include the working from a distance assisted by information and communication technologies. The difference in the two terms is the management of transport and the derived purpose of the activities. If by telecommuting we approach the result of the labour to the client, by Teleworking or by telework the labour is transferred towards the actual performer of the task.

Taking into account the conceptual developing of telework and of good practices in some European countries, this concept was regulated in a Frame Agreement on telework S/2002/206.01.02, signed in Brussels in 2002, between social partners, without being inserted in the communitarian law by some directive. It has as a purpose to modernize the organization of labour, including flexible engagements and realizing the balance between flexibility and labour security (Tinca, O. (2003)).

According to art. 2, par. 1 of the above mentioned document, the individual work contract with the object of telework represents a form of organizing and realizing of labour by using informational technologies within the contract. The labour may take place equally, at the locations of the employer, but also at some other locations. From the analysis of the text one may note that the forms of distant labour may be classified in telework at home and outside the home.

In Romania, telework is at an early stage of institutionalization, implementing, planning or researching of different programs. In a significant effort of implementing telework, we have undertaken a fundamental sociological research in the Caras-Severin county, based on the theoretical markers of the concept, taking as a target the unemployed people of the rural environment with the following objectives: identifying the level of education, formation and professional experience of the persons who make up the target group, identifying the needs, problems and grievances of the persons who make up the target group, issuing recommendations in regard to the structure of the program package of professional formation, issuing recommendations in regard to the best location for placing Tele-centres.
3. METHODOLOGY OF RESEARCH

The research method an enquiry based of a questionnaire. The research instrument used is the questionnaire made up of 22 questions. The questionnaire has been structured in 2 sections (identifying data and general data regarding the professional level and the options of the group).

Filling out the questionnaire was done individually by each and every person. Whenever the need arose the subjects were aided by an operator during the period of collecting the data, namely February 2010. The area of research comprised 239 persons looking for a workplace, living in the rural environment, mainly aged between 17 and 35.

The obtained results on this segment of the population reflect aspects worth knowing by a firm’s management, without being generalized. The data was digitised using specific software. The final reports contain geographical and demographical data as well as the centralising of answers for each question. Also, the final reports have been exported in a program of table calculations in order to generate some useful graphics for the analysis.

4. THE RESULTS OF THE RESEARCH

The distribution of the answers reveals that the levels of training were correlated with the distribution on habitats, on age and gender of the underemployed. They formed the basic parameters that generated the potential for professional training suitable for telework. The responding persons were mostly employed as “computer operator”, “human resources inspector”, and “secretary”, jobs which suit telework.

A 74% percent of the responding persons did not take part in professional forming courses, fact that justifies the necessity of organizing such events. A 26% percentage did take part in courses, but did not foster correlated competencies with the needs of the labour market and no form of work that may respond to the needs of the human resources from the rural areas was identified. This situation reveals the possibility of an educational offer that forms specific and transversal competencies for telework (informatics, foreign languages, communication/ negotiation, administrating businesses and accounting).

A significant percentage of the responding persons, 98% consider as necessary the services of professional training but also the information services. Because 25% of the responding persons have no usage of computers at all, and 30% minimum and 13% medium knowledge on this topic, it is absolutely necessary to form computer abilities, reported to the specific of telework.

Of the corresponding persons 137, 57% are not familiar with the concept of telework, 22% know vaguely this concept and only 6 of the responding persons, 3% have sound knowledge on the concept because they were interested. This implies that actions of exploration and awareness for the concept of telework are necessary. Also, the responding persons accept telework in a considerable percentage and they assume the responsibility of using the informational technology in the field.

A higher frequency for responses may be found in the field of electronic commerce, telephonic sales, and public relations, but also other fields of higher interest.
5. CONCLUSIONS

The conclusions of the report are formulated, taking into account two pillars that form the objectives of the research as well. One is the level of education, forming and professional experience that form the target group.

The level of education of the questioned unemployed is correspondent to the acquisition of knowledge through professional forming courses specific to telework, as 86% have graduated medium and upper professional studies and a significant percentage has worked as permanent employees or as part time employees. One may notice that some of the unemployed have worked as computer operator, as human resources inspector, as secretary etc., jobs specific to telework.

Thus, one may denote that there is human potential with a level of education, forming and experience specific with the forming courses suitable to telework. The other is the needs, problems, and grievances of the persons who form the target group. One may notice that an important share of those questioned wish to take part in courses of professional forming and realize the need for competencies in order to become present on the labour market as a worker or as the owner of a business. In the same time, the responding persons consider the professional forming courses important as they are an advantage in a job interview and the information is useful for building up competences.

Thus, the degree of acceptance for the educational offer is high. One may conclude that an important part of the responding persons manifest awareness in the search of a work place, but they realise that they do not have the aptitudes and the knowledge the employers are looking for. The acquisition of knowledge in the fields specific to telework is accepted (commerce, sales, IT, secretary, tourism, customers relations), thus the setting up of tele-centres is justified.

The questioned persons have to the better part, at least minimum computer knowledge and are willing to learn more in this professional field. However, they do not posses sufficient information on the concept of telework but are willing to work in the service department of a tele-centre.

They accept the telework especially in the field of electronic commerce, telephonic sales, and public relations but also in other specific parts of telework. At the same time, the responding persons show preferences towards starting a business and even being part of a support network for the location of jobs.

REFERENCES

Jackson, P.J. (1998) "Teleworking international perspectives from telecommuting to the virtual organization". Editura Rutledge London
POSSIBILITIES FOR CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

Mihail DOBRESCU

ABSTRACT

After the 1990s theoretical debates regarding corporate social responsibility (CSR) extended in Romania, but only in the measure in which the academic community managed to acquire knowledge about the studies of western theoreticians. Presently the research is at the beginning and the practical application is based more on the CSR experience of multinational companies. The realized research reveals our preoccupation for the CSR concept, with the interest on the way in which the transparency of social programs is carried out as well as in the credibility of the companies involved in the CSR policies, using social and environmental audit, social bearings and ethical codes. The research reveals the necessity of grasping by the business people of the need for the CSR transparency and the accord between declarations and practical social actions.

KEY WORDS: responsibility, stakeholders, corporations, transparency, credibility.

JEL: M14, M51, M53

1. INTRODUCTION

In Romania there is no complete knowledge of the field of CSR and the CSR practices belong mostly to multinational companies. There are partial programs regarding social investments that take the form of sponsorships and donations or corporatist philanthropy. We have however few information on CSR strategies, on the policies of companies of on the groups involved in/or affected by the companies actions. In this context we have carried out a research in the purpose of knowing the opinions of business people from the Caraş-Severin County on two of the most controversial issues in the field of CSR: transparency in the policies of CSR and credibility of the companies that carry out social programs.

2. THEORETICAL FUNDAMENTS REGARDING CORPORATE SOCIAL RESPONSABILITY

The specialty literature has produced a variety of definitions, each illustrating the advantages of the CSR practices. It has been argued that the CSR is “the process by which the managers of an organization think and discuss the relations with the stakeholders as well as their roles in relation with the common wealth” (Basu, Palazzo, 2008). CSR is thus “the continuous accord of the business to behave ethically and to contribute to the economic development, enriching the quality of the work force and that of the community” (Watts, Holmes, 2003). In his introduction on the corporate social responsibility from the Encyclopedia of Public Relations, Rawlins (2005)

1 Deputy Professor PhD., Faculty of Economics, University “Eftimie Murgu” Reşiţa, Romania, m.dobrescu@uem.ro
proposes another meaning for the CSR: “to be good, by doing well”. Therefore, the organizations that practice CSR become favorite employers, chosen neighbors for the community selected vendors for the consumers. Apart from the maximum profitability imperative, companies have also social responsibilities. A large part of the companies’ success is due to the values, expectations and social norms, in a certain sense there is a social contract and this determines corporations to abide by the social objectives. Carroll and Buchholtz (2000) realize a CSR pyramid as follows: economic, legal, ethic and philanthropic responsibility, whereas Kotler & Nancy (2005) realize a typology of the CSR programs: promoting a cause, marketing related to a cause, social marketing, philanthropic actions, community work and business practices of social responsibility.

The theoretical fundaments of the CSR reveal that each organization operates within an arena of multiple stakeholders and each stakeholder has different expectations regarding the way in which the organizations should operate. The UN, the EU and the Organization for Cooperation and Economic Development are three of the most important institutions that have become involved in drafting a framework for defining the CSR and setting the markers by which it could be transparently evaluated. The poll has set as a goal to highlight the way in which the companies from Caraș-Severin County use the three instruments that ensure transparency and credibility within the CSR: social audit, social markers and ethical codes.

3. METHODOLOGY

CSR, is a form of social involvement with taking into account the interest of all the co/interested groups (stakeholders), from shareholders, employees, business partners such as suppliers, clients, creditors, distributors, to consumers and community; drafting a strategy of social involvement that integrates on the long and medium term in the company’s development strategy and the corporatist communication strategy. Transparency in the CSR policies for corporations is:

- To define an ethic code with a set of ethic standards that set the rights and obligations of the company towards the co-interested groups;
- To make public the ethic code and to promote it with the employees and business partners;
- To draft periodic social reports that should reflect the limits in which the companies respects the obligations it has vowed to uphold;
- To make public the marking standards used as well as the auditorium that has drafted the reports;
- To evaluate the social investments programs, their impact on the targeted social groups;
- To publish the results of the social investments programs.

The target audience was made up of business people and their representatives involved in CSR programs. Research questionnaires, with 16 questions have been drafted and which have covered the criteria that define transparency. We have taken into account the credibility as being the accord between declarations and the actions of the companies. The questions in the specified dimensions have tackled the problems of social and environmental audit (social audit and the fields envisaged for auditing), the social reports (publishing the reports, their credibility, the target groups taken into interest and the reporting process), the ethic code (the existence of such an element, its publication), the social investments (evaluating and publishing the results of the
evaluation, the evaluating methods used, the fields of social investments, the target
groups envisaged for the investments).

The research has had two stages, the first being quantitative and the second
being qualitative. The qualitative research has been made up of a content analysis of the
answers to a set of questions addressed to the persons encompassed in the poll. The
testimonials, which has been carried out on the same sample of representatives for the
business environment involved in CSR.

4. INTERPRETING THE RESULTS OF THE QUANTITATIVE
RESEARCH

The questionnaires have been answered by 65 business persons and their
representatives, the answer ration being 100%. Of these correspondents, 52, 6% claim
that the firms are not socially audited and they do not publish social reports. This results
in 23, 4% of the companies being socially audited, the multinational companies being
predominant. One must notice that 24% of the answering people claim that they are
ignorant of the fact whether the firms in which they work are socially audited. The
answering people consider that the main problems to be taken into account by a social
auditor in their company in order of their precedence should be: the relations with the
local communities (82, 3%), the rights and working conditions of the employees (76,
2%), the consumers (62, 8%) and the environment (68, 7%).

Of the correspondents 40% state that their firms publish social reports, although
only 15, 3% of the companies have published social reports on their websites. 7, 69% of
the business persons or their representatives claim the social reports of the firms are not
credible and 17, 01% claims that the social reports seem credible. At a ratio of 86% the
business persons or their representatives state that their firms posses ethic codes. The
main channels by which the firms promote the ethic code are: internal communication
channels (82%), training (34%) and corporatist web sites (48%).

According to the study the ethic codes address firstly the employees (92%), the
shareholders (32%) and the clients of the companies (47%). Of the correspondents 76%
state that their firm invests socially and 92% state that the organizations should invest in
community problems. 24% of the correspondents state that their firm neither does nor
evaluate social investment programs.

The ones which claim that their firm carries out the evaluating of the social
investment use in the order of importance the following methods: the invested budget
(67%), press articles (55, 6%) and reports of the partner ONGs. The fields of investment
preferred by the companies are: training and opportunities for professional development
for the employees (84%), education (60%), working conditions for the employees
(71%), culture and art (54%).

The fields of preferred social investments by the employees are: training and
opportunities for professional development for the employees (72%), education (67%)
and working conditions for the employees (64%).

5. RESULTS OF THE QUALITATIVE RESEARCH

The qualitative research consists in collecting and analyzing the data from a
sociological and psychological perspective that explains the attitudes, the motivations
and the behavior of the ones referred to by the studies (Olteanu, V. (2002)). The
qualitative research has had the purpose to identify through in depth interviews the problems suggested by the first part of the research. From the answers to the interviews on can draw the conclusion that the transparency in the CSR policies and the credibility of the companies are determined by the ways in which the said companies make public the results of the social programs.

These are a proof of transparency and respond to some needs of the stakeholders of knowing what the concrete results of the companies’ actions in this field are. One can also conclude that the social reports are not credible, they have the tendency to exaggerate, the results are unjustifiably optimistic and follow almost exclusively the attracting of benefits for the public image.

The concept of CSR is mistaken very often with punctual actions, donations, sponsorships, generally philanthropic actions. Corporate social responsibility is not understood as a management practice, the activities being let to the care of the Public Relations Department. The attitudes towards evaluating CSR programs reveal the necessity for realizing the social audit in all stages of carrying out the actions which would allow the establishment of the goals, of the priorities, of the target public, the establishment of precise tasks for the involved team, the follow up for the partial and final results.

6. CONCLUSIONS

The research of the corporate social responsibility CSR practices in the Caraș-Severin County brings a plus of information and analysis in the field and may serve to the fundament of the company’s development strategies. The CRS concept is sufficiently known in the companies with over 500 employees and very well known in multinational companies with branches in the Caraș-Severin County Alcoa, Raiffeisen Bank, BRD – Groupe Societe Generale). One can draw the conclusion that transparency and credibility of the companies that practice CSR are determined by the way in which they make public the social programs. The need is felt for a common language and of a unitary perception on the way in which these can be developed. In most companies CSR has not become an organizational culture because the initiatives are not properly communicated to the employees.

Each company must constitute a set of CSR values that may exercise a strong influence on the decisions and individual behaviors (Crăciun, (2006)). Actions are necessary for knowing and realizing the recommendations of international institutions (UNO, EU and OCED) which have become involved in drafting the framework for defining CSR and the companies should establish markers through which transparent evaluating is possible. Generally, the conclusions of the research reveal the necessity of developing practices of corporate social responsibility especially through the promoting the experience and good practices exchanges within the European Union, taking into account the international standards in this field.

In the future we propose to realize a study regarding the way in which the organizations of the Caraș-Severin County build and coordinate the mutual beneficial relations they have with their clients, communities and other employees.
REFERENCES


Kotler, F.; Nancy, L. (2005) ”Corporate Social Responsibility: doing the most good for your company and your cause”, Editura John Wiley, Hoboken


Publication Encyclopaedia of public relation, Thousand Oaks

PEDAGOGICAL TERMS OF FORMING OF SYSTEM OF SPIRITUAL VALUES OF STUDENTS OF ELECTROMACHINE-BUILDING SPECIALITIES OF TECHNICAL UNIVERSITIES

Alexander ROMANOVSKit1
Tatyana GURA2

ABSTRACT

The role of lectures and psychology-pedagogical cycle in formation of spirituality of students of electro machine-building faculties of technical universities are allocated in the article. Basic methodical conditions and their approbation in conditions of technical universities for development of the highest level and self-control of mature personality of student are revealed.

KEY WORDS: Education, personality, humanity, lecture, motivation, student-electro machine engineer.

JEL: I2 - Education and Research Institutions

1. RAISING OF THE PROBLEM

The present stage of development of engineering activity is characterized by system approach to the decision of difficult scientific and technical tasks, addressed to all complexes of socially-humanitarian, natural and technical disciplines. We will underline that the structure of modern engineering activity is complicated, and today greater specific gravity is taken by such its kinds, as an invention, planning, construction, development of technologies, engineering scientific researches, organization of production. It is especially necessary to mark out organizational-administrative activity.

A modern engineer becomes not simply a specialist that decides the narrow professional tasks. As the leader of higher or middle link, he is forced to solve the most various problems of management, that refer to satisfaction of demand of users at rapid recoupment and reliability of effect from investments, orientation on the newest technologies and methods of highly productive activity of production and commercial firms (Tovagnyanskiy L.L., Romanovskiy O. G. (2002), s.35). Therefore the primary significance is taken by preparation of professional engineers-leaders in the conditions of technical university.

Connection between the problem and the most important scientific tasks flows out from the basic requirements to the engineers, that were formed on Third world congress of engineering education (Great Britain, Portsmouth, on September, 25-27, in 1992), among which - formalness of personal and professional responsibility, that "is

1 Doctor of Pedagogics Sciences., professor, National technical university „Kharkov polytechnical institute”
2 senior teacher, Teacher-Methodist, Department of pedagogic and psychology of social systems management, faculty „Informatics and management”; graduate student, extra-mural form of teaching, speciality is “Theory and method of trade education”, National technical university „Kharkov polytechnic institute”
based on ecological thought, common to all mankind values and moral is selected. Connection of the problem and the practical tasks follows from the basic constituents of engineer-leader, among which the leading is spirituality which consists of possibility of the leader to spiritual intercourse in a collective (Romanovskiy O. G. (2001), s. 49).

2. ANALYSIS OF THE LAST SCIENTIFIC LABOURS

Many publications are devoted to the study of problem of spirituality. So, the problems of forming of personality of engineer found there representation in Works of M. E. Dobruskin, A. A. Mamaluy, V. C. Marigodova, Yo. I. Paleh, O. S. Ponomarov, O. G. Romanovskiy, P. P. Sklyar, A. A. Slobodyanjuk, L. L. Tovagnyanskiy and other. At the same time not enough works are devoted to research of spirituality of students of concrete specialties as a necessary condition of forming of administrative jurisdiction of future engineers in pedagogics of management. Therefore primary aim of the article consists in opening the given problem.

The task of research is the use of lectures as an effective form of pedagogical influence on education of spirituality among the students of machine electro-builders – future leaders in the National technical university „Kharkov polytechnic institute”.

3. STATEMENT OF BASIC MATERIAL

Classic of native pedagogical science V. A. Suhomlinskiy marked that „ high culture, many-sided spiritual queries and interests, craving for permanent enrichment of knowledges are the features of a new man” (Suhomlinskiy V.A. (1961), s.54-55). Therefore forming of spirituality is the obligatory element of education of students in higher technical establishments.

As Romanovskiy O. G., Babaev V. M. and Ponomarov O.S. note in the monograph „, the dominant of preparation of future leaders must be made by forming of high moral qualities of personality of leader, his moral principles and persuasions which only can help him to realize his personal and public purpose with greatest effect (Romanovskiy O. G., Babaev V.M., Ponomarov O.S. (2000), s. 49).

The sociological questioning shows that the insignificant part of success of engineer-leader relies on his professional jurisdiction, and mostly this success connected with ability to work with people (Sklyar P.P. (2007), s.81).

Therefore a question must be put the way, that the future specialist of electro machine-building industry should not only know a technique and technology of production well, be able to execute the engineering tasks successfully, but also be in a position to find answers for such questions: what place is more effective to use by a concrete worker, how to create more comfort terms of labor, using individual approach.

Important description of professional culture of future engineer-leader of electro machine- building sector is interdependence and correlation with the personal valued orientation and morally-ethic paradigm of a man, with professional ethics which is typical for the circle of his intercourse. Indeed, more frequent of all morally-ethic norms and principles or codes of conduct are directly connected to common professional activity of representatives of this concrete professional group, come forward as a result of more adequate estimation of value of a person as a leader and personality in his professional environment.

Thus, the indicated norms and principles promote the assertion of authority and
priority of personality not only as a leader, but also as a cell of humanity of the interpersonal relations. This acknowledgement from the side of colleagues promotes opening of creative potential of a man, maximal its personal and professional self-realization.

Native specialists from psychology and management pedagogics mark on that the search of ways of activation of human factor in the middle of organization and taking into account social-psychological features are one of deciding terms of increase of efficiency of activity of any establishment, enterprise or firm (Karamushka L. M. (2003), Orban-Lembric L.E. (2001)).

Therefore on the modern stage of preparation of engineers-leaders of electric machine industry the psychologically-pedagogical preparation of specialists is actual.

Among the types of lessons which are conducted in NTU „KhPI“ during teaching of discipline „Psychology and pedagogics“ such forms of conducting of studies as lectures, seminars, consultation are used.

Conducting of lectures on given discipline in higher technical universities has its own peculiarities. Above all things, it is necessary to take into account that forming the basic concepts of psychology and pedagogy in the students’ minds is the task of lecture.

4. CONCLUSIONS

By the methodical requirements of lectures’ conducting and their approbation in the conditions of NTU „KhPI“ in relation to education of spirituality of students authors consider:

1. High organizational-methodical level of lectures, sticking to psychologically-pedagogical rules of mastering of information. A lecturer comes out not only as an informant, but also as personality – spiritual, intellectual, creative.

2. Thematic completion, integrity and logical slenderness, division of lecture on sections, selection of introductory, basic and final parts, following of exposition of a new material, accordance of the expounded material to the curriculum and executable code of the given course. Thus a lecturer must not overload the student-future engineer-electro machine -builder by surplus scientific terms, but to oppose on the examples of application of psychologically-pedagogical notions in the real life. A modern student is more pragmatic, more informed. He has his own point of view and is able to lead it logically, therefore a teacher must have tolerance in relation to opinion of a student and sufficient practical and theoretical experience, which constantly must recommence by new knowledge’s and facts from the real life. And this, in the turn, requires from the teacher the permanent teaching.

3. Introductory part of lecture must contain a motivational constituent, to prepare students to perception of basic educational material logically and psychologically. For students the examples of application of the proper lecture material in the real life are a strong motivational component, therefore at the beginning of lecture it is necessary to use the substantial examples of application of psychological notions, but here a teacher needs to watch the time, and he must make no more than 5-7 minutes on motivation of students.

4. Basic part must contain explanation of actual material, it is necessary to make changes in the plan of addition of material with moral-psychological terms. Teacher who does not interest students by exposition of material, and gives dry facts causes carelessness in an audience; students begin to speak on a lecture. Therefore a
teacher must take into account feedback and constantly watch after an audience. The error of teacher and his incompetence is a phrase: «Who is not interested, can leave an audience». This is actually what a student who isn’t interested expects, therefore it is important to prove to the student not only importance of study of the given theme at the beginning of the lecture, but also to retain his attention to the end of the lecture. And it requires from the teacher complete return of forces and knowledge.

5. In a post amble the conclusions, task for the independent working of questions, and also recommendations, for the independent prosecution of the proper material must be given briefly; accentuation of attention of student on the terms of implementation and form of control of independent work is a necessity (Petric O.I., Artsishevkiy R.A. (2007), s.6-7). A post amble also requires from a teacher the concentration on the aspect of spiritual values. He must develop the subject of independent study of program material, taking into account the greatest level of development and self-regulation of personality, on which general-human values appear to be the basic motivational-substantial regulators of its vital functions.

6. Exposition of material of a lecture must be clear and accessible, the linguistic picture of lecture, receptions of oratorical art, facilities of emotional expressiveness need in the special attention. At this the rate of exposition of educational material must provide possibility of its abstracting to a student; it is necessary to give the special attention to explanation of stumpers, to support of permanent interest of students to material and their creative activity. In NTU „KhPI” some teachers of psychology, having sufficient professional experience of work by practicing psychologists, use a lot of examples from own experience at teaching, that does a lecture interesting and more reasoned. But they do not take into account the requirement of executable educational code in relation to informing part of lecture from the given theme which needs obligatory information of psychology and pedagogics. Therefore authors recommend not oversaturating lecture by the examples of work experience, and to use the given information during seminars as situation tasks, enabling to the students the right for their independent decision, that promotes forming not only strategic thought but also development of freedom of will of students, that is the index of spiritual development of personality.

7. One lecture must proceed no more than two academic hours for 45 minutes with break between them. It is expediently to conduct lectures of all disciplines at the beginning of lessons, and their common amount during one day must not exceed two studies. As to conducting the lectures on psychology and pedagogics this point is not often executed. Dean's offices, asserting the curriculum of lessons, often plan lectures on psychology and pedagogics as the last lessons, not taking into account the mechanisms of cognitive psychical processes of a person: lectures on humanitarian disciplines also need concentration of attention, activation of thought and stimulation of student's memory.

8. Intensification of educational process is provided didactically by the valid use of modern hardware's of teaching and evident-illustrious material on the lectures. Because of the fact that lessons of psychology and pedagogics are conducted in different corps of institute, which are found on considerable distance from each other, and it means that the time necessary for preparation of hardware's of teaching is limited. Therefore during conducting the lessons it's expediently to use the mathematical methods with the purpose of increase mastering of material– drafting of charts and graphs on a board and others like that.
9. The requirements of individualization of educational process also cause the necessity of help to those students who feel certain difficulties in mastering of programmer material, to prepare to his perception preliminary by working of stumpers with the help of school-books and textbooks. The teachers of technical disciplines are wrong, when they consider that mastering of notions of disciplines of humanitarian cycle is quicker by the students of technical university, than mastering of the special technical disciplines. Unfortunately, this is not always that way. Adverting to statistical facts – in 2008-2009 school year in NTU "KhPI" it was expelled about 200 students who study on contract basis because of academic debts of disciplines of humanitarian and social and political cycles (not special disciplines).

10. During conducting the lessons authors consider, that in NTU „KhPI" teachers often take technocratic approach to teaching that conducts to the thing that communicative capabilities of students are not developed, a conflict grows, complexes of inferiority develop, progress goes down and admissions of lessons grow. And that all does not assist to development of spiritual values of students, and vice versa detains this development. Therefore planning the hour's increase of disciplines of humanitarian cycle in the curricula of preparation of bachelors, specialists and master's degrees and executable educational codes of technical universities is a necessity. Unfortunately, curricula of bachelors, master's degrees, specialists do not take into account the requirements of pedagogics and psychology to the human factor, and in addition the order about selectivity of disciplines which include humanitarian preparation of students was issued by the ministry of education and science of Ukraine in 2009. It will result in the even greater compression of hour's amount of disciplines of social-humanitarian cycle at higher technical school that underlines the neglect of principles of humanization and humanization of higher technical education.

Thus, analyzing the pedagogical conditions of forming of spiritual values of the students of technical universities of electro machine building specialties it is possible to do such conclusions:

1. In modern conditions insufficient attention is spared to forming of spirituality of modern engineers-leaders of electro machine building faculties, while it should to be the dominant factor of administrative jurisdiction.

2. In the process of the professional administrative personnel training among students-machine electro-builders with the purpose of the proper their moral education authors consider that it’s expedient to use such active methods as teaching with clear educational orientation, strengthening of individual work with students, activating their participation in the political, public and cultural life.

3. As the direction of subsequent research authors count the research of efficiency of conducting of seminar studies on disciplines of psychology-pedagogical cycle not only among students of electro machine building faculty NTU „KhPI”, but also among other faculties of technical universities.

REFERENCES

ABSTRACT
Comparing the data offered by the Anuarul României Mari for the years 1923-1926 with the ones contained in the pages of the volume treating the 1930 Census a clear economic progress for the German residing in the area of the Banat Highland is shown. The data are more complex in 1930 than in the interval 1923-1926 and show a concentration of the Germans in the urban environment on some specific field of activity. In the county Caras, the Germans who lived in the cities were mostly practicing mining and metallurgy with the auxiliary branch of the chemical industry. In the county Severin, most ethnic Germans worked in the wood industry, in constructions and in transports. In both counties the members of the German minority were an important presence in commerce and banking institutions, but were more poorly represented in the public services institutions. Unfortunately the Enciclopedia României from 1938 and the Census from 1941, contain no data at all regarding the division of the population on occupational fields from an ethnic point of view. This fact has deprived us of the possibility of realizing interesting comparisons regarding the occupations of the ethnic Germans from the Banat Highland.

KEY WORDS: occupations, Germans, Banat Highland, census, interbellic period, urban and rural environment.

JEL: J5, J51

1. OCCUPATIONS OF THE GERMAN MINORITY IN THE URBAN AREAS

The Census of 1930 is important in terms of ethnic and religious composition description of the population of Greater Romania in the interwar period and in terms of presentation of various minority participations, with the majority of occupational branches interwar economy of our country. Finding the number of minority employees in the main German profits generating activities in the third and fourth decade of last century can provide important data for understanding how the employment of labour. This allows in turn drawing a portrait of the social situation of the German minority in terms of the work of its members, the standard of living and this ethnic stratification.

In the urban areas, the three decade period of the twentieth century, there is a population density of ethnic German occupation the largest share being industrial workers employed in UDR (34.50%), followed by independent craftsmen (3.02%), retailers (1.57%). Freelancers had a share of 0.95% of total German minority relative to the total number of this ethnic group was sufficient to provide needed services in the field of community life, taking into account the density of occupations in this category of occupations.

1 Assistant PhD Candidate, Universitatea „Eftimie Murgu” Reşiţa, Facultatea de Ştiinţe Administrative România
2 Professor PhD Universitatea „Eftimie Murgu” Reşiţa, Facultatea de Ştiinţe Administrative România
Thus, in 1930, in urban areas lived in Caras 29,453 people, of whom 12,792 were ethnic Germans. Distribution of total and minority population under study according to occupational branches is as follows: 3,221 people, of whom 122 were German farmers. This leads us to assume the dual economy in many cities in interwar Romania, where some family members working in commerce, industry, transport, administration or mining but others continued to deal with agriculture. 251 people worked in the mining of which 122 were German. An impressive number for that date, 13,028 people worked in metallurgy, 7508 of whom were ethnic Germans. 472 people worked in the timber industry, representing a total of 293 Germans from them. Buildings were served by 459 workers, of which 327 were German. 1226 worked in the textile industry workers of which 658 were ethnic German and 636 workers of the food industry, 343 were Germans, and of those 655 234 workers were German chemical industry. In the credit institutions of the urban there were working Caras 248 people, 94 of which are States in the German community. Transport had 1192 employees, 233 were Germans. 1392 employees were working in trade, 614 of them German minority. Public institutions of urban villages in the county were served by 1618 employees, including 314 ethnic Germans in this figure.

The county residence, the city was inhabited by 9585 Oravita inhabitants, of which 2155 were German community. In terms of occupations, 1930 census data shows that 2561 inhabitants, of which 47 Germans were involved in agriculture, 187 inhabitants, of which 23 Germans were involved in mining and 572 inhabitants, among them being ethnic Germans and 242 metallurgy. Timber harvesting working within 258 workers, among them 147 Germans and 222 construction workers, among them 170 members of the German minority. Textile industry and manufacturing in that city had 577 employees, among them the German 240, while 281 employees include food, by which 128 German minorities, not forgetting to mention that the chemical industry worked Oravita industry 65 workers of which 29 were German. Credit institutions in that city could rely on the services of 187 people, among them Germany and found only 70 were served by 535 trade employees, 194 were of German origin. Of the 802 employees in 144 public and private transports were parts of the German community. Public servants were 959 of which 154 were ethnic Germans.

In the industrial centre, Resita with 19,868 inhabitants of that city 10 637 German minority, the situation prevailing population distribution according to trades is as follows: Of the 660 farmers, 75 were Germans and of the 64 miners, 40 people belonging to minority foregoing. Instead, the city had 12,456 workers metallurgists, of which 7266 were Germans. 214 were working in wood industry workers, including 146 were of German ethnic origin. The town had 237 of which 157 were German builders. In terms of the textile industry can note a good overall representation of 649 employees, 418 of whom were German minority. The same situation is present in the food industry where 215 of the total of 355 workers were Germans. Chemical industry, served by 590 workers, 205 workers present a number of German origin. Although workers in the credit institutions were few, only 61 people still exist in themselves a total of 24 ethnic Germans. The situation was far more favourable to the minority in the economic sector where the total trades of 857 workers, 420 were Germans. 390 people were working in transport of which 89 were German minority, while 659 employees working in public administration, among them are 160 persons of German ethnicity.

The urban environment of the Severin county residents had a population of 40,456 of which 9897 were ethnic Germans. In store and dual economy in this county, for those 5272 inhabitants, of which 586 Germans practiced while living in urban agriculture. Mining was
practiced only 63 inhabitants, of whom 26 were in the minority but Germans. 1351 residents working in the metallurgical industry of which 476 were German minority. Wood processing have more practitioners, 1557 of which a large number of 767 were part of the German community. 2364 people worked in construction of which almost half were ethnic Germans 1005. The textile industry had 3773 inhabitants with an important percentage of 1399 persons were members of the German community and the employees of which 563 Food 1608 were Germans. 1608 people worked in the chemical industry of which 563 were of German ethnic origin. Credit institutions had 560 employees of which 152 were German, while commercial activity was served by 3333 workers, almost one third of them, 921 persons were of German origin. German citizens working in transport 3870 representing a total of 812 employees, while public institutions had a large number of employees’ 7109 people of which only 738 were members of the German minority.

The county’s residence, the city Lugoj had a total population of 23,593 people, of whom the Germans representing a number of 6152 inhabitants. A total of 2382 people were working in agriculture, 421 of whom were Germans. In mining the Germans were a third of workers with 12 employees in 36 people overall, and in metallurgical industry had a total of 266 persons of 805 workers. Wood processing was practiced by 855 people of whom 412 were German, while construction workers were one third of 1992, 865 were ethnic Germans. 2738 people worked in the textile industry of which 1034 were Germans and food industry workers were employed 1031, almost a third of these, 306 were German, while the chemical industry had 306 workers including all third, 112 were of German origin. The credit institutions of the city had 372 employees 94 of whom were Germans, but there were served by commercial activity 2164 workers, of whom 577 are German. In transport, the German community members represented only a small percentage, 394 employees in 1390 overall, however accounted for a percentage over a quarter in public institutions with a total of 1241 employees out of 4133.

An important communication hub and gateway between Banat and Transylvania, the city had to Caransebes 1930 8,704 inhabitants, of which 2083 were ethnic Germans. Agriculture was practiced by 1554 people, including 143 German ones. Mining dealt only 9 people, 3 of which are of German origin, and the metallurgy 300 inhabitants, of which almost half, 126 were members of the German minority. Wood processing occupation was of 538 inhabitants, of whom more than half, 288 people were part of the community mentioned above. 239 construction workers working out of which almost half, 110 people were of German ethnic origin. The textile industry had 622 employees, 190 of who were Germans, and the food industry have 307 workers, 129 of whom were German, while the chemical industry was served by only 73 workers of whom 28 were Germans. 117 credit institutions working people, nearly a third of them, and 35 persons were ethnic Germans and the trade was served by 600 staff of which one quarter, 154 people were Germans. 853 people were employed in the transport of the city, of which one quarter, 212 Germans were opposed to public institutions employing 1795 people of which only 229 were members of the German minority.

The Orsova port, an important centre for trade and maritime communications in 1930 had a total population of 8159 inhabitants of whom 1662 were Germans. 1336 people worked in agriculture, of which only 22 were German, which brings the conclusion of an economy marked by strong duality even in urban, but not extended to the minority, while in mining work 18 people of which 11 Germans were showing a greater adhesion of this community to industrial concerns. Metallurgy have 246 employees, of which 84 were German and 133 construction employees, 30 of whom were German, while 164 persons
were working in wood exploitation, almost half of them, 67 persons were ethnic Germans. The textile industry had 413 employees, 175 of whom were Germans, and the chemical 285 employees, including in this issue on the 73 German minorities, while the food was served by 270 workers, including 128 ethnic Germans. The credit institutions of the city were working 71 persons, comprising 23 ethnic Germans, about one-third and 569 trade people, the number included 190 German minority. Shipments were served by 1627 employees, including 297 Germans working in public institutions and citizens 1181, included in this number 115 were members of minority under study.

The Germans in the county under study represented almost half the entire population of the urban environment. For Caras, urban observe a very weak overall participation of Germans in the agricultural industry. Instead they constitute half of employed miners, metallurgists and two third of the workers. All ethnic Germans constitute two thirds of all workers in the construction and exploitation of the forests and half of the employees of the textile industry and food. They formed a third of workers in the chemical industry. Trade and credit institutions had almost half the proportion of persons of German ethnic origin, transport and public institutions and Germans constituted about one-fourth of the employees. Notice per whole urban environment of Caras a specialization of ethnic Germans on mining, metallurgy, construction, exploitation of forests, textile production and trade and banking, which requires the conclusion of a highly industrialized population with a deep involvement in the financial life urban municipalities in the county.

The county formed a quarter of the ethnic German population. They were less involved in agriculture and mining but made up half of those working in metallurgy and timber harvesting. German minority construction workers accounted for two thirds of employees. In textile industries, food and chemical industry in that city the German community was almost half of all employees. More than a third of employees who worked in trade and the banks were of German origin, while almost a quarter of workers employed in transportation and public institutions belonging to this minority. Notice how in the county Caras, the ethnic Germans had become specialized in metallurgy, food, textile and chemical industry but also construction and timber harvesting.

One of the most important centres of the Romanian steel industry, the city Resita have over half the population of German origin. There were only a few practitioners of agriculture; however two thirds of the miners and metallurgists were ethnic Germans. The same proportion is maintained when construction workers, the textilierilor, and the food industry. Germans in the chemical industry were less than half of all employees. The Germans were underrepresented in occupational sectors such as transport and public institutions but were a third of employees of credit institutions and half of the city's commercial workers. We observe a strong concentration of ethnic Germans in metallurgy and mining, but also in related industries serving these two industries, names, construction, textile and chemical industries. Along with them have developed credit and commercial life in the German minority was also well represented. This we must conclude that the development of primary branches of the industry prompted the side and then reached and the development of trade and banking life. Minority under study had an important participation in basic industries continued to have great importance in the auxiliary and financial life of the city.

The Germans from the urban environment of the Severin County formed a quarter of the total population. The Germans had little representation in urban agriculture, accounting for only 10% of the population with this occupation. Instead they represented 30% of miners and metallurgists of, and almost 50% of builders and workers in wood harvesting.
The German textile industry formed a percentage of 40% of all workers, and food 35%, while the proportion was identical in chemical industry. Banks were served by a workforce that Germans formed a percentage of 25% and the percentage of minority German trade was 30%. Representation of employees in German industry and in public transport was a little weak for about 20% and 12% of all workers of these industries. We conclude that the point of gravity of the ethnic German occupation was in construction and industry, followed by textile industries, food, metallurgy and trade. The absence of major steel centres, as was the case required a readjustment Caras other industries, such as the exploitation and use of building materials and the light industries, not forgetting of course, the blood of any market capitalist economy, namely trade.

The residence of the Severin County had a population accounting for one fourth of the total German population. Of all farmers town, the Germans were a quarter. Among miners town, 33% were German, where the proportion is 42% metallurgists. Approximately 48% of all workers in wood exploitation of Lugoj were German, while 33% belonged to minority workers employed in construction under study. Cloth workers 45% of workers were of German origin, and among those employed in the food industry 33% were from minority mentioned above, keeping the proportions and chemical industry. As part of the bank 25% of employees were of German origin, as well as commercial activity Severin County. If the German transport represented only 20% of employees, however, public institutions they formed about 25% of the workforce. This situation allows the following conclusion: the German occupational focus is on timber harvesting in Lugoj, the metallurgy, the textile industry and then the mining, food and chemical industry. The main industries are about equally developed, uniform and for ascertaining the ancillary industries. Perhaps this harmonious industrial development, fair and uniform made the interest financial sectors - commercial economy or public services to be lower than in other cities.

Old centre of the Romanian border guards, the town Caransebes had a German community in the interwar period totalled a quarter of the total population. About 10% of farmers were German city, and 33% of miners and 45% of metallurgy belonging to this minority. In wood processing half of workers was of German origin, the same goes for construction. Germans accounted for 30% of textile workers, food and chemicals. Keep proportion in banking life, though something less than a quarter in the case of commercial life. The Germans were still a quarter of employees in the transport and only an eighth of employees in public institutions. This allows us to conclude that most members of the German minority were employed in construction and wood processing, metallurgy and mining industries followed. Almost equal development of the main branches of soil and subsoil resources data allowed for a balanced economic life in the town under study, the German community is an important part of it.

The transport and shipping trade was an important component of any State interwar economy. Romania was no exception in this case. Located on the Danube, the city enjoys the presence of Orsova enterprising population, the German community was a sixteenth. In the agriculture Germans were a very small percentage, but that greatly magnified up to 32% in the mining and metallurgy. A quarter of construction workers were German, but 50% of the ethnic belonging of timber harvesting above. The textile industry employed 45% were of German origin, the percentage is 25% food and 48% in the chemical. In 30% of banking employees were ethnic Germans and the commercial proportion was 18%. An optimal public transport and private employees and public institutions tenth of employees were members of the German minority. This let us conclude employment over the
development of industries in direct connection with shipping such as chemicals, textiles and timber harvesting. Metallurgy and mining was next. On the basis of industrial life thriving German community bank has grown its life; the members of the minority involved in this activity reached a noticeable compared to the total population of this economic sector.

2. OCCUPATIONS OF THE GERMAN MINORITY IN THE RURAL AREAS

Regarding the German occupation in rural areas will continue with some examples of locations where representatives of the minority held a lively economic activity during the third and fourth decades of last century. Of course, today many of the localities are used to exemplify urban centres. Settlements and Anina, Bocsu, Baile Herculane, Faget, Moldova New, Red Otelu now have a city status conferred on them by the state authority in the second half of the twentieth century. During 1918-1940, they were considered but, as rural communities, according to the Law for the administrative unification of June 14, 1925 which divided the county of Greater Romania, nets, and common urban and rural communities. Since the thesis deals with the temporal interval between the wars as we considered appropriate that these locations are classified as rural communities, as was their status in those years.

Census 1930 is important in terms of ethnic and religious composition description of the population of Greater Romania in the interwar period and in terms of presentation of various minorities’ participation, with the majority of occupational branches interwar economy of our country. Finding the number of minority employees in the main German profits generating activities in the third and fourth decade of last century can provide important data for understanding how the employment of labour. This allows in turn drawing a portrait of the social situation of the German minority in terms of the work of its members, the standard of living and this ethnic stratification.

Thus, in 1930 the rural population of 171,476 living Caras which 12,862 were ethnic Germans. Of the total rural population of the county, 128,194 were farmers, not surprising in view of the situation when the whole of our country with about 80% of the population living in villages and hamlets and dealing with agriculture, the number of them being ethnic Germans 1460. At that time in rural dwelling Caras there were 10,330 miners, of which 2,893 were ethnic Germans. Metallurgy workers were 7,942, the Germans in this sector accounting for 2,685 people. Timber harvesting was practiced by 2,320 people, 732 were of German origin. Worked in construction at that time 1,208 people of which 217 were German. Textile and manufacturing was served by 2,223 employees, the Germans of that branch totalling 691 people. The food industry workers were employed 1,064, 421 of whom were Germans. Chemical industry, present a smaller number of workers, only 372 people of which only 65 were ethnic Germans. The rural credit institutions in the county worked 116 persons, 35 of them with German origin. Much better represented in terms of labour was the trade, of the 2,407 persons 687 were ethnic Germans. From the 2,407 employees working in transport, 323 belonged to the German minority. Finally, 3,280 people working in public institutions, 267 of whom were German minority.

The other administrative-territorial part of the Banat Highland, the Severin County, was living in 1930 in rural areas of 199,130 people, of whom 13,221 were German ethnicity. Animal husbandry and plant cultivation was practiced by 172,434 inhabitants, of whom 7,722 were 1959 Germans and mining people, including 278 German minority. In metallurgy, out of 5,735 workers, 1,663 belonged to the minority under study, while wood
processing was practiced by 1956 people, among them being one of 617 Germans. Construction workers, the number of 839, including 227 people from the German minority were far exceeded in number those in the textile industry, 1926 workers of which a number of 451 were Germans. 961 people worked in the food industry, including 301 German and 793 in the chemical workers, including 312 members of the minority under study. Trade and credit institutions had only 67 employees Severin County of which only four were ethnic Germans, but the commercial branch of which 469 worked 2022 people were members of the German community. Employees grouped Transport 2068, 139 of them minority under research, and public institutions working in 3531 employees, 287 of whom were of German origin.

The Banat Highland had the highest percentage of population employed in industry. Steel industries, mining and wood processing mainly held. However, 74% of the inhabitants of this micro region are involved in agriculture, even if only as a secondary employment or subsistence. Many agricultural workers of Caras-Severin, namely 8.2%, did not have their own area, and another 45.15% had less than 2.5 ha, while 0.21% of peasants had owned 27% of all agricultural. Many peasants were forced to take on lease land for which a fee paid in products ranging from 33.33% to 50% of cereal production and about 25% of hay. Land reform had some particular elements in Caras-Severin. Large landowners, as there were individuals, legal persons, however, representing banks and companies had an important share. Of the 340,193.5 ha of agricultural land in this county, community property of the former Border Regiment Nr. 13 of Caransebes had 26%, 19.2% UDR and the areas of rule 5%. Most had between private owners, Count Istvan Ambrose held in place Surducu Mare 277.5 ha of agricultural land. He was followed at some distance, in terms of land ownership taken by Ana and Joseph Balica Andercovic of Carneci.

Sometimes, as was the case in Ruspert, land reform has caused legal conflicts between the wealth of former Border Regiment Nr. 13 and people of German origin. The latter leased certain forest areas of the bank of Caransebes had been cleared by them and practiced intensive agriculture. On one hand, agriculture has benefited from adding new surfaces, on the other hand has broken a contractual clause prohibiting cutting of forests. The process was extended to Germans Ruspert land reform was completed only in 1930.

As a result of redistribution of land and pastures, most German Resita Bocs Montana Oravita, Orsova, Lugoj sold their cows and have purchased a race Siementhal large number of goats. Those who had their own gardens growing on these plots and those who did not have gardens were using communal pastures. The Caras and Severin counties and prefectures reports from the years 1926 - 1927 and 1936-1937 confirms this by showing that an average family in those cities had 30 goats.

Besides farmers, most residents in the villages and hamlets Germans in the Banat Highland devote jobs in the services sector and small crafts area. They were both employees and employers in small shops and workshops in rural villages in which they lived. Working as vendors, barbers, blacksmiths, carpenters, tailors, butchers, tanners, plumbers, painters or as doctors, dentists, teachers, lawyers, these people have contributed to the material and spiritual development not only of the minority to which they belonged to and within the communities who were born and prospered.

A series of Mountain Banat German communities have received land for grazing and wood to cover the needs of former property company STeG. Following the Commission's work dealing with agrarian reform agriculture in the county of Caras-Severin, German peasants Bocs Montana received 211 hectares of land, those Dognecea 670.5 ha, 70.5 ha
Anina those, those from Moldova Noua 1017.5 ha, those mountain Sasca 1076.5 ha and 405 ha Valiug those of agricultural land.

These measures were designed to alleviate economic downturn was felt following the First World War. The difficulties of reconstruction period that followed the war world were enhanced by the closure of industrial facilities in Mountain Banat. Copper mines were closed in 1921, prohibiting the operation of the Romanian state gold mining areas. Ocna de Fier only had been granted authorization to do so. Copper mines in Moldova New, Sasca Montana, Ciclova, and Dognecea were closed. This has caused some writers acid reaction. Narrative approach is to note his satirical Sim Samuel Moldovan:

"By this government's moratorium became unemployed local population and the richest county of Romania (Caras-Severin) was throw into misery. Once past the village Ciclova beautiful industrial, mining and steel that were stitching to create a mechanical workshop with sledge hammers, until the opening of a mint, it was a catastrophic decline due stubbornness of the government bodies. Romanians ancestral populations are hungry, and German industrial schools must emigrate, even the privileged crafts Gypsies precious metal its only lead a miserable existence from their musical talent".

A decade later, several workers of German origin in the mountains Banat opted to go abroad, based on a better paid job offers to mitigate global crisis of overproduction that rage without mercy on the world economy. Miners of the Banat Highland, especially those of German origin opted for emigration to areas rich in coal and iron ore in France, Alsace and Lorraine. Given the fact that German was spoken by a large proportion of the population in these two regions, into the new work environment was not a problem.

A first group of 41 German miners, natives of Secu emigrated in May 1930 in France. According to an agreement in June of that year between the Romanian and French governments, miners with five or more children had the right to emigrate with his family. Travel and subsistence costs from Timisoara to France were borne by the employer. Workers continued to pay 10% of monthly salary in Romania to house workers who were enrolled at the same time enjoying the rights under French labour law. Ordinary working day for the miners’, namely 8 hours resulted in a paid sum of 28 francs for coal exploitation and 30 francs for exploitation of iron ore. Accommodation is done in colonies built for workers, the daily cost of 10 to 20 francs per day. The daily food cost 10 to 12 francs. The French employer is obliged to pay each day for each worker the cost of a litre of wine.

In mid-July 1930 came to a commission to recruit miners Resita volunteers. French employer was represented by two experts and the Romanian state by an inspector of the Ministry of Labour and Social Care. Individual contract were employed by 120 workers. A first group of them, totalling 70 people left on 17 August of that year to France. Professor Franz Wagner offered to those who went abroad to work free hours of French. Commission on November 7, 1930 but moved back to Resita and Anina, and 4 days later, 12 miners have gone to France. Working and living conditions were not the best after Anton Stupak, a German worker who wrote while he was employed Resita and moved to Luneville. His letter was published in the newspaper Temeswarer Volksblatt. The miner reported the following:

"Neither here is our situation here the best. We work from 7:30 to 12:30 am, and then have 45 minutes lunch break. In the afternoon we work from 13.15 until 18.15. Most Luneville workers, including domestic ones, around 95% of them still work 90 minutes overtime to earn a satisfactory wage. Average salary is 4 francs per hour (about 24 lei, noted Anton Stupak). However, living is hard; food is 40% to 60% more expensive than in
Resita. Instead Articles of bed, clothes and household items are 30% to 45% cheaper. The 14 workers at Luneville are from Resita some of whom will return home for Christmas. Others will resist the six months until the contract expires, then will move to another city, where living conditions are better. If subsistence costs are everywhere all the same we will return after a year in Romania”.

3. CONCLUSIONS
Analyzing comparatively the occupational data from the years 1923, 1924, 1925, 1926 and 1930 we notice easily the dual character of the Romanian economy practiced by both the majority and minority ethnic groups. Although the Banat was the most industrialised region of Greater Romania, almost three quarters of the population still practiced agriculture, even though it was a secondary occupation. This fact was valid for the Romanian majority and for the German minority alike. For the years of study taken under consideration one notices a slight urbanisation of the German minority, in the sense that more and more agricultures become qualified as industrial workers. Their families do not abandon however agriculture. If the mature members of the families have become employed in industry, trade, commerce or transports, the older ones and the children stay behind to grow crops or raise animals. The Land Reform of 1921, marked by numerous difficulties and conflicts, has allotted plots of land to the German minorities, often located in the boundaries of urban boroughs from the counties Caraş and Severin. This fact prompted a change into raising animals. The Germans living in the urban environment continued to raise cattle, especially Siementhal breed, but those living in rural boroughs directly adjacent to the town changed their animal breeding to goats. Different from the years 1923-1926 the statistical data of 1930 show a decrease of the presence of Germans in free lancer professions, in the civil service and in agriculture. The situation is similar for the domain for private entrepreneurs and owners of small shops and stores. In stead one notices a concentration of the Germans on the specific industries of the counties Caras and Severin, namely: mining, metallurgy, constructions, timber harvesting. In the same period of tine, the Germans are present in he economic branches of commerce, transports and banking. The economic policies of the government were often criticized by respected journalist from the Banat such as Sim Samuel Moldovan, who denounced their negative effects not only on the German community but also on the Gypsy and Romanian ones. Whenever the economic realities of the age demanded a change, some Germans from the rural and urban environments, miners by craft emigrated to France and Belgium, where they worked hard to cope with new difficulties. Not all of them were lucky and some returned home before the expiring of their employment contract.

REFERENCES

Azzola, Eugen, Von der Donaumonarchie über Rumänien zur Bundesrepublik, eine Familiengeschichte, manuscris, Marburg, 1949, in Archivium Diocesanum Timisoarensis.
Bell, Karl, Das Deutschum im Aussland. Monographiensammlung, Dresden, Deutscher Buch und Kunstverlag, 1926.


Schmidt, Josef, *Die Deutschböhmen im Banate*, Deutsche Buchdruckerei Verlag, Timișoara, 1938.


Windhager, Josef, *Meine Heimat*, manuscris al familiei, Reșița, 1941.


5. Tables

5.1 The rural environment from the counties Caraș and Severin– the situation of the occupation for the Germans in the years 1923-1926

<table>
<thead>
<tr>
<th>Borough</th>
<th>Total number of population</th>
<th>Total number of German inhabitants</th>
<th>Bankers</th>
<th>Merchants</th>
<th>Antrepreneurs</th>
<th>Free lancers (engineers, doctors, lawyers)</th>
<th>Employees of the UDR</th>
<th>Crafts men</th>
<th>Land owners</th>
<th>Farmers</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anina</td>
<td>9,800</td>
<td>4,562</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>3,200</td>
<td>51</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Bâile Herculean</td>
<td>360</td>
<td>88</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Bocșa Montăță</td>
<td>3,002</td>
<td>750</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>500</td>
<td>6</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Bocșa Româată</td>
<td>2,005</td>
<td>283</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>100</td>
<td>4</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Bocșa Vasiovi</td>
<td>1,092</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>7</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Caransebeșu Nou</td>
<td>692</td>
<td>586</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>200</td>
<td>2</td>
<td>0</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>Făget</td>
<td>2,178</td>
<td>252</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Moldova Nou</td>
<td>7,982</td>
<td>198</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>4</td>
<td>11</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Location</td>
<td>Value1</td>
<td>Value2</td>
<td>Value3</td>
<td>Value4</td>
<td>Value5</td>
<td>Value6</td>
<td>Value7</td>
<td>Value8</td>
<td>Value9</td>
<td>Value10</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>---------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>Oțelu Roșu</td>
<td>1.113</td>
<td>600</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>300</td>
<td>3</td>
<td>0</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Berzova</td>
<td>1.235</td>
<td>122</td>
<td>0</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Brebu Nou</td>
<td>859</td>
<td>841</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>Bethanien</td>
<td>786</td>
<td>468</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>0</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Biniș</td>
<td>1.427</td>
<td>13</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Boldu</td>
<td>708</td>
<td>29</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Brezoi</td>
<td>211</td>
<td>172</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Bozovi</td>
<td>2.144</td>
<td>173</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Grădinari</td>
<td>1.365</td>
<td>97</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>Carașoa</td>
<td>2.140</td>
<td>153</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Ciclovia Montana</td>
<td>2.500</td>
<td>62</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Cireșa</td>
<td>583</td>
<td>35</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Clopotia</td>
<td>1.816</td>
<td>366</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Daruvar</td>
<td>1.818</td>
<td>1.784</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>13</td>
<td>1.70</td>
<td></td>
</tr>
<tr>
<td>Doclin</td>
<td>864</td>
<td>22</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Dogneaea</td>
<td>2.138</td>
<td>606</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>100</td>
<td>3</td>
<td>0</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Eibenthal</td>
<td>500</td>
<td>482</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Iersig</td>
<td>851</td>
<td>22</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Gârâni</td>
<td>926</td>
<td>924</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>400</td>
<td>7</td>
<td>0</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td>Mehadia</td>
<td>2.062</td>
<td>132</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Moravita</td>
<td>1.491</td>
<td>1.400</td>
<td>2</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>21</td>
<td>0</td>
<td>1.100</td>
<td>0</td>
</tr>
<tr>
<td>Nădrașa</td>
<td>1.385</td>
<td>504</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>10</td>
<td>0</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>Năștișor</td>
<td>2.072</td>
<td>2.014</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>0</td>
<td>1.800</td>
<td>1</td>
</tr>
<tr>
<td>Prigorești</td>
<td>1.446</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Remetea Nemțescă</td>
<td>642</td>
<td>600</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>0</td>
<td>600</td>
<td>2</td>
</tr>
<tr>
<td>Sadovești Veche</td>
<td>486</td>
<td>470</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>400</td>
<td>1</td>
</tr>
<tr>
<td>Sasca Montă</td>
<td>1.361</td>
<td>257</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>200</td>
<td>0</td>
</tr>
<tr>
<td>Secu</td>
<td>938</td>
<td>353</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>300</td>
<td>8</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Slatina Timiș</td>
<td>1.894</td>
<td>107</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Stamosca Nemțescă</td>
<td>1.112</td>
<td>1.026</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>1.000</td>
<td>3</td>
</tr>
<tr>
<td>Știuca</td>
<td>847</td>
<td>827</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>800</td>
<td>0</td>
</tr>
<tr>
<td>Terega</td>
<td>3.564</td>
<td>144</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>11</td>
<td>0</td>
<td>100</td>
<td>0</td>
</tr>
<tr>
<td>Tirol</td>
<td>1.123</td>
<td>970</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>900</td>
<td>0</td>
</tr>
<tr>
<td>Valea Pai</td>
<td>1.025</td>
<td>27</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Văliug</td>
<td>1.518</td>
<td>471</td>
<td>0</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>12</td>
<td>0</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>Vârșad</td>
<td>2.031</td>
<td>68</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>60</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
5.2 The urban environment from the counties Caraș and Severin– the situation of the occupations of the Germans in the years 1923-1926

<table>
<thead>
<tr>
<th>Borough</th>
<th>Total number of population</th>
<th>Number of German inhabitants</th>
<th>Occupations of the German inhabitants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bankers</td>
<td>Merchants</td>
</tr>
<tr>
<td>Vegeșta</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vermeș</td>
<td>2,025</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borough</th>
<th>Total number of population</th>
<th>Number of German inhabitants</th>
<th>Occupations of the German inhabitants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Bankers</td>
<td>Merchants</td>
</tr>
<tr>
<td>Reșița</td>
<td>18,008</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Oravița</td>
<td>8,646</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Lugoj</td>
<td>21,593</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Caransebeș</td>
<td>7,704</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Orșova</td>
<td>7,159</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>
ABSTRACT
Science has made significant progress in recent years in understanding the human mind, the way people think and act. Recent studies show that people do not think in hierarchical linear ways and therefore the focus on the respondent rationality, logic and verbalization in the scientific research is unrealistic. This paper aims to demystify the exaggerated confidence of social sciences research approaches in quantitative research methods (especially questionnaire-based surveys). Having as research subject the human being (entity with amorphous valences - cognitive, affective, sensory and spiritual) we put into question the ontological commitment to be taken for scientific research and argue the need for openness of social sciences to new research methods in order to produce valid knowledge. Since the subjective processes (phenomenological, idiosyncratic and contextual) influences human behavior much more prominent than purely rational processes, we advocate the adoption of existential philosophy and phenomenological method. This paper presents an empirical analysis of the principles of this method of research in contrast to Cartesian approaches.

KEYWORDS: ontology, scientific research, existential phenomenology, research method.

JEL: B41; M31

1. INTRODUCTION

Previous research (Ciortuz and Trişcă (2011)) revealed the existence of ontological duality phenomenon that adversely affects research projects in social sciences. This does not refer to Cartesian dualism but the paradoxical situation in which social phenomena conceptualized from an interpretative perspective are investigated through empirical methods related to the positivist epistemological orientation and objectivist ontology (questionnaire-based surveys).

The quasi-dominance of quantitative research methods among social sciences in Romania (Zamfir (2010)) suggests that the ontological duality phenomenon may actually be widespread. Since ontological duality negatively affects the validity of scientific knowledge we argue the need of social sciences for opening to new research methods to produce scientific knowledge.
Through an exhaustive analysis of the Cartesian approaches assumptions, we demonstrate at a conceptual and empirical level the soundness of the hermeneutical approaches, particularly the existential phenomenology philosophy and method.

2. THE NEED FOR OPENING THE SOCIAL SCIENCES TO NEW RESEARCH METHODS

Paradoxically, empirical research in the field of social sciences still operates with rational agents. We say paradoxically because studies in the last two decades on how neural activities take place and are expressed in conscious thinking showed that people do not think in deeply rational and linear hierarchical ways. According to Zaltman (2003) for example, 95% of buying decision-making process takes place below the conscious. Therefore questionnaire-based surveys requiring from respondents to rationally explain their behavior may not produce valid knowledge, but only what Zamfir (2010) calls from a sociological perspective "an analysis of collective subjectivity" (ie an analysis of nothing else than opinions).

The model of the rational individual initially emerged in Economics. Homo Economicus is a mechanical individual (in a Cartesian sense), a simple intermediary device between his known preferences and the rational choice, automatically calculated. According to Hollis (2001) this perfectly rational individual has three characteristics: totally ordered preferences, complete information and a perfect internal computer. He acts rationally to the extent that he choose the action correctly calculated to be the most useful to meet his preferences. If agents are assumed to be perfectly rational, in their understanding their psychological personality is not considered. It is recognized that psychological characteristics will influence their preferences. But they are not perceived to have an impact on the choices that are made and there is no way to infer the psychological profiles of actors in the social games. This ideal individual was deliberately "cleaned" of any particular psychology.

Of course, the researchers in social sciences do not believe in this perfectly rational agent model. However, at the empirical research level, the quasi-dominance of quantitative research methods suggests a far too strong closeness to this model. We can speak as such about an ontological duality and an illicit attitude. On one hand, researchers agree that people have a psychology, one that makes them distinct individuals (not merely illustrative bundles of preferences) and governs their decision making processes. On the other hand, traditionally, empirical research relies excessively on rationality, economic logic and verbalization. Researchers in the social sphere usually investigate social phenomena through questionnaire-based surveys. This research method is based on self-reflection and consciousness. Furthermore, Thompson, Pollio and Locander (1989) shows that even the interviews and focus groups are conducted on this basis, according to the Cartesian postulate. It follows that the complex processes that motivate the actions of people operate well below the scanning possibilities of researchers who are focused on consciousness (Zaltman (2003)). In addition, the consciousness is expressed in words carefully chosen, usually involving self-censorship. The consciousness is based less on honesty and more on social acceptance. Therefore, much of the potential knowledge on people remains hidden.
For social scientists, in charge with reaching a deep understanding of people, this is a major problem.

The demystification of the exaggerated confidence of the social sciences research approaches in quantitative research methods can be based on the following observations. First, people do not think in linear deeply rational ways, when evaluate behavior alternatives. According to Zaltman (2003), consumers do not consciously evaluate the benefits conferred by a car, attribute by attribute, then buy it or not. Instead their emotions, the desire for happiness, prestige, etc. play a larger role than logic in making the purchasing decision. The idiosyncrasies and preferences are phenomena that explain the freedom of choice. These are subconscious processes and therefore the choices are not primarily rational. If the phenomena of thought, feeling and human action obey fixed laws than we accept the Cartesian determinism which deny the possibility of conscious choices. Medical research shows that 95% of human thinking takes place unconsciously, individuals using conscious thought mainly to rationalize their behavior. Therefore it is reasonable to believe that people cannot plausibly explain their thinking and behavior as they are required by questionnaire-based surveys or even through in-depth interviews. Mind, brain, body and culture of individuals cannot be studied independently of one another. They interact and shape each other. In addition, the memory of people does not accurately reflect their experiences. Research shows that memory is not perfect and actually change with the situation. In the Cartesian approaches (positivist ones), when people are asked to recall an experience, their memories are influenced by the sequence of questions and even the color of paper on which the questionnaire is printed. The emphasis of quantitative methods on verbalization is also unrealistic, because people do not think primarily in words. Brain scans suggest that only a small part of the brain neural activity is expressed through language. Subconscious thinking is pre-verbal. It involves mental activities, but mainly at pulse and fragmented images level (Zaltman (2003)). They remain outside researchers scanning possibilities when using quantitative research tools.

Based on the wrong assumptions listed above, researchers in the social sphere are making three errors: mistaken descriptive information with deep understanding, confuse data about people and social phenomena with understanding and focus on the wrong elements of individuals lived experiences. These errors call into question the validity of knowledge thus acquired. People's actions cannot be explained only by statistics. In this way they would remain "not intelligible at all or imperfect intelligible" (Weber (1904)). First must be covered a level of meaning of the action and then a focus on causality. Actions and their motives exist at a meaning level.

Quantitative research explains the social world and how it works from a spectator perspective, of someone from outside. This shows a naturalistic epistemological and ontological commitment. How people think and act urges us to consider that the most appropriate approach is a hermeneutic one, which is intended to understand the social phenomena from the inside, from the lived experience perspective of the individual. According to Hollis (2001) naturalists put a high value on objectivity requirement, considering that it generally applies to all sciences and ultimately leading to a unique form of causal explanation. The presumption is that, since the discoveries of natural science are objectives results of the search on objective truth, the social sciences are in difficulty if they cannot be objective. Spectacular successes of logic and mathematics and natural sciences
have resulted in an epistemology focused only on cognitive mechanisms, completely separated from psychological or social processes (Zamfir, 2007). A hermeneutic approach implies that a psychologist working with the meanings and motives is thus radically different from natural science, not least because the style of analysis necessary for rules, norms and roles prevents us to consider the relationship between social and psychological elements as one of cause and effect between different elements. The hermeneutic research approach is based on inter-subjectivity and intelligible order as it is understood from within. The difference is very deep.

The term hemeneutic approaches indicates the unitary way in which Heideggerian „facticity“ needs to be discussed, approached, interrogated, and explained. Heidegger (2008) calls „factic“ the being thrown into the world which is structured according to a such characteristic of being and which „is“ as such. If life is considered to be a way of being, then the term „factic life“ refers to the individual’s „dasein“ (da-sein – the phenomenon of one’s own time, to be in a certain time, to remain, to be present around something), as his/hers given – in a way or another of explanation of his/her characteristic of being, of what „it is“. The hemeneutics of „dasein“ reveals the being of the ontic-ontological and it is according to its object an ontology of the highest order, a „fundamental ontology“ because it is a transcendental theory of the ontological projection in its articulation and unity. It precedes the formal and material ontology. The tradicional ontological reflection misses therefore what it considers to be resolved in principle: the being of being (Hufnagel (1981)). As the tradidtional ontology considers the problem of the significance of being resolved, it will not raise it as a problem: thus being is the opposite term (Sein ist Gegenständigkeit als) (Hufnagel (1981)).

The purpose of the hermeneutic approaches is to facilitate the respondent’s (the subject interviewed) task of the „Dasein“, the task of making the experience that is every time his/her own accessible to itself (and implicitly to the researcher). Heideggerian „Dasein“ is not something that it is accounted for or which we take account of. It can only be unfolded through a form of phenomenological investigation. Gadamer (1960, pp. 83-84) admits the immanence of phenomenology in the hermeneutic approach. In the preface of the book “Truth and Method,” Gadamer (1960) states that the objective hermeneutics is "the experience of truth that exceeds the controllable truth of science methodology" (Gadamer (1960), p. 3). Through a hermeneutic interpretation of the research themes and problems can be achieved a higher understanding of the individual being and situation. Therefore hermeneutic comprehension always takes place in a circle, which is open every time to intentionality and to the interpretation effort. As a process, it turns and returns for deeper understanding of self by the interpreter itself. Hermeneutics is usually explained as follows: the whole must be understood from its parts and the parts from the whole, which form the hermeneutic circle. The hermeneutic circle describes the systemic interdependence between, for example, man and humanity, between being and existence, between text and language. From a methodological perspective the hermeneutic approach of a research that is closest to the ideas described here is the existentialist phenomenology.
3. THE PRINCIPLES AND THE METHOD OF THE EXISTENTIAL PHENOMENOLOGY

Existential phenomenology is a paradigm that combines the philosophy of existentialism, Heidegger's ontology of facticity and phenomenological methods. Human beings are perceived in non-dualistic terms, through a holistic psychology contextually based, aiming to achieve a first-hand description of the lived experience and revealing its unconscious aspects. Existential phenomenology has descriptive facets that focus on the world individual’s life. Rather than divide and then objectified the aspects of social life, the goal is to describe human experience as it was lived (Thompson and Pollio Locander, 1989). The meaning of the experience is always hermeneutically situated in the current experiential context and is coherent related to the continuous social world project. An important aspect of the existential phenomenological paradigm is that experience is not partitioned into objective and subjective categories. The method is not perceived as purely objective (freed from the human experience) or purely subjective (freed from the world phenomenon). The ontology is one of being in the world.

Thompson, Locander and Pollio (1989) show that the experience is a dynamic process in which certain events are figurative (stand out) in the world of individual’s life while others fade into the background. Figure that stands out is never independent of the field (its background) and vice-versa. No figure or field does not cause the other, however both co-constitute. All modes of human experience, such as thinking, feeling, knowledge, imagination, memory are seen as intentional phenomena, exerting a particular focus on which experience is directed (Thompson, Locander and Pollio (1989)). Ontologically, the experience occurs in a context and therefore cannot be located inside the person as a complete subjectivity nor outside the person as an objectivity freed from subject. From the existential phenomenology perspective the lived experience is understood in the context of the person in the world (Thompson, Locander and Pollio, 1989). Existential phenomenology describes equally the reflected and not reflected human experience. The relationship between reflected and not reflected experience is one of figure/background. Meanings and symbols reflected stem from the not reflected experiences background. Information resulting from a phenomenological interview provides an example of a respondent reflecting on what was previously a not reflected aspect of his experiences.

Although there are other methods of conducting phenomenological research (eg analysis of written statements), Kvale (1983) notes that the interview is probably the most powerful tool to achieve an understanding of the experiences lived by another person. Thompson, Locander and Pollio (1989) made a detailed description of the existential phenomenological interview methodology. According to these authors, the purpose of the phenomenological interview is to obtain a first-hand description of an experiential well-defined area. The flow of the dialogue is largely up to the respondent. Except the opening question, the operator has no a priori questions concerning the topic. Dialogue tends to be circular rather than linear. Descriptive questions introduced by the operator results from the dialogue and not from a predetermined way. The interview is intended as a conversation, not as a question and answer session. Operator’s role is to provide a context in which the respondent freely describes his/her lived experiences in detail. The operator does not begin the interview with the feeling that he knows more about the topic of the interview than the
respondent. Since the topic is the respondent experience, a contrary assumption is much more useful. The operator should not be perceived as stronger as or more knowledgeable than the respondent because the latter is the expert of its experiences. The questions used by the operator during the dialogue are intended to generate detailed descriptions of lived experiences.

The operator asks descriptive questions such as: "How was X?" "How did you feel when ...?" These questions are based on the words and phrases used by the respondent. During the interview, the operator should avoid the question "Why" because such questions shift away the focus of the dialog from describing the experiences as they were lived to a more distant and abstract discussion. The question "Why?" and the equivalent one "What made you do that?" are often ineffective for generating descriptions of lived experiences. They can be perceived as requiring rationalism and often induce feelings of prejudice and defensive responses (Argyris (1982)). Thompson, Locander and Pollio (1989) points out that these questions can put the respondent in the position "naive scientist" looking to find a plausible explanation for his actions. Ideal interview occurs when the interviewer's short descriptive questions and / or its clarifications provided an opening for a long and detailed description of the respondent.

In the Cartesian description (the positivist approach), a researcher adopts the detached perspective of a third person and looks at a phenomenon in an objective sense (as this is an object). By contrast, existential phenomenology aims to obtain first-hand description of the phenomenon as it was lived. Phenomenological description is an experiential one, not one that is objective. In an objective description, a five-minute interaction with a vendor for example is equivalent to any other five minutes interaction of this kind. From an experiential point of view, two five-minute meetings can be radically different. Existential phenomenological description of the world lies in the respondent's life. When the researcher engages in a causal analysis he abandons the basic theory of existential phenomenology which says that the understanding has to be at the lived experience level. The existential phenomenological understanding describes lived experience and their meanings arising from them. Thompson, Locander and Pollio (1989) argue that those that do not recognize the description as scientific method probably have took into account only descriptive researches conducted and reported from a third person’s perspective. The meaning of existential phenomenological approach is to facilitate the respondent task of "Dasein," as Heidegger put it, to make himself (and thus to the researcher) accessible the subconscious processes of lived experience (always personal).

In terms of methodology, after the interviews are transcribed the interpretation phase begin. The transcribed interviews become the text from which the interpretation transpires. The interpretation of the text of the interviews is done by an “interpretative group” (composed of researchers and other individuals familiar with existential phenomenological research) and is a hermeneutical process that reflects three methodological criteria: an emic approach (the interpretation is based on respondent’s terms and category systems and not on those of the researcher), text autonomy (the text of the interview is treated as an autonomous body of data containing respondent's reflections on how the experiences were lived and there is not any attempt to link these descriptions with external verification) and “putting in brackets” (putting in brackets means that researcher relates with the respondent reflections regarding his lived experiences in a non-
dogmatic way and tries to capture, not to impose meanings that emerge from the dialogue). Characteristic for hermeneutic interpretations is the interpretation from the part to the whole (hermeneutic circle). Thompson, Locander and Pollio (1989) argue that the existential-phenomenological interpretation is a bi-phase process. In the first phase the interpretive group seeks an idiographic understanding of each interview, which implies considering each transcript as a whole and connecting the transcription separate passages to the entire content. A second phase involves linking the individual interviews with the others and identifying common patterns. These common patterns are called global themes. Global themes are not perceived to provide comprehensive descriptions of the phenomenon, but that they capture the figurative aspects emerge from a given set of experiences. Even at the global themes level, the researchers need to refer to specific passages in the transcripts that allow a clear identification of the theme.

4. EMPIRICAL CONSIDERATIONS

We have chosen to illustrate the negative effects of ontological duality and the soundness of the existential phenomenological approach through an empirical research. We have investigated how customers expectations regarding the tourist experience lived in a tourist destination are formed. For this purpose three samples were established, one interviewed using existential phenomenology methodology and the other two by means of questionnaire-based surveys. The first sample consisted of 30 people who have visited this year an international urban tourist destination (15 persons) or a seaside resort (15 persons). The other two samples included 130 tourists visiting Paris and 130 tourists visiting a national seaside resort. Phenomenological interviews were conducted during May, according to the above methodology. Questionnaires for the second sample were administered directly by operators to tourists who were waiting at the entrance to the main tourist attractions of Paris, during the second half of August this year. Respondents forming the third sample were interviewed directly on the beach during the first five days of September. All sample members were selected by operators based on previously developed criteria. These criteria included socio-demographic characteristics (age, sex, education level, income, occupation, country of residence) and decision making process and travel behavior patterns (length of stay, previous visits, the time elapsed since the last visit, when the decision to visit was made, with whom the destination was visited, the type of tourist accommodation used, the purpose of visit, the type of transportation used, the type of services reserved in advance).

The interpretative group (consisting of two researchers) performing the phenomenological research has identified the following sources on which customer expectations are based: previous visits to the same destination, the experiences lived in similar destination, verbal recommendations from friends/relatives/acquaintances who have visited destination (word-of-mouth), recommendations and comments posted on the Internet by other tourists, the role (active or passive) played by the tourist during the experience, the needs, desires and personal motives, the functional clues regarding the experience, the clues regarding the aesthetic dimension of experience, humanistic clues of the experience, images posted on the Internet by the service providers regarding the services booked in advance, the prices of the travel services booked in advance, the prices
that tourists knew that are charged the destination, the fame of the destination, the brand of the service providers booked in advance; the classification category of the service providers booked in advance, advertising, books (novels) and movies, radio and TV broadcasts information and background articles from the print media. All these sources have been identified in the lived experiences descriptions made by tourists. Respondents were asked to describe the state of mind that they had before the visit. As shown, although the number of respondents was relatively small (30 people) were identified a variety of potential sources on which expectations are formed.

The sources identified through the phenomenological interviews were included in a questionnaire. The questionnaire for tourists visiting Paris was translated and applied in English language and the questionnaire for the Romanian tourists visiting the national seaside resort was applied in Romanian language. The surveys have highlighted aspects that are calling into question the validity of the results and the relevance of using such a method to investigate aspects of experiential nature. Tourists were asked to answer to the question "How the following factors did influenced your expectations about the experience you were going to live in this destination?" The respondents had to evaluate the influence of each factor identified through the phenomenological interviews on a seven level scale (-3/strong negative influence, -2/negative influence; -1/slightly negative influence; 0/no influence at all; 1/slightly positive influence, 2/ positive influence; 3/strongly positive influence and a null option (I do not know /I cannot answer). Must be said that the use of a scale with two valences (negative and positive) was suggested by the experiences described in the phenomenological interviews. In marketing literature where the researches are conducted mostly according to the logical empiricism paradigm the conceptualization of the negative expectations is not to be found. These types of expectations contradict the rational consumer model discussed above. Phenomenological interviews show, however, that tourists can have negative expectations about certain aspects of experience and still comply with the experience.

A particular problem was generated by the very term "expectations." The Romanian survey respondents tend to confuse expectations with wishes (desires). Therefore the question itself (which is simple and explicit) and the list of potential sources that can trigger the expectations generated confusion. Respondents had difficulties to verbalize the expectations they had and to link the factors listed with these expectations. Therefore the initial responses were predominantly inconsistent and irrelevant. Once they received clarifications on how these factors may have influenced their expectations and were frequently reminded what is the meaning of "expectations" respondents invariably modified their answers, not only regarding the intensity of the influence but also its valence. Often they chose an opposed option to the initial one. English native speaker respondents had no difficulty in understanding the meaning of the term "Expectations." But they had difficulties in understanding the role of listed factors in the formation of expectations, although in some cases this role was quite important. We can conclude that the influence of a substantial number of factors was under scanning ability of the questionnaire.

Investigating how expectations were formed among tourists already in tourist destination highlight the question of research temporal appropriateness. We can assume that the administration of questionnaires in the pre-trip phase could have produced better results. Often the respondents shifted mentally from expectations to the current experience.
which increased their confusion. Participants in phenomenological interviews, although they described finished experiences didn’t encounter the same difficulties. Because the respondents were describing their state of mind, factors that contributed to the expectations formation and their influence appeared very transparent in all descriptions. There were sources of expectations that created serious difficulties for the most respondents to the questionnaire. Forced to reason, the survey respondents fail to identify the role of experiences lived in similar destinations in shaping their current expectations. The phenomenological interviews did not reveal this, the subtle influences exerted by this factor naturally transpiring from the experiences described. Also, the question of the role that tourists were to meet during the experience (active - the experience was going to depend largely on the tourist; or passive – the experience was perceived as not depending largely on the tourist) has produced confusion and uncertain answers. The phenomenological interviews instead revealed profound and unexpected influences “I knew the experience will depend largely on me and I was afraid that I'll not be able to manage it. I was very worried.” The influences induced by factors such as novels, movies, TV news and background articles from printed media remained also undetected by the questionnaire approach. From the phenomenological perspective they were easily outlined which shows a higher sensitivity of this method in identifying the influences and their intensity. Both valence and intensity of influence can be deduced more precisely through phenomenological interviews mainly because the questionnaires respondents fail to focus on the significance of scale levels. They tend to mediate the vast majority of responses, maintaining consistently the same level of intensity for several variables due to their lack of attention. When interviewed by questionnaire respondents rarely reach the state of mind and attention necessary to produce relevant responses.

According to these observations we can say that in investigating the experiential aspects the existential phenomenological interview method is superior to questionnaire-based survey in identifying the variables, their intensity and the valence of the influence.

5. DISCUSSION AND CONCLUSIONS

The research from an outside perspective forces the respondent to verbalization and rationality, evading unconscious processes and generating false results. Along the social sciences there is a pressing need to develop research methods that penetrate more deeply the human mind. For researchers to understand the experiences of people they must engage methods and an ontology that allows experience to exist. Studying the lived experience is different from studying an epiphenomenon of a cognitive structure. Experience is something different from response patterns or cognitive structures. The ontology of being, which emphasizes the hermeneutic approach developed by respondent and facilitated by the operator to understand the experience as was lived seems to be more appropriate to capture the phenomenological, idiosyncratic and contextual aspects which describe the human behavior. As long as man is an entity with amorphous valences - cognitive, affective, sensory and spiritual, unconscious and conscious processes interpenetrate and condition each other without any possibility of dissociation. As such, any empirical partitioning of lived experiences in objective/subjective categories arise the danger of ontological duality. In the context of ontological duality hypothesis discovery process occurs as a subjective
one and the empirical verification process as an objective one. The means by which knowledge propositions are generated are independent of the methods used for verification. The philosophy and methods of existential phenomenology avoids the ontological duality. Existential phenomenological interview is not a purely objective method (freed from the human experience) and neither a purely subjective phenomenon (freed from the world phenomenon). Hermeneutics is a method that allows the understanding of human behavior based on how the experience was lived in the world - the only relevant referential system. The verbalization of the lived experience is a hermeneutic process (something that is done) held by respondent (according to its metaphorical baggage) and facilitated by the operator. Knowledge depends on how the respondent is assisted by the operator in his process of unaltered awareness of what has been lived, that Heidegger's Dasein.

A common accuse regarding the hermeneutical approaches is that it lead to relativism (Hollis (2001)). From this perspective, the positivist concern relates to the fact that by accepting the relativistic construction of truth it will lead to conclusions without empirical basis, opening the way to dogma and superstition that will pass as knowledge. As shown in the empirical example presented above existential-phenomenological research is empirical. All interpretations are supported by evidence. Although ontological and methodological assumptions of existential phenomenology and logical positivism differs, existential phenomenology methodology shares a commitment to conduct rigorous empirical research that are open to thorough examination.

REFERENCES

BRAND IDENTITY BETWEEN AESTHETICS AND ELOQUENCE

Angela BRETCU

ABSTRACT

This paper tackles the problem of brand identity in the context of present modifications in the vision of grand marketing specialists. The stages marketing passes through in this evolution influence visibly the tackling of the problem of brand identity, especially in large corporations. Through the globalising process, brand identity has new valences as it becomes tackled more and more to a global identity. Market studies show that the impact of brand identity on the consumer is decisive, and the impressions are in close connection with the aesthetics tackle in this endeavour. Aesthetics is tackled in all the aspects of drafting a management of the brand identity, underlining the advantages that this effort supposes. The advantages of using aesthetics in brand promoting are identified, as well as the identity management through aesthetics and the expression and impressions of brand identity are analysed.

KEY WORDS: brand, aesthetics, identity, impressions, expressions.
JEL: M31

1. INTRODUCTION

If a few decades ago, so in the not too distant past always concentrate on marketing isolated attributes of product / service and its advantages, it is now valid "branding phase", which examines in depth brand positioning, addressing among others and aesthetic planning. This is often essential in developing and implementing a brand identity. Many marketing executives have realized that long acted for the achievement of that objective: a new quality, cost savings, exploitation intensive production technologies, etc., not turning to meet absolute customer values the product to ensure the needs expressed by experimentation, or aesthetic needs. Since the results were not great, they switched from traditional marketing to a new marketing marked aesthetic experiment.

The concept of "aesthetic" is a broad category of generality "that is attached to the objects and processes of nature, society and consciousness previously existing human or human-forged condition and who possess such a structure, able to integrate harmoniously into the whole" (Păraian, Pascu, 2010). The concept of functional beauty is not new and is currently addressed in all areas of economic life. The French aesthetician Etienne Sourri was the first who said that there is a conflict between good and good saying that "beauty is obvious perfection: everything is perfect when its purpose is consistent with," (Achim I., 1968). Today, aesthetics is considered beneficial for both consumers and companies providing mutual opportunities. If at first opportunities were limited only to limited sectors such as fashion and cosmetics, now every sector benefit from using aesthetics.

Aesthetic approach to life ensures a trader the opportunity to address its customers through a variety of sensory experiences, with beneficial consequences on all. Acting in this way with competence and reliability, businesses can find strong points

1 Associate Professor, Phd, “Eftimie Murgu” University Resita, Faculty of Administrative Sciences
of differentiation, using aesthetics to create positive impressions and singular position and beneficial to the consumer market. The brand, through the importance in trade shows, has attracted the aesthetic use complex when expressed identity in the market.

2. THE ADVANTAGES OF USING AESTHETICS IN PROMOTING THE BRAND

Over time, brand awareness has been addressed in several ways. Thus, steps and approaches while promoting brand were (Schmitt and Simonson, 2002):
- the attributes / benefits stage;
- the brand awareness stage (name and associations);
- the stage sensory experience (aesthetic marks).

Phase attributes / benefits stage focuses on the benefits those qualities (powers) of the product they bring to the buyer. These marketing strategy segment customers according to their needs and which seeks to meet through property, through emphasizing their brand attributes so that they can choose. Kotler, Urban and Star, in articles published in the 90s and again stressed the importance of benefit segmentation technique as the most effective marketing activity. Utility aspect is heavily exploited by the so-called unique competitive advantage by using a specific criterion that differentiates the product from the competition. "If you develop a unique competitive advantage, using a relevant criterion for a significant portion of the market, we can enjoy a substantial market share and high profit margin. We differentiate the product from the one of the competition in a manner that creates utilities for customers and profits for us". (Urban G., Star S., 1991) It was considered that the key benefits offered to increase curiosity than buyers, if they are properly expressed: Beauty mattresses - rest – beauty sleep, wellness, and Accutron watches - accuracy. However, at least there are now no longer give customers impressed by this kind of marketing, since they are not as interested in the singular attributes of the product as lifestyle and values they promote it.

The brand promoting stage, dating back to the 1930s and going through phases of increasing and decreasing in the form of various names, such as brand image, brand recognition, brand awareness, etc.. It was a top of the first phase, because it recognized that consumer decisions are not just about cost / benefit ratio. This phase focused on the importance of ensuring cohesion and structural symbol brand identity and makes it more prestige ends. Literature focused on this particular choice of names and associations that the consumer's mind makes it pronounces the name. David Aaker's statement is significant, "a symbol of power can provide an identity and cohesion and structure can be much easier to win recognition and stronger raising the status symbols part of a potential identity reflects their strength "(D. Aaker, 1991).

The brand aesthetics is the stage that promotes brands sensory experiences related to products promoted satisfactory expressed by combinations of words, photos and pictures, as well as sound, touch and smell. It is considered that a communicational world, as the present, the attributes and benefits of products and brand names and their association are not sufficient to capture and retain customer interest and attention.

It is eminently necessary a new stage that:
- provides customers a unique sensory experience;
- relates this experience to the company's positioning and product promotion.
The difference between classic and current stage is well illustrated by the following example: traditional agents "sell steak." Good at marketing agencies (the contemporary) focuses on the benefits perceived by consumers; they sell "sizzle of cevapicci steaks on the grill." (Schmitt B. A. Simonson, 2002). Basically, consumer psychology was the one who inspired marketers to add this dimension marks. "Using qualitative research and focus group, they found that most purchasing decisions are far from being rational and began to overlap the functional benefits of products and services strong emotional and psychological messages." (H. Pringle, P. Field, 2011). Beginning to be used music and imaging as emotional and psychological benefits, especially in creating advertisements. Brands have thus become at least temporary protection from competition, having so long to find other innovations to stay ahead. Martin Lindstrom book attacks the problems of this size sensory Brands raising it to rank the essence of sales. His advice is to build strong brands using the five human senses. "Communication in the branding is a turning point. To be successful in the future, brands will have to find ways to overcome the deadlock two-dimensional and stimulate other senses neglected. Extraordinary picture quality is not enough. You should, rather, to integrate all five senses to create the foundation for future branding strategy" (Martin Lindstrom, 2009).

The advantages of using aesthetics in promoting brands are:

a) Aesthetics is a major agent of customer loyalty, this is best seen when products are differentiated in their typical duties. In this case, sensory experiences achieved striking contrast that differentiates the product from others and thus become the strong points of sale.

b) It allows for higher prices, companies with strong brands recognized and respected, can afford to sell products at prices higher than those who do not have "brand equity". Thus, the company "Nike" sells an ordinary pair of shoes $ 150, while a typical company may do so only 20% of the other. When considering which of the characteristics of a brand are so strong aesthetic regime stands unique context surrounding this brand so popular for young people.

c) Of the many informational messages, the aesthetic message is most easily perceived, contemporary society, so refined, and is heavily bombarded with information-logo messages, phrases, and images. From this ocean of messages, the aesthetic is one that echoes the easiest for sight, hearing, smell and touch are natural attributes of man, who instinctively guides, creating an attractive and affordable aesthetic identity.

d) Gives protection against attacks increased competition, counterfeit brand protection involves multiple ways. Of these, aesthetic offers one of the most valuable ways in which brands can become inimitable. So, the most powerful aesthetic manifests in all elements of identity, the more it gets harder to copy.

e) Can help to reduce costs, this advantage is if they excelled in meeting marks the guiding aesthetic lines so that all advertising techniques are constantly items that do not have redesigned, rebuilt, reinvented in each new campaign. Thus, significant savings can be achieved in certain chapters, with beneficial consequences of company promotional budget.

These are just a few arguments for the strategic management of brand identity to take account of aesthetic activity. An attractive and lasting identity of a company means a high "brand equity". Brand managers must work closely with product designers with graphic artists, creative businesses so that the results expressed by unusual signs or
symbols, visual, smell or sound, to represent the company in a most attractive and charming customers in particular sensory experience, that because a company with thousands of products offered to customers, they have at their disposal, most times, a few tenths of a second for buying decision. At this time, very short, something special must seduce the customer. This "something" can be an aesthetic element of brand identity. That is why, along with other traditional elements, aesthetic environment has become a key element of success.

3. THE MANAGEMENT OF BRAND IDENTITY THROUGH AESTHETICS

Brand identity is increasingly used more strategically. The core of identity management is to create a brand aesthetic that I express character through attractive elements of identity. Such expressions give rise to good feelings created for customers and likely to build stable relations. Identity created must be consistent, distinctive and relevant managing to create a preference in the market, adding value to products that are thus imposing higher prices. To create a brand identity is a concept that needs to consider the following factors:

♣ Customer needs and requirements;
♣ The organization's ability to meet those needs;
♣ Identity approach in a creative, original way;
♣ To achieve a balanced advertising campaign - enough to make known the identity of the brand, but without becoming tiresome, embarrassing;
♣ The advertising campaigns must be constant to allow fixing identity in the minds of consumers;
♣ The ability to highlight brand identity characteristics that differentiate the product / service from the competition;
♣ The ability to motivate brand identity so as potential customers will purchase product / service.

In carrying out identity management should be pursued following:

A. to create an identity, which in its entirety to ensure uniqueness of the mark thus obtained;
B. identity is necessary to highlight one aspect that distinguishes the brand from the competition;
C. brand identities to denote harmony with the product / service you are offering;
D. that each element of brand identity or to suggest better position to help this positioning;
E. there must be perfect harmony between the media and brand shown (it is hard to believe that a positive result through communication about a brand of perfume at a sporting event, for example).

Large campaigns usually have a variety of identity elements in choosing those that fit those seas. The smaller ones amount to items elect with the potential to produce aesthetic experiences of the target consumers. Public face of an organization's brand is expressed through various elements of identification: the insignia of the organization, business cards, letterheads, printed ads or TV, billboards, point of sale presentations, etc. To achieve an efficient identification management, these elements should be differentiated and addressed systematically. There are thus four categories of identity elements: properties, products, presentations and publications. These four P structured,
allowing for appropriate departments to conduct traditional marketing operations. Such properties are the prerogative of architectural firms, interior decoration, design, etc. They are the buildings or spaces organized and space vehicles for sale. Product brand and product engineers appear. They are aspects or attributes of the product / service. For presentations, graphics companies, packaging design. Presentations include external factors such as packaging, labels, packing bags, etc. publications, advertising agencies, PR agencies. Advertising includes promotional materials, business cards, brochures, etc.

These items have varying degrees of importance and variable impact on the consumer. For example, brands, properties have less importance, but aesthetic, presentation, publications are essential.

However, these elements are interrelated and are important in what is brand image. Also, if the brand is linked to the organization, these elements should be well harmonized to achieve positive integration.

There are three types of identities, which require proper management:
- The monolithic identity - which involves the same name and logo, signs, advertisements, aesthetic elements for all departments and marks a campaign. This identity is typical of large industrial conglomerates that are used acquisitions of companies. In this type of campaign is very brand identity. These companies have specialized departments but have strong links between them. This identity has the disadvantage that identity becomes amorphous at a time came to represent any or no longer represent anything.
- Brand identity, through which a campaign known industrial customers by name and aesthetic, and end users, only its brands. It specifies the pre-packaged consumer goods industry. Parent company is little known to consumers, identity elements are used extensively for brands.
- The guaranteed identity is a hybrid of the two variants, when each (and company and brand) provided they have the best. Thus the company can benefit from brand identity, or vice versa. This identity is often encountered in fashion. For example, Armani Company has four brands: Giorgio Armani (conventional style) Emporio Armani (casual and modern style), Maní (sold in department stores) and Armani Exchange (extremely casual style).

Creating a brand identity involves a strategic framework through which managers can address systematically and comprehensively clear lines for defining the desired mark, thus giving him value and perspective.

One has to address the following objectives:
1. Careful analysis to ensure brand identity planning. In this respect it should be followed:
   - Understanding of the identity that the company wants to design the trademark;
   - Determining the specific expression of its products;
   - The customers’ impressions when they perceive the company's product.
2. Providing the identity management concept for the brand. Product identity is complex and makes the transition from "expressions of the product" to “the impressions of the clients”. For these impressions to be positive two aesthetic concepts are addressed: the style and theme.

The style is a distinctive form, a particular manner of expression, a constant expression of an individual or group art. In the work to achieve identity, style is important and has the following functions:
- Leads to brand awareness;
- Produces intellectual or emotional associations;
- Differentiates products/services;
- Allows consumers to make classifications of products and services and any links between them;
- Allows the differentiation of products in a separate line;
- Creates a link seamlessly between products/services and specific consumer segments.

The style consists of primary elements, corresponding to the basic senses: sight, hearing, touch, taste, smell. For example, colour, line, as are the visual style, volume, frequency, height, etc. are the auditive style.

These elements are combined in a certain way, to give birth to a style. However modern identity management goes beyond mere combination of elements of the so-called "synesthesia" (Schmitt B., A. Simonson, 2002). Synesthesia is defined as being "to stimulate a sense by another." The term comes from the Greek: syn means together, and aisthanesthai means to perceive. It is used in art, and can occur spontaneously in each individual.

For example, are people who are associated with certain smells different tastes? They say "this scent is sweet, and that one is bitter, etc."

Synesthesia creates by integrating primary elements, a system of attributes, which ultimately expresses distinct aesthetic style. The end result is a holistic perception, underlying the current "Gestalt" where "all" is more than the sum of its parts. "Planning strategies require careful scrutiny by the brand manager, to all parties that create the image and brand campaign. Ultimately, what matters is only the whole - Gestalt, but slight changes to some of its component dimensions, or their interaction, it can cause significant changes of the entire final" (Schmitt B., A. Simonson, 2002).

The themes are expressions of the concept of core values or characteristics of a company's brand. They must be complied with to print in the minds of consumers. Thematic sources from the material world, in religion, politics or history, fashion and popular culture, in philosophy, etc. The themes can be expressed as brand names, as symbols, as narratives, as slogans or as combinations of all these elements. There are so strategic issues related to the choice of themes. Thus to examine whether a single topic or several thousand, if it must be mobile, or simply always taken to be used in isolation to wear, whether it is good to be correlated with other verbal, visual, auditory for its whole or inspire.

3. To familiarize managers with the strategy of identity thinking. Therefore managers must monitor products; packaging, advertising, promotional materials, brand names, etc. showing extensive size of the problem addressed, but allow them to bring items necessary to achieve a consistent brand identity. Managers must also study the global identity management, retail management and identity management on the Internet. In this way they manage to obtain a global vision, complete this activity.

4. Making a correct link with other human factors that contribute to work to achieve a brand identity. This activity requires a complex team composition which can be found architects, consultants, designers, graphic artists, etc. Between them and managers often there is a boundary that hinders a successful business. Managers are often specialists in economics, technical sciences or law, they are difficult analytical and rational, and communicate with the other side, formed mostly of artists. They, in turn, means hard or not at all helpful or vaguely few indications instructions they receive from managers. Both groups have moments of discomfort when they are together and
do our best to have as few meetings. This has negative connotations laborious work to achieve a brand identity. Therefore, it is well, however it seems to move, and both groups express them more often, in their language to make themselves better understood. Manager must make serious efforts to engage in activity, because this time he acts in an environment marked by strong sensory elements, aesthetic, creative reasoning and team components are essential in achieving an expressive identity.

A major issue in establishing brand identity is to achieve a complete harmony between the aesthetic and cultural factors.

Cultural factors are often a challenge for the global brand identity. They include material artefacts, language, values and habits. They should be studied in close connection with aesthetics to impress consumers and lead to manifest friendly product that promotes the brand.

Material artefacts belonging to each culture, differentiated according to historical, geographical, technological. For example, they remind diamonds in South Africa, porcelain from China, coffee from Brazil, etc. They deeply affect the sensitivity of global identity management and allow people to understand the meaning of "aesthetics" of that culture and to intervene sometimes spectacular in its brand identity for positive impact on consumers.

Language can have major implications for global identity management. There are two aspects to be taken into account: the writing system and semantics. Semantics is important in East Asia and the design and aesthetic professionals must be well acquainted with matters of this kind of language, not fail. Visual representation, even pronunciation may be different in the same country, depending on the dialect used, and these must be known to be used properly.

Writing systems are also essential in brand identity. It's hard to be submitted to the same impressions of different writing systems.

Values are also different in different points of the globe, according to social organization, social norms, etc. There are essential differences in this respect between the U.S. and Japan. While in the U.S., which is essentially individualistic society, prevailing emphasis on individual creativity, the self-realization, the most popular slogan was "to be the best" favourite hero is Superman, in Japan it is essential to social harmony, work collective is preferred, it is important the team not the individual.

Aspects as different and even antagonistic in other countries can be found in India and Sweden, countries from the Balkans and the Germanic countries, etc. Different values imply different symbols, so we have carefully avoided the conflicts between these elements.

Habits can strongly affect the buying decision and is an important element of brand identity management study. For example the diamond company De Beers failed miserably when applied to the image of a panther wearing a necklace of diamonds to enter the international market. The great disaster was deciphered later: many African cultures in the Middle East appreciate the panther as a symbol of death. Although the aesthetic presentation of the products had an important role, not studied suffered habits brand presentation, and the consequences have been failure.

Along with this, identity and brands is approached differently depending on the industries, in particular categories of products that enter the area of interest. It is adapted to local products to be sold to local markets and should therefore approach identity adaptation strategy to the local market. The most representative examples: cosmetic concerns, lipsticks, makeup, eye pencils are used differently by women in Asia and
South America, who prefer bright colours, lotions strong protection against sunlight, against women in Europe who prefer subtle colours, mild creams that whiten. Unlike cosmetics makeup, which means adapting to local markets skin care products may have elements of globalization, since small differences can be used worldwide. However, an analysis of local aesthetics will be of great importance to promote specific products falling within the concept of beauty and tradition in the region. In this context it is often considered the colour of the products and especially the visual elements of brand identity. Tone colour as a stimulus that causes feelings identity is extremely important in leading to the most often the first client contact is crucial in the decision to choose the product. It is difficult for consumers to choose products and services required the very large number of shops in towns invaded from any point of the earth. "For food, a regular supermarket displays around 12,000 products and a hypermarket, approximately 60,000 products. The same thing happens in the industry: The universal code of products consists of 10 digits showing that their number exceeds several hundred million" (Ries and Trout, 2004). How to guide consumers in this huge universe of material goods? How can he chooses, when the mind itself can not cover all the market that it is available? Passing through the shelves on which are strung hundreds and thousands of similar or identical products, how can he choose to focus on what I could offer the most satisfaction? Through a secure solution: the brand. It is a proven solution, is an acceptable solution is a solution that guarantees quality. The brand helps you choose is often able to awaken his interest through the unusual aesthetic elements, or at least striking than other similar brands.

4. EXPRESSIONS AND IMPRESSIONS IN BRAND IDENTITY

Through proper management of brand identity, using subtle aesthetics in promoting, creating a general impression based on attributes of style, themes and other aesthetic items, which ultimately is a quality test of the brand to the customer. The general impression is that this basic concern in the management of this type of a company. Basically, the general impression management is an assessment of the process of forming impressions and analyzes its results. Usually participate in these evaluations and designers and consultants of identity, focusing on brand expressions and their impact on customers. Analyzes how the aim is reflected in the memory elements of identity and feelings of customers, so their impressions. Often, after such analysis are changes in the logo, insignia firm, packaging or slogan. But it is important to make a judicious analysis for the purposes of comparison expressions leading to consumer impressions. Ideally, the gap between impressions and expressions is projected to be minimal. General impression is formed mostly from mental representations of brand Aesthetics Company, through a mental process of interpretation. Customers interpret primary elements of the marks i.e. styles, themes, forming a general impression to make and even to the company. This impression is formed on one side in an unconscious (just feel a certain sense to the brand) and on the other hand, consciously, deliberately. This happens when interest in the product or to the company. This type of processing is based on deliberate three types of processes: integration, associations and attitudes.

Integrations are based on personal perception. That evokes such specialists, first impressions are always more powerful than those that come later. Also they are more persistent than others, sometimes keeping for a long time. Another feature of them is that negative impressions are usually much stronger than the positive. The explanation
lies in the client's attempt to protect poor quality being careful at first sight. This is of particular importance in establishing brand management strategy. When the impression is positive it is preferable to maintain brand identity for a period of time. Usually, in this case, an effective approach is to implement a new identity in a core identity, which can thus provide a kind of "aura" to other elements of brand identity.

"Associations are the conclusions of the customers from identity elements that they perceive. Inference is a process by which customers understand something, completing missing information they obtained through their experiences or those suggested by intuition "(Schmitt and Simonson, 2002). Most often, the inference is the case with advertising, that is when the consumer goes beyond ad seen and imagined qualities or opinions issued by various associations based on experiences previously had.

Attitudes are affective evaluations of customers. There are numerous: positive, negative, neutral, different intensities, relative or absolute. Neutral attitudes are rare; usually those at the extremes are the most numerous. In fact neither side companies prefer not placid. For the entire brand identity approach follows a clear attitude towards the company or brand in question.

Customer impressions must be carefully monitored for directions shows that brand management must follow through aesthetics. Current trends show the efforts of firms to create positive impressions of marks, new impressions, appealing to customers. Aesthetic strategies must then be such as to create desired impressions.

5. CONCLUSIONS

The brand has become a force, a force with an extraordinary capacity to influence purchasing behaviour; from there derives its real importance, therefore it is even more frequently affirmed that the essence of marketing is the building of a brand in the mind of the consumer. In the business world, success and in success take place like the waves of a water, and the waves are empowered, accelerated and determined by the brand that represent the respective organisations. These brands have an identity rule that is based on visual signs or markers that target other senses and thus try to delight clients through sensorial experiences. It has become clear that the field of aesthetics is important in establishing the brand identity. Unfortunately, aesthetics is neglected, the accent falling on brand analysis as an economic component, as industrial goods, from the point of positioning, of promoting attributes. Recent studies show however the great reaction of clients to wrappings, colours, decorations, aesthetics in general, showing the importance of concentrating on aesthetic planning that becomes essential in drafting and implementing a brand identity. An attractive identity is based on elements of aesthetics that satisfy and entice clients.
REFERENCES

Aaker D. (1991), Managementul capitalului de brand
Achim I. (1968), Introducere în estetica industrială, Ed Științifică, București
Lindstrom M. (2009), Branduri senzoriale, Ed. Publica, București
Părăian E., Pascu E. (2010), Designul și estetica mărfurilor, Ed. Universitară, București