

**Emerging Markets Economics and Business.  
Contributions of Young Researchers**

***Proceedings of the 8th Conference of Doctoral Students in Economic Sciences***

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**UNIVERSITY OF ORADEA  
FACULTY OF ECONOMIC SCIENCES  
DOCTORAL SCHOOL OF ECONOMIC SCIENCES**

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Students in Economic Sciences***

No. 5 - December 2017

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## PREFACE

Scientific research in economics presently plays, more than ever, an important role in generating solutions and models of economic and social development. Moreover, in the contemporary world, development is inconceivable in the absence of sustained research and development activities. Undoubtedly, scientific research must be conducted primarily in higher education institutions, in academic and research laboratories.

In this context, the scientific research of young people - students, master students and, in particular PhD students - acquires special meanings and its stimulation is a duty of honour to academics and supervisors at all levels.

Recognizing and understanding all these realities, in the Faculty of Economic Studies and Doctoral School of Economic Sciences at the University of Oradea, there have been encouraged and supported the efforts and steps on the path of doctoral scientific research. Thus, since 2010 there is organized an Annual Doctoral Symposium of PhD students in Economics and related fields, and papers carefully selected after the peer-review process were published in a volume that encompassed the contributions of PhD students in Economics.

Now, we release the 33 papers selected from the scientific contributions of the PhD students, presented at the 2017 edition of the Doctoral Symposium and selected after the review process. The papers deal with topics related to Microeconomics and Economics of the firm, Entrepreneurship and SMEs, Tourism and services, Macroeconomics etc.

We release the 5<sup>th</sup> issue of the journal *Emerging Markets Economics and Business. Contributions of Young Researchers. Proceedings of the 8th Conference of Doctoral Students in Economic Sciences* with the belief that young researchers are, by training and audacity, a tank of opinions, viewpoints, and especially solutions and proposals, and aware that they should be encouraged and promoted as to enable them to confirm the hopes of their teachers and supervisors.

Last but not least, special thanks are due the members of the Scientific Board, to reviewers, to the members of the organizing committee, and to all generous fellows who supported the Annual Doctoral Symposium held on 23rd of November 2017 at the University of Oradea, and thus made possible the release of this volume.

Oradea, December 2017

President of the Symposium,  
Professor Alina Badulescu



# THE IMPACT OF THE FINANCIAL CRISIS ON HEALTH GLOBAL VIEW AND ROMANIAN FOCUS

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**Abstract:** *An economic and financial crisis has engulfed the world. Banks have collapsed, stock prices have slumped and there has been an unprecedented decline in economic activity. The crisis began in 2007, in the wake of financial and real estate speculation in the United States, but it came after a long period of international financial instability, trade imbalances and several local or regional crises. By late 2008, the crisis had spread to many countries including Romania. Governments responded with massive emergency measures, but the crisis continued to spread and large numbers of workers have been laid off all over the world. Many see the crisis as an opportunity for renewed regulation and democratic re-structuring of the global economy. But solutions are complicated by the depth of the crisis, which reached the highly financed health care systems. It was shocking in Romania, by the lack of strong institutions, and by overlapping crises in the environment, natural resources, local and global trade. In this study global remarks affecting health system will be explained briefly, and high focus on Romanian plans to overcome it will be shown.*

**Keywords:** Economic crisis, health care, knowledge immigration, crisis consequences.

**JEL classification:** A13

## 1. Introduction

Health is universal obsession. Investment in economic development and poverty reduction is essential. They are essential to perform the targeted well life being standards globally, and in every country particularly, that's why the access to health care is fundamental entitlement and responsibility of governments throughout the world. A common feature for an increasing number of national health policies is the reducing exclusion, the expansion of comprehensive benefits and the protection of people from falling into poverty.

It is critical for the sustainability of many economies in newly industrialized countries to meet their financial obligations to manage expectations and contain rising costs of health care. It is important for all states to maintain the integrity of systems that protect us from trans-boundary health risks and to detect outbreaks and emerging diseases.

## 2. International organizations reaction to the crisis

In 2009 World Health Organization (WHO) issued a public statement on the financial crisis in the days leading up to the G20 meeting at that time in Washington. The statement said, "it is not yet clear what the current financial crisis will be for low-income economies and emerging economies, but many expectations are pessimistic". Over the months after the statement, with forecasts of economic growth around the world declining significantly, it has become clear that these predictions have been largely accurate. The crisis has then taken onto a truly global character. They occurred at a critical time for health around the world:

In low- income countries were felt by declining demand for exports, severe restrictions on access to capital, low foreign investment and low cash transfers. The resulting unemployment is without a social security umbrella. With income declining, public sector services are the favored source of access to health care at a time when government revenues to finance these services are being stretched to the harshest. Some health ministers in Africa, including some of the poorest, have reported that the health budget was reduced by the crisis

When local currencies are devalued, the value of imports rises. Essential life-saving medicines can become unavailable or affordable. The increase of the cost of medicines is a common effect. The prices of medicines have globally increased by 30% on that crisis. This led to potential impact of individuals and families in almost whole societies. Failure to contain public health risks have consequences beyond national boundaries

Many governments couldn't manage to cover the treatment of people living with HIV/AIDS infection, others even failed to handle TB infections. These public health risks have consequences beyond national boundaries

Many high-income countries with aging populations were preparing themselves for the expected in-crease in health and pension spending. Many are undergoing complex and politically challenging re-forms. There is a concern about the practice of setting aside the plans to save resources and create financial space to meet the future health needs of the elderly are set aside when a crisis worsens

These global crises require global solidarity and action. Maintaining health spending and other forms of social spending is critical to protecting lives and livelihoods and enhancing productivity. Where the country lacks sufficient reserves, and its revenues have fallen, the aid deficit must be filled. They have to be managed skillfully in order to maximize impact. The critical point, however, is that commitments to maintain aid levels are not another additional item in the recovery program but an integral component of its success

**3. Effect of the global economic crisis in health in Europe**

The financial crisis affected Europe from 2008 and to some extent till now, has posed major threats and opportunities to health. Unfortunately rise in suicides and falls in road traffic deaths were detect-ed. Till the present, the economic downturns on health, can be observed and detected.

In Europe despite the slowdown in legal immigration after the economic crisis (we shouldn't mix legal immigration with the tremendous illegal immigration running now), migrant health improvement and providing access to work in qualified health services targets is increasing without discussion, and with lower costs.

In high-income EU member countries, knowledge about what steps are needed to achieve these aims is increasing. We, here in low-income EU member countries, should approve our capability to reduce this continuous knowledge flow from our societies.

Below in the table we can observe the direct effect of the global economic crises registered here in Europe, countries in which per capital public spending on health fell, calculation was made according to the National Currency Unit (CNU) of each country.

**Table 1:** Countries which declared fell in per capital spending on health during crisis years, fell is counted according to National Currency Unit (NCU) of each country.

| 2008       | 2009     | 2010           | 2011    | 2012    |
|------------|----------|----------------|---------|---------|
| Andorra    | Andorra  | Albania        | Andorra | Albania |
| Armenia    | Bulgaria | Croatia        | Croatia | Cyprus  |
| Malta      | Croatia  | Cyprus         | Denmark | Greece  |
| San Marino | Estonia  | Czech Republic | Georgia | Hungary |
|            | Hungary  | Greece         | Greece  | Ireland |

|  |            |             |            |             |
|--|------------|-------------|------------|-------------|
|  | Ireland    | Iceland     | Ireland    | Italy       |
|  | Montenegro | Ireland     | Italy      | Norway      |
|  | Latvia     | Latvia      | Luxembourg | Portugal    |
|  | Lithuania  | Lithuania   | Portugal   | Romania     |
|  | Romania    | Luxembourg  | Romania    | Slovenia    |
|  | San Marino | San Mariano | Spain      | Switzerland |
|  |            | Slovenia    |            |             |
|  |            | Spain       |            |             |

Source: WHO Global Health Expenditure Atlas, published in 2014

#### 4. State and local budgets in Romania

Romania has the second highest reliance (47.2%) on indirect taxes in the EU (34.5% average), taxes are not specifically focused on health, except for special taxes imposed on tobacco and alcohol production. The overall tax-to-GDP ratio in Romania is one of the lowest in the EU, at 28.3% in 2012, compared to EU GDP-weighted average of 39.4%.

Number of beds in all sanitary units, related to all Medical specialties in Romania decrease from 138184 beds in 2008 to 132277 beds in 2016, 5807 decrease in total beds number in the country, despite increase of elder population, with the old ages significant health problems.

#### 5. Conclusion

The global crisis requires global solidarity and action, important maintaining health spending and other forms of social spending. To maintain aid level for success.

The impact of the financial crisis varies from country to country, but maintaining health levels requires a growing consensus on what needs to be done, and to recognize that crises often provide opportunities for reform, to maintain spending on prevention.

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# HUMAN CAPITAL - ENHANCER FACTOR FOR INTELLECTUAL CAPITAL

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**Abstract:** *Human capital is gaining more attention with the increasing globalization and also with the saturation of the labor market as a result of the recent recession in the various economies of the world. The development of human capital is one of the fundamental solutions to enter the international arena and in direct competition with the challenges that announce a real success of the organization. Specifically, organizations need to invest the necessary resources to develop human capital, that tend to have a great impact on performance. This paper analyzes the extent to which human capitals have a direct impact on the performance of the organization and highlights its enhancer role on intellectual capital from different critical perspectives.*

**Keywords:** human capital; organization; intellectual capital; performance; competition; enhancer factor.

**JEL Classification:** O34; J53; O39.

## 1. Introduction

*"The most valuable of all capital is that invested in human beings"*  
*(Alfred Marshall, Principles of Economics)*

In a contemporary society, the importance of knowledge and the emergence of a global economy are some of the most up-to-date topics debated in the last years. The increasing level of knowledge is often associated with performance and economic growth, knowledge acting as a catalyst for competitive advantage and innovation, in the context of complex systems subjected to change, novelty and ongoing transformation.

A key factor of this continuous transformation is human capital, which has become a strategic element in all spheres of activity of organizations, in order to obtain or increase profits and competitiveness.

## 2. Theoretical considerations

Human capital may be developed through formal instruction and education, in order to update and renew individual skills. The concept of human capital has been continuously enriched, developing new dimensions and widening the area of the initial definition.

The human capital specific to the organization consists in skills and knowledge that are relevant within a specific organization. For example, some researchers have examined the impact of the organization's know-how within the founding team on the growth rate of early-stage organizations.

The concept of human capital is frequently used to refer to human resources and represents productive resources concentrated in labor resources, skills and knowledge. Hence its components, namely:

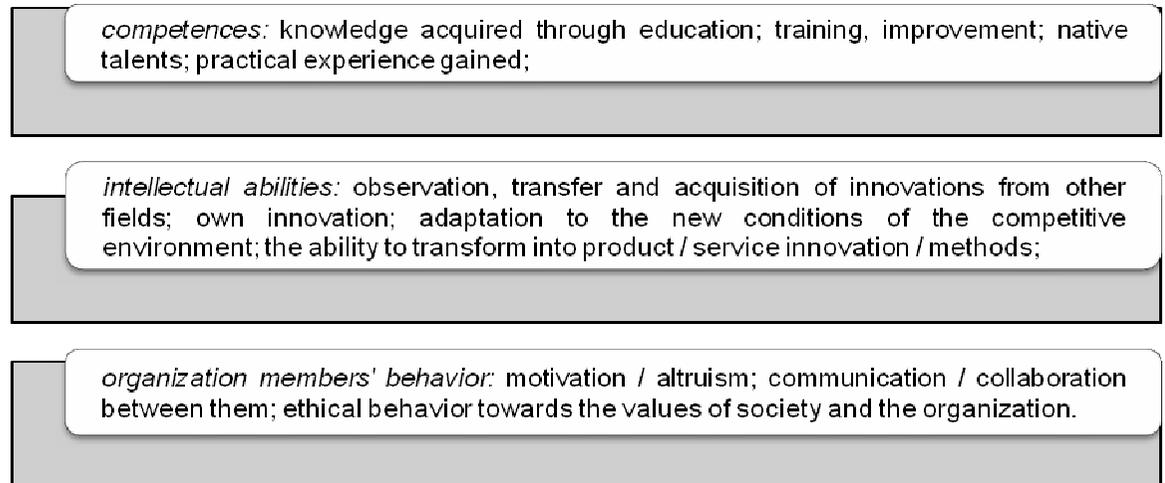
- biological capital - physical abilities, mostly innate, of individuals;
- educational capital - skills acquired by individuals in the training process.

Therefore, human capital develops progressively, requiring investments incurred by the state, employees, families and adults, concerned about their professional - scientific

training, the possibility of adaptation to the changes that the technical-scientific progress involves and their career as well.

In conclusion, we can say that human capital is manifested by:

**Figure 1:** Manifestation of human capital



Source: Annie Brooking, Intellectual Capital, Cengage Learning EMEA, 1996

From the mere analysis of the elements of human capital, we realize the importance and necessity of investment and attention to its development.

### 3. Personal viewpoints on human capital - intellectual capital enhancer

The concept of human capital corresponds to the abilities and knowledge of a person that facilitates its change in action and economic growth (Coleman, 1988).

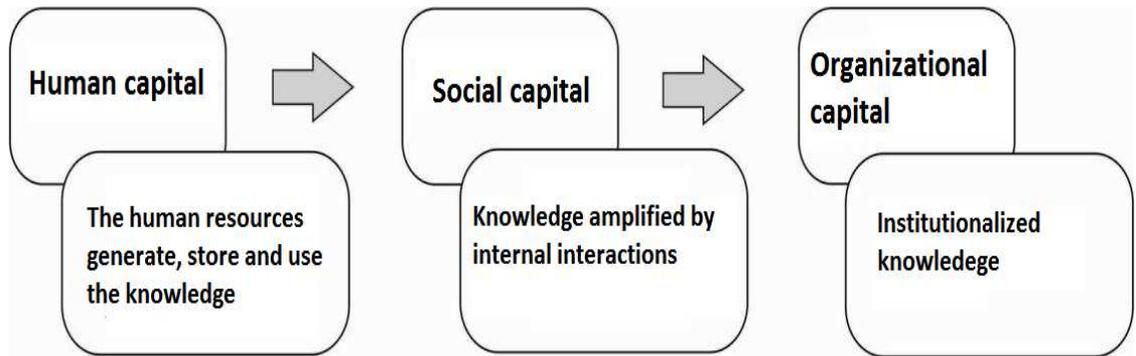
The conceptual development of intellectual capital was made in two different but convergent directions. One first direction was generated by the need to increase the organization's competitiveness capability and to achieve the strategic advantage on increasingly competitive markets by intensive capitalization of intangible resources. Among these resources, emphasis was laid on information and knowledge, trademarks and patents, organizational behavior and organizational culture directed towards excellence. In other words, the problem is how to manage the intangible resources of a company as efficiently as possible in order to increase its competitiveness. The second direction was generated by the obvious tendency of consolidating success in the organizations that have the relationship between market value and the ever-increasing financial value of the balance sheet. This situation, characteristic of the new economy, has led to the idea of developing new tools in order to assess the organization's intangible resources that can not be measured by financial instruments used for tangible resources only.

The first direction can be called a strategic one because it derives from the strategic management area, while the second direction can be called evaluative because it comes from the metric area used to assess a company's management performance.

The two directions are convergent because "what you can measure can be managed, and what you want to manage you have to be able to measure". Intellectual capital is a fusion between these two currents of thought. Intellectual capital ultimately means how you can better measure and achieve the management of knowledge and other intangible resources within an organization.

Intellectual capital is made up of three interconnected elements, Figure 2.

**Figure 2: Intellectual Capital Components**



Source: Stewart, T. A., 1997

Basically, this is the sum of what every employee knows in a company and can be used to develop his competitive capacity.

The issue of intellectual capital is a topical issue because we can not deny the value it gives to the organization by excluding it altogether. Intellectual capital is seen as a hidden wealth, not shown directly, although, as we shall see, it greatly helps to develop and perform the organization, especially in the current economy. Understanding the complexity of intellectual capital is conditioned by understanding the links between intellectual property, intellectual assets and intellectual capital.

#### **4. Conclusions**

Nowadays, human resources are invaluable but, most importantly, irreplaceable. Their particular role resides in the fact that man - the most essential resource in an organization, develops technology, generates new ideas, is the promoter of perfection and progress. In the same vein, knowing the importance of the human resources and its role is indispensable for every organization that aspires to progress.

Finally, this paper develops an importance of the relationship between human capital and intellectual capital, through long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth.

As we can see, intellectual capital, by its forms, conditions the performance of the organization, and the relationship between intellectual capital and the performance of the organization leads to the establishment of a new trajectory in the evolution of "career", based on the acquisition of a complete portfolio of competencies.

As presented in the paper, many researchers have tried to find the best way to evaluate intellectual capital, thus developing different models that represent the composition of intellectual capital. We can say that we have discovered how important intellectual capital is in a competitive business environment and how organizations can use this advantage to become market leaders.

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## THE ECONOMIC POTENTIAL OF THE CULTURAL AND CREATIVE SECTOR

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**Abstract:** *This article reviews some of the most prominent relations between the economic development and the aims of the cultural and creative sector. The early interest of societies in studying and promoting this subject is a contemporary topic included in public and private strategies at local, regional and national level. The economic activity is generally transforming diverse forms of resources in goods and services. As we are in the era of knowledge based economy the basic resources are improved by new processes and destinations. Innovation and creativity represent the main competitive advantages nowadays. The cultural and creative sector is or should be the one creating, administrating and developing this type of resources creating long-term visions. The indicators for studying this environment are qualitative which brings difficulties in making correlations with the economic field. This article is presenting some influences of the cultural and creative sector in the economic and social context of Romania. It also shows the importance of creating a framework of cooperation and integration between artists, public and private organisations in developing their economic potential.*

**Keywords:** culture, management, development, social

**JEL classification:** Z10, A12, A13

### 1. Introduction

Analysing the importance of the cultural and creative sector (CCS) in relation with the economic sector is a recent trend in Romania. In the last few years, the Government started to pay more attention to creating and implementing strategies and policies for development in the domain of culture.

Several socio-economic impacts of culture are a transversal issue which requires deep analysis in consumer behavior, cultural infrastructure, access to culture, education, art creators, culture diversity etc. The long-term changes in society appear with the development of the CCS which involves contribution to culture and creates added value for the economy. The more the economy grows, people have more disposable income and they spend more buying cultural goods and services.

At international level, the view about culture evolved from a good that needs protection to a resource for economic development. It represents a potential for workforce by its various forms of expression. The driving force of this new economy is the cultural and creative sector. Valuing the creativity and knowledge in a context of diversity, the movement of ideas and the respect for the environment are a vector of human and social development and durable innovation. The youth have a great creative potential and represent a public open to new trends, being participative cultural consumers.

### 2. Meaning of Cultural and Creative Sector

A report on creative economy for the United Nations (UNCTAD, 2008) brought an important contribution on defining the terms "cultural industries", "creative industries", "creative economy", "creative products". The concept of "creativity" is explained as "the

process by which ideas are generated, connected and transformed into things that are valued". From the economic point of view, creativity refers to the transformation of knowledge, intellectual capital into creative capital. The process takes place on cultural and creative markets.

*Cultural industries* are the ones producing and distributing goods and services with special destination and purpose of an artistic expression. In this category are included two sectors: the traditional arts fields and the media. The first one has a *non-industrial* purpose because the goods and services are consumed on the spot, by a limited-time event and they are non-reproducible. Here are gathered the performing arts (theatre, opera, orchestra, dance, circus), visual arts (paintings, sculpture, photography, arts and crafts), but also the heritage (museums, archeological sites, heritage sites). The media is the *industrial sector* because the cultural products from this sector are mass reproduction and mass dissemination. This category refers to film, cinema, video, television, video games, new medias, music, books, publishing.

*Creative industries* use culture like a resource, having a cultural dimension they follow functionality, culture being an input for the production process. In this category are: architecture, advertising, interior and product design, fashion. Moreover, creativity is a complex process that involves innovation, ideas, skills, management and technology. It appears in different forms in all the economic sectors.

*Creative economy* is a concept that defines how people use their creative imagination to increase the value of an idea (Howkins, 2001).

In the document Green Paper of the European Commission (2010) regarding Unlocking the potential of cultural and creative industries, the CCS is valued for: the smart growth potential, the contribution in creating jobs by promoting creative competencies in entrepreneurship and intercultural fields, stimulating innovation, the role in social inclusion, developing the knowledge based society, stimulating the demand for diversified and sophisticated products.

### **3. Economic indicators**

Economic impact generally counts production in terms of commercialization, creating, selling and distributing goods and services in order to generate added value. This is the part that involves direct money, but the specific of the CCS is the key role of valuing intangible assets. Innovation, creativity, royalties, patents, knowledge, traditions and many others are inputs for the cultural industries. So, some indicators can be easy to quantify and others need more qualitative and interpretative research. The quote of Albert Einstein is a good example of the evaluation of CCS: "*not everything that counts can be measured, and not everything that can be measured counts*".

In Romania, the main actors in the market are the public institutions, NGOs, small and medium enterprises and the individual artists. Because of the recent regulations and policies, the sector is not very independent yet, so the government provides important financial support. This issue creates difficulties for the free movement of the actors in the market and sustains a high level of bureaucracy.

Organisations from the cultural and creative sector are characterized by the following features: engagement in projects and activities based on cultural values, artistic or creative performances and they are not necessarily oriented to the market, but developing, creating, producing, broadcasting, conserving goods and services that are cultural, artistic or creative expressions, also education and management.

According to the National Strategy for Competitiveness, the third priority "Supporting factors and support services" includes the direction of action called "Creativity: stimulating entrepreneurship in creative industries by creating incubators/ clusters/ accelerators and by supporting the development and establishment of firms in the cultural and creative sector". Being a strategy from 2015 to 2020, the expected results talk about an increase of

GDP in creative industries to 10% from 7%. At European level, CCS represent 4.5% of GDP and hires 3.8% of the workforce (EC, 2011).

In the figure below are presented some quantifiable socio-economic impacts of the CCS in Romania by the year 2015 with the available data at this moment.



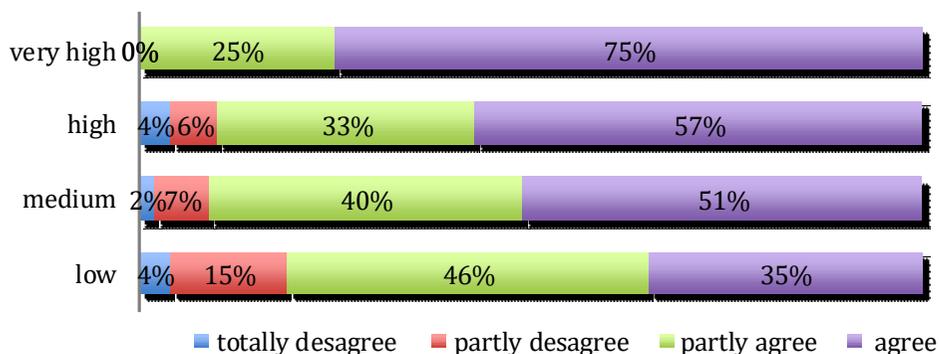
**Figure 2: Economic aspects of CCS in Romania (2015)**

Source: own representation using INCF

In the project Competitive Romania (2016), the cultural and creative sector represent one of the main domains of stimulating productivity. The priorities are referring to: providing the institutional framework necessary to support the sector, aligning the policies of relevant and various public organisations (intellectual property, purchasing, taxation etc.), creation of a consultation and governance mechanism in the area of SCC in partnership with the business and cultural environment, development of a transversal public policy framework at the level of the Government, in order to define and support SCC, optimising and facilitation access to funds.

A fundamental cultural infrastructure with various interconnections with the other sectors is the key point to attract stakeholders willing to be more active in many areas. The economic potential stays in the formal growth (new institutions, new jobs, more products, exports etc.), but also in supporting the others sectors, being an important educational tool and improving life expectations. The Romanian distribution of goods and services is unbalanced at national level. Due to differences in cultural, historical and economical development, some areas have better access to resources then others. A study by The National Institute for Cultural research and training reveals that the region Bucharest-Ilfov has the greatest potential based on the complex infrastructure and the dynamic activities. As a result, here is generated 62,5% of the national income of the CCS (2015). It is followed by Cluj, Timiș, Iași, Brașov, Constanța, but the real gap is between urban and rural areas. The distance to cultural infrastructure is larger with the distance to big cities.

Because of the lack of this goods and services, people from rural areas are not even feeling the need to have access to culture. This study analyzed an interesting topic about the population's perception of the influence of cultural and creative aspects in economic development. In the figure 3 is presented a correlation between the level of impact in which people think cultural events contribute to the economy from their area of living. The study splits the people by the frequency they are involved in cultural events like concerts, theater, film sessions etc. The persons that are often participate to this type of events (in medium, high or very high proportion) are definitely agree to the fact that culture influence the economic growth of their community. The ones with low implication in cultural events responded in higher rate that they partly agree (46%), but 35% of them still agree with this culture – economic interdependence.



**Figure 3:** The level people agree that cultural events help their community economic growth depending on their participation frequency

Source: own representation using INCF

Since 1996, the European Commission stated that "the increasing importance of culture for regional development has to be seen in the context of the restructuring of the economy as well as a result of changed ways of life. [...] As culture is often treated isolated from other factors of development or image, it will be important to address culture as a more integral part of regional and local development strategies towards new employment."

#### 4. In conclusion

Using diverse studies about CSS aspects, this article shows the important role of culture, innovation and creativity as resources for a durable economy. Romania is a beginner but has a great potential to evolve in a positive trend following the European frameworks and using the specific funds to maximize the expected results. Culture represents a strategic field for long-term investments with benefits for all the socio-economic sectors. CSS has an important role in national and international strategies for sustainable development and social cohesion. The analysis of the relevant documents regarding this topic is highlighted the cultural entrepreneurship with its instruments to identify the proper needs and finding the right ways to finance their accomplishments. It is also recommended a better cooperation between sectors, all the arts, culture, scientific institutions, public or private to innovate competitive goods and services. A holistic approach is the most helpful to develop a sustainable cultural and creative sector.

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# STATISTICAL ANALYSIS OF THE ROMANIAN LABOUR MARKET AT REGIONAL LEVEL BETWEEN 2008 - 2017

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**Abstract:** *The main objectives of this paper is to study and analyze labor market developments and the evolution of the unemployment rate in Romania between 2008-2017 from the statistical point of view. The purpose of this paper is to study and analyze labor market developments Romanian between 2008 and the first quarter 2017 from the statistical point of view based on the results of a comparison of the period before the crisis and after. The study is based on a comparative analysis regarding the labour market and the unemployment rate at regional level in Romania. The theoretical background of this research methodology used to accomplish this work is based on macroeconomic principles and theories, such as recent statistical data taken from the official website of the National Institute of Statistics, the Romanian National Bank, Ministry of Labour and Eurostat.*

**Keywords:** Labour market; unempolymnt rate; evolution; regional level; Romanian; statistical review

**JEL classification:** E24; E29; R22

## 1. Introduction

The labour market is strongly segmented and is characterized by the coexistence of two forms of deficits: the labour demand deficit (unemployment) and the labour offer deficit (vacancy jobs). As these deficits are obvious in the case of some different occupations or of some different regions, then they will have a weak compensation. The labour market in Romania is made up of law and other regulation that try to get closer to the European Union once. (*Definition of labour market - The Economic Times*).

The economic crisis of 2008 has reinforced some existing imbalances on the Romanian labour market, in the last 17 years the Romanian labour market has undergone profound changes. We can distinguish two stages regarding developments on the labour market: the first stage comprises the period 2000 – 2007, and is defined as a period of profound restructuring of the Romanian economy, the second period, from 2007 up to the present, that is characterized as a period of relatively high unemployment rate and efforts were directed primarily at limiting unemployment and its harmful effects on society. After 2005, employment development is moving towards a new crisis on the labour market, but its cause is not unemployment, but rather a decrease in demand on the labor market.

## 2. Theoretical Background

The unemployment influences entire society: the state lost income tax from the possible wage earners and has to pay for extra services such as: medical services, social services; the company lost the benefits they would have obtained if they had used entire personnel; a small national production due the smaller number of workers. On the other hand the

unemployment growth increases the labor force supply, which may end with a general dropping of incomes (Badulescu, 2006).

Reality has shown that the labor market is a dynamic market, employment tenders entering and exiting from unemployment with a remarkable rate, which helps us to an explanation and more profound understanding of the phenomenon of unemployment. (Gogonea R.M, 2009, pp.116).

From a statistical point of view, the labour force demand may be quantified by the number of employed people or vacancy, the statistical indicator corresponding to the number of employed population. In some studies (Schneider, Hofreither, Neck, 1989, Schneider, 2011), the employment labour demand is highly correlated with changes in the real unit labour cost.

### **3. Objectives**

The main research objective of this paper is to analyse from statistical point of view regional indicators of labor market in Romania, highlighting the socio-economic profile of each Romanian region and identifying the determinants of the regional labor market. The 1990 year bring significant changes in the structure of the main indicators of the labour market in Romania (Stanef, 2014, p. 62). In order to follow these changes, which can highlight regional convergence and divergence, in the following we analyse the following indicators: population employment by regions and sectors, evolution of the active population, the distribution of the employers by sectors and the evolution of the unemployment rate between 2008-2017.

### **4. Evolution of the balance labour at regional level in Romania between 2008 - 2017**

In the 2008 year the employed population in Romania was as high as 9259 thousands, then in the 2014 year was 8614 thousands that means a decrease of 645 thousands persons in six years. During 2010-2014 the employment rate for the 25-34 age group is high in Bucharest and Ilfov (32,4%), and in the North-West regions (27,8%), Centre (29%), West (26%).

The fields of the national economy with high employability rate among youths between 25-34 age group are: services (33,2%) and industry (26,3%) and the representative regions for the two fields are: Bucharest Ilfov (36,3%), North-West (35,2%), Centre (34,8%), West (31,6%). (*National Institute of Statistics, 2014*).

In 2015, economically active population was of 9159 thousand persons, of which 8535 thousand were employed persons and 624 thousand unemployed. (*National Institute of Statistics, 2016*). The employment rate of the working age population (15-64 years old) was 63.2 %, with a higher rate for men (71.6 %, compared to 54.6 % for women). In the fourth quarter of 2015, this rate was 6.7 %. (*European Commission, 2016*).

In the North-West region in 2016 the labour force amounted to 1 642 600 persons, of whom 71.6 % were in civilian employment. The main economic sectors in which the civilian population is employed are the services sector (41.7 %), followed by industry and the construction sector (32.7 %) and agriculture, forestry and fisheries (25.6 %). The rate of unemployment in the fourth quarter of 2016 was 3.6 %, corresponding to 39 000 unemployed persons.

In the North-East region the labour force amounted to 1 995 300 persons, of whom 57.6 % were in civilian employment. The rate of unemployment in the fourth quarter of 2016 was 6.7 %, corresponding to 78100 unemployed persons. The labour force in this region is highly skilled and has an adequate level of education. The main economic sectors in which the civilian population is employed are the services industry (40.1 %), followed by agriculture, forestry and fisheries (35.1 %) and the industrial and construction sector (24.8 %).

In the Center region the labour force amounted to 1 480 000 persons, 69.4 % of whom were in civilian employment. The main sector in which the civilian population is employed is the services sector (44.4 %), followed by industry and the construction sector (36.0 %). The employment rate in the agricultural sector is 19.6 %, which is below the national average. The rate of registered unemployment in the fourth quarter 2016 was 4.6 %, corresponding to 47 700 unemployed persons.

The Bucuresti - Ilfov region in the first quarter of 2016 the labour force amounted to 1 533 700 persons, of whom 83.1 % were in civilian employment. The rate of registered unemployment in 2016 was 1.4 % – the lowest at national level – corresponding to 20 600 unemployed persons.

The main economic sector in which the civilian population is employed is the services sector (71.3 %), followed by industry and the construction sector (26.2 %), while agriculture accounts for only 2.4 %. Services generate the largest number of jobs. (*European Commission, 2017*)

In the Vest region the labour force amounted to 1 167 300 persons, of whom 71.9 % were in civilian employment. The rate of unemployment as in the fourth quarter 2016 was 2.8 %, corresponding to 22 100 unemployed persons.

The main economic sectors in which the civilian population is employed are the services sector (43.7 %), followed by industry and the construction sector (36.2 %) and agriculture, forestry and fisheries (20.1 %).

In the South-West region the labour force amounted to 1 244 100 persons, of whom 63.3 % were in civilian employment. The rate of unemployment in 2016 was 7.9 %, corresponding to 69 100 unemployed persons. The main economic sectors in which the civilian population is employed are the services sector (37.9 %), followed by agriculture, forestry and fisheries (34.4 %) and industry and the construction sector (27.7 %). (*European Commission, 2017*)

In the South-East region the labour force amounted to 1 542 700 persons, of whom 62.8 % were in civilian employment. The rate of unemployment in the fourth quarter of 2016 was 6.7 %, corresponding to 67 600 unemployed persons.

The main economic sectors in which the civilian population was employed were agriculture (28.3 %), the services sector (43 %), and industry and the construction sector (28.4 %). (*European Commission, 2017*). In the second quarter of 2017 the active population was 9418 thousand persons out of which 8967 thousand were employed persons and 451 thousand unemployed persons. In the second quarter of 2017, for the working age population (15-64 years) was 65.5%, up with 4.3 percentage points from the previous quarter, the increase being mainly due to seasonal activities in agriculture. The employment rate was higher for men (73.2% as against 57.7% for women) and for residents in the rural area (66.0% as against 65.1% in urban area). The employment rate for youth (15-24 years) was 27.3%. Unemployment rate in the second quarter of 2017 was 4.8%, decreasing as compared to the previous quarter (5.5%). The highest levels of the unemployment rate were in the counties of Vaslui (10.38%), Teleorman (10.15%), Galati (9.66%), Buzau (9.44%), Mehedinti (9.31%), Dolj (8.56%), Olt (6.71%), Gorj (6.64%), followed by Ialomița (6.45%) and Bacau (6.03%). Ilfov County continued to register the lowest unemployment rate (1.07%) (*National Institute of Statistics, 2017*).

## **5. Conclusion**

In the context of economic transition, the Romanian labour market experienced significant changes in terms of the volume and structure of the main labour force indicators. This process was characterised by the reduction of the economically active population and of employment, with a relatively steady level of the unemployment rate. But the financial crisis, starting debut, especially in the second half of 2008, had an effect on the structure of the labour force, while reducing employment, bringing an increase of the phenomenon of unemployment. Labor force participation rate in Romania decreased to 52.90 % in the

first quarter of 2017 from 53.20% in the fourth quarter of 2016. The national unemployment rate at the end of July was 4.18 percent, 0.03 percentage points higher than in the previous month. Over 366,000 unemployed are at national level. The highest levels of the unemployment rate were in the counties of Vaslui (10.38%), Teleorman (10.15%) and the lowest level of unemployment rate was in Ilfov county (1.07%).

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# THE IMPACT OF URBAN TOURISM ON LOCAL COMMUNITY

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**Abstract:** *In spite of the fact that urban tourism has developed much later than other forms of tourism, it has now given rise to the most diverse concerns regarding the impact it can have on a community. This paper tries to examine the impacts of urban tourism on local community, identifying both positive and negative elements generated by it. The work will focus on identifying the most important opportunities and threats generated by urban tourism on communities, by referring to the following categories: economic, environmental, social and cultural. Within each category a parallel between the positive and the negative elements will be made to issue objective opinions. Maintaining quality tourism depends on the ability of professionals in the field and mainly community leaders, to maximize their benefits and minimize costs. It is necessary to carry out an in-depth analysis not just a formal one of the impact of urban tourism to facilitate the planning of mitigation strategies in case of negative effects.*

**Keywords:** cities, opportunities, development, positive elements, damages

**JEL classification:** L83, Z31

## 1. Introduction

According to Burtenshaw, Bateman and Ashworth (1991) a repeated argument when trying to attract visitors to cities is that they spend about twice more than other tourists. Besides this argument, urban tourism has got a huge multiplier effect on the local economy (Barrera-Fernandez, Hernandez-Escampa, Balbuena Vázquez, 2016, p. 381). More than that, it is a sector that creates jobs easily, it is estimated that the relationship between the cost of creating a job in the industry compared to the cost of creating a job in tourism is eight to one (Williams, 1998 cited in Barrera-Fernandez et. al., 2016, p. 381). It results that tourism tends to establish itself as a major economic activity but also as a source of income, it has created jobs in most cities.

However, the impact of tourism on a community has not gained a widespread understanding - despite the fact that tourism is growing dramatically the interest on it is very low. A lot of people think of tourism in terms of economic impacts, jobs, and taxes. Nevertheless, the range of impacts from tourism is broad and often influences areas beyond those commonly associated with tourism (Kreag, 2001, p. 2). The impact of urban tourism can be divided into the following general categories:

- economic
- environmental
- social and cultural

The aforementioned ones are also added: crowding and congestion, services, taxes, community attitude. Each category includes both positive and negative impacts. Because the conditions and resources of each community differ, not all impacts are applicable to them.

## 2. Economic impacts

Tourism increases employment opportunities. According to Galdini (2007, p. 98) as tourism grows, additional opportunities are created for investment, development, and infrastructure spending. Urban tourism often determines the improvement of public utilities such as water, sewer, sidewalks, lighting, parking, public restrooms and landscaping. These facilities can enjoy both tourists and community populations. As well, tourism encourages improvements in transport infrastructure resulting in upgraded roads, airports, public transportation, and non-traditional transportation (Kreag, 2001, p. 7). Expenditures made by tourists for accommodation, transport, food, leisure generates revenues for the local community.

In defiance of the positive elements, one of the criticisms issued to the urban tourism sector from an economic point of view is the need for continued public investment in infrastructure and attractions just to maintain the competitive position, so that the benefits are finally reinvested and profits can never be used to solve other needs (Fainstein and Judd, 1999 cited in Barrera-Fernandez et al., 2016, p. 382). Most of the time, the creation of tourism infrastructure is prioritized in spite of local population needs (Urry, 1990). Prices can increase due to the demand for goods and services that in turn will grow the cost of living.

**Table 1:** Economic impacts on local community

| Positive   | Negative   |
|--|--|
| <ul style="list-style-type: none"> <li>▪ Contributes to income and standard of living;</li> <li>▪ Improves local economy;</li> <li>▪ Increases employment opportunities;</li> <li>▪ Improves investment, development, and infrastructure spending;</li> <li>▪ Increases tax revenues;</li> <li>▪ Improves public utilities infrastructure;</li> <li>▪ Creates new business opportunities.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Increases cost of living;</li> <li>▪ Increases price of land and housing;</li> <li>▪ Increases price of goods and services;</li> <li>▪ Increases road maintenance and transportation systems costs;</li> <li>▪ Seasonal tourism creates high-risk, under- or unemployment issues;</li> <li>▪ Profits may be exported by non-local owners;</li> <li>▪ Jobs may pay low wages.</li> </ul> |

Source: Kreag, G., (2001)

## 3. Environmental impacts

While tourism can bring positive changes to the environment, the intensification and spread of harmful effects can cause adverse reactions and dampen the industry. With recent environmental awareness, many vacationers emphasize the quality of natural and cultural heritage in destination selections (Romeril, 1985 cited in Jim, 2000, p. 233). Through the tourist revenue can be preserved and restore historical buildings and monuments (cleanup or repairs, addition of public art such as murals, water fountains).

The tourism activity pours its impact on the human elements, but especially on the natural ones. The most serious damages that can be caused by the practice of urban tourism can be identified in table 2.

**Table 2:** Environmental impacts on local community

| Positive  | Negative   |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Preservation of historic buildings and monuments;</li> <li>▪ Improvement of the area's appearance (visual and aesthetic);</li> <li>▪ Protection of selected natural environments or prevention of further ecological decline.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Pollution (air, water, noise, solid waste, and visual);</li> <li>▪ Degradation of landscape, historic sites, and monuments;</li> <li>▪ Negative visual impact: the construction of large hotels, huge recreational and commercial areas;</li> <li>▪ Pressures created by noise and vibrations.</li> </ul> |

Source: Kreag, G., (2001)

#### 4. Social and cultural impacts

According to Galdini (2007, p. 100) interactions between residents and tourists can impact creative expression by providing new opportunities (positive) or by stifling individuality with new restrictions (negative) as can be seen in table 3. Tourist flows contribute to adding different values to the community, influencing behavior and family life. There is the possibility that the people belonging to the respective community might adopt the behaviors of the tourists. Urban tourism can offer residents the opportunity to meet new people from other cultures, to make friends, and last but not least to share ideas about different world-related perspectives.

**Table 3:** Social and cultural impacts on local community

| Positive  | Negative   |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Improves understanding of different communities;</li> <li>▪ Preserves cultural identity of host population;</li> <li>▪ Greater tolerance of social differences;</li> <li>▪ Promotes cultural exchange;</li> <li>▪ Increases demand for historical and cultural exhibits;</li> <li>▪ Positive changes in values and customs.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Excessive drinking, alcoholism, gambling;</li> <li>▪ Crime, drugs, prostitution;</li> <li>▪ Negative changes in values and customs;</li> <li>▪ Language and cultural effects;</li> <li>▪ Unwanted lifestyle changes;</li> <li>▪ Displacement of residents for tourism development;</li> <li>▪ Increased smuggling.</li> </ul> |

Source: Kreag, G., (2001)

#### 5. In conclusion

Despite the fact that tourism is one of the largest industries in the world that has been in a continuous expansion, the effects it may have on communities, whether positive or negative are neglected. It is essential to consider balancing opportunities and costs for the community, environment and tourists. All aspects related to the elements of the tourism activity must be taken into account, in order to achieve efficient planning in the development of strategies related to the economic, natural, social and cultural impact on the local community. As urban tourism is experiencing a continuous expansion, efforts must be made to preserve the identity of the community and at the same time to reach the

tourist objectives by accepting the principles that support community involvement, preservation of a natural environment and cultural integrity.

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## THE NATIONAL CULTURE IMPACT ON INNOVATION

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**Abstract:** *The relationship between the national culture and innovation has represented in the last years a vast research theme. This article highlights the role of the national culture in the development of innovation. Both in the specialized literature and in substantial researches a special attention is paid to identifying the innovation sources, the determining factors as well as the barriers against innovation. One of the determining factors of innovation refers to the national culture where organizations carry out their activity. The national culture has an important role as concerns the way a nation or an organization is ready to innovate. An organization is a system that adapts and evolves depending on the way it reacts to its environment. This has a determining impact on companies' strategies, structures and behaviour. The way a nation innovates is influenced by a variety of factors, and the cultural differences between nations can be an explanation of such specific behaviors in relation with innovation. In order to determine the differences whereby the national culture influences innovation, there have been made several models with respect to the dimensions and characteristics specific to the culture of countries from different regions of the world. Therefore, by this article we intended to examine the impact the national culture has on innovation and particularly on the way the nations innovate under the influence of the cultural environment. In the same time, this research underlines the clear connection between the properties of the national culture and the nations' innovation trend.*

**Keywords:** national culture, innovation, cultural environment;

**JEL classification:** A10, A11, A12

### 1. Introduction

The key component of the innovation culture of an organization or a nation does not refer solely to creativity, imagination, development and trading of new technologies, products or services. It also refers to the way they react and adapt to change and show the wish of taking risks, as well as the way the organizations' members (that is citizens) see the possible effects of scientific and technological changes.

At national level, an innovation culture offers an environment which supports the creative thinking and the efforts of extracting an economical and social value from knowledge, and, in this way, new or improved products, services or processes are generated. A healthy innovation and entrepreneurial culture offers a common set of values and beliefs which consolidate each other as concerns the importance of innovation, as well as an integrated behaviour model which supports research and innovation (Ezell and Marxgut, 2015; Badulescu and Dodescu, 2010).

### 2. The national culture and innovation

Edward B. Taylor defines culture as that complex whole which includes knowledge, beliefs, arts, morals, law, customs and any other capabilities and habits acquired by a human as a

member of society (Taylor, 1871). According to Herbig and Dunphy's definition (1998), the national culture comprises the values, features and behaviours shared by the people in a certain region. The culture's role is to set certain conducts, performance standards, and ways of approaching interpersonal and environment relations, which will diminish uncertainty, will contribute to the increase of the predictability degree, therefore promoting the survival and growing among the members of any society.

Hofstede's idea (2001) about culture is clearer and less flexible, he defines culture as the collective programming of the mind, which distinguishes the members of a human group from the members of another group. With regard to economic activities, Hofstede is of the opinion that the national culture has a significant influence on such activities. According to Hofstede, the national culture is a set of collective beliefs and values whereby people of a certain nationality distinguish from those of other nationality (Hofstede, 2001).

The research on the cultural environment where the society carries out its activity are relatively rare, and the results of existing research are quite various and, most of the time, insignificant. The studies that have analyzed this determining factor have operationalized this variable by using the cultural dimensions made by Hofstede (1980). The significant results suggest that innovation has more chances of developing in an individualist culture marked by the acceptance of uncertainty and long-term orientation (Shane, 1993) or (Wu et al., 2002).

### **3. National culture differences**

In order to identify the national culture differences, there have been made several models with respect to the dimensions and characteristics specific to the culture of countries from different regions. Myers and Tan (2002) distinguish three categories of national culture models: unique dimension models, multiple dimension models and historical-social models.

The most well known and used multiple dimensions model is the one made by Hofstede (2001). The first version of the model had 4 dimensions: 1) distance from the power; 2) individualism; 3) masculinity/femininity; 4) avoidance of uncertainty. Later, Hofstede developed also the fifth dimension: the long-term orientation versus the short term orientation. Although the model made by Hofstede is focused on the national cultures, he groups the countries in supranational cultural regions (Didero et al., 2008):

- "the distance from the power has higher scores" in Latin countries, Asia and African countries and smaller for Germanic countries;

- "the individualism" is predominant in developed and occidental countries, while "the collectivism" is predominant in less developed and Eastern countries, and in this context, Japan has a middle position;

- "the masculinity" has higher scores in Japan and some European countries (Germany, Austria and Switzerland) and moderated-high in Anglo-Saxon countries, and low in the North countries and Holland and moderated-low, in some Latin and Asian countries (such as France, Spain and Thailand);

- the "uncertainty avoidance" scores are higher in the Latin countries, in Japan and in German speaking countries, lower in the Anglo-Saxon countries, Northern countries and in the countries under the influence of the Chinese culture;

- "the long-term orientation" is predominant in the Eastern Asian countries.

In Hofstede's opinion (2001), this grouping of countries scores show that the roots of cultural differences should be looked for in the common history of the countries that obtained similar scores. Hofstede's indicators proved to be very valuable in explaining the economic differences, thus Dieckmann (1996) found a significant negative correlation between uncertainty avoidance and per-capita income growth.

Vieira, Neira and Ferreira found in their study that the cultural environment has the highest importance in defining the countries as innovative or non-innovative (Vieira et al., 2010).

The authors examined the four original components of Hofstede's cultural dimensions theory - the distance from the power, individualism, masculinity and the avoidance of the risk - and found out (in Europe at least), that three out of the four cultural variables have an impact on innovation with the corresponding implication that some countries have a higher innovation potential than others and, therefore, they are in a more appropriate position to be competitive and develop entrepreneurial activities, the differences between European nations being rather significant. The authors found out that innovation (measured by the research and development expenses) is more significant in societies where individualism is higher, the authors interpreting this in the sense that the innovation process finds an environment that is suitable for innovation in societies that valorize and reward liberty, autonomy and initiative (Ezell and Marxgut, 2015).

By contrast, Information Technology & Innovation Foundation (ITIF) found out that the nations that balance efficiently the tension between individualism – which emphasizes individual rights and liberty - and communitarianism - which emphasizes the collective wellbeing - are in better positions to win the innovation contest at world level (Atkinson and Ezell, 2012).

Another system widely used to measure the cultural differences between nations was developed by Inglehart (1997) and it is based on the data from the "World Value Survey". Based on "World Value Survey", Inglehart and Welzel (2005) made a cultural map of the world, represented in two major dimensions of inter-cultural variables: (1) The traditional/Secularly-rational values and (2) Surviving values/"Self-expression".

"World Value Survey" was conceived to offer a broad measurement of all major fields of human interest, from religion to politics, to economic and social life rendered in the two before mentioned dimensions and which dominate at world level (Inglehart and Welzel, 2005). Unlike Hofstede's cultural theory, the approach of the two authors is closer to the modernization theory and it claims that the economic and social development processes lead to the cultural convergence (Kerr, 1983).

#### **4. Conclusions**

The relationship between culture and innovation is a complex debate theme, which can be analyzed from different perspectives. The culture is a serious "problem", which has a significant impact on innovation as innovation is generally considered an important source for the growth and development of every society.

The innovation culture has to be understood as concerns the attitude towards innovation, technology, change of knowledge, entrepreneurial activities, business activities, uncertainty and behaviour related to uncertainty and the historical paths. The existing cultural conditions determine if, when, how and under what form a new innovation shall be adopted. Some countries have a higher innovation potential than others and, therefore, they are in a better position to be competitive and develop entrepreneurial activities.

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## THE REMITTANCES OF ROMANIAN MIGRANTS

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**Abstract:** *This article treats the migration of work force, brain drain and the remittances. The main beneficiaries of remittances, at the microeconomic level, are the families left in the country. At the macroeconomic level, the increase in domestic consumption and the balance of payments support can be highlighted. But effects on inflation, exchange rate, exports and imports are also present. The decision to leave the country of origin is usually based on an economic reason, to which are added factors such as lack of viable perspectives for young people after completing the educational cycle, the decline of some industrial sectors, the desire of a professional career and the improvement of the living standards, but also the eagerness of ensuring a better future for the family. Romania is among the countries whose educational system is preparing many specialists but, at the end of their studies, they are not able to find a job in their field because there is a difference between the high number of university graduates and the few jobs available on the labor market. This fact can lead to political and/or social problems. This is the reason why some governments encourage the so-called brain drain. The emigration of (high) qualified labor out of a country is a significant loss of human potential for the country concerned, which is deprived of its own specialists.*

**Keywords:** migration, migrant networks, highly qualified labour, remittances, economic development

**JEL classification:** J61-J62

### 1. Introduction

Labor Migration is an important and very known phenomenon in the history of civilization. The 20<sup>th</sup> century became "the century of migration." During this period, under the strong impact of economical, technological, social, political, educational, formative, cultural and religious factors, a number of new features of migration processes were generated.

Romania has experienced various forms of international migration, analyzed by many researchers, in different aspects: circulatory migration as a life strategy (Sandu, 2000), networks of Romanian migrants and the importance of gender in their structure (Potot, 2005, Vlase, 2007), as well as access to the highly qualified labor market (Nedelcu, 2005), the mobility of children of Romanian migrants (Diminescu, 2004), the transnationalism emergence, as a result of migrants availability to simultaneously maintain membership in socio-economical and political life, both in the origin and the destination society (Anghel, 2008; Cingolani and Piperno, 2006; Sandu, 2005), the financial transfers of Romanian migrants and their importance in reducing the deficit in Romania's balance of payments (Daianu et al., 2001).

The factors leading to the intensified international migration of labor are: the globalization of the world economy and the increasing interdependence between countries; the technical and scientific progress accompanied by the restructuring of the economy, the emergence of new professions, the change in demand for the existing ones; the development of transnational corporations, either moving labor to capital or transporting

capital to abundant labor force; the phases of the economic cycle in which is the economy of different countries and also the world economy; processes of global economic integration that stimulate international labor migration; raising awareness of people regarding the great economic opportunities available to other countries; development, expansion and the accessibility of the international network technologies; migration policy of the world.

## **2. Brain Drain and Remittances of Migrants**

At international level, the interest for migration and development has emerged around three major themes: remittances, brain drain and migration of specialists and the diaspora (Glick Schiller and Faist, 2009; Raghuram, 2009). Human capital has an important role in the economic development of a country. The drainage of intelligence, the brain drain without a "positive" feedback is harmful to the country of origin, foreshadowing even a worsening of the economic and social situation of the latter (Pociovalisteanu, 2012).

Brain drain or "brain exodus" was defined as a loss of professional staff trained in favour of another nation, which offers greater opportunities. Brain drain refers to the selective migration of talented and educated people from poor nations to rich ones (Massey, et al., 1998).

Remittances in the country of origin are an important source of external funding, in a growing process for the developing countries.

Considered to be the second largest source of external funding together with foreign direct investment, remittances are seen as being more important than public aid, official development aid, and private equity transfers.

International organizations such as the International Monetary Fund, the World Bank and governmental organizations consider remittances a development mechanism. The economic impact of remittances depends to a large extent on how they are used in the destination countries: for investment, consumption, education and health.

The ability of remittances to reduce poverty and promote human development is well documented and has often been reported to be beneficial for development, in general. "Remittances directly increase the income of the recipient's household. In addition to providing financial resources for poor households, they influence poverty and well-being through indirect multiplication effects as well as through macroeconomic effects "(Ratha, 2004).

Remittances were associated with increased household investment in education, health and entrepreneurship: "The most important links between remittances and development have the potential to transform the material well-being of migrants, of their families, and of their societies when policies are effective" (Orozco, 2015).

Depending on the transnational structure to which we refer, the development of communities within the home state has different shapes and meanings. Here are some examples: - in the case of rural communities through development we understand a significant improvement of the infrastructure and delivery of basic public services such as education and health; - in the case of transnational business networks or "transnational entrepreneurs", development involves meeting investment opportunities for existing businesses or establishing new economic initiatives in the home country (Riddle, 2008).

The figure below gives information about the remittances at the Romanian migrants

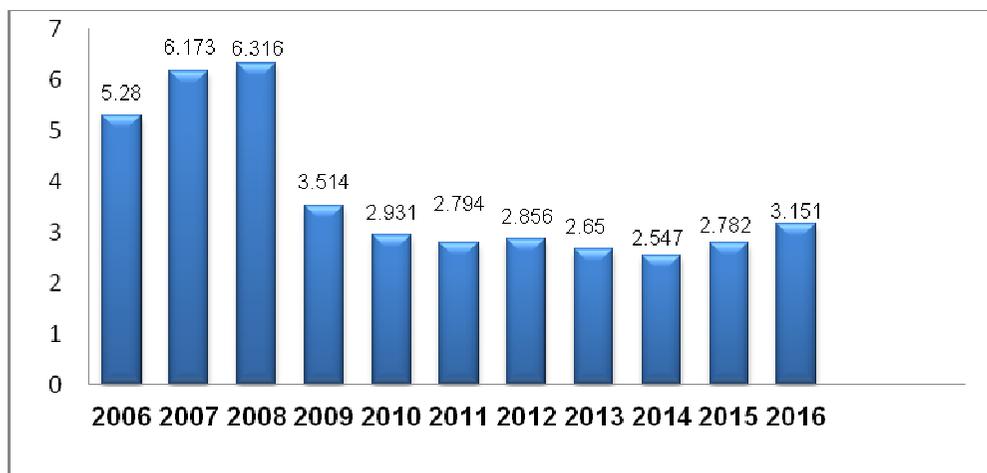


Figure 1. The value of Romanian migrant remittances in 2006-2016 (in billions)

Source: author representation using National Bank of Romania, available: <http://www.bnr.ro>

According to the National Bank of Romania, remittances reached in 2016 at the highest level after 2009, when they were 3.5 billion €, half of the amount that was before the crisis, and the largest source of remittances is From Great Britain.

In five of the past ten years, the value of remittances exceeded that of the investments made by multinational companies (BNR, 2016).

### 3. Conclusion

A positive aspect is represented by the money transfers of emigrants to the country of origin. Money transfers are considered to be a source of external financing, a constant income source used in migrants' home country which increases domestic consumption by reducing poverty and, implicitly, rising living standards.

The disadvantages of labor migration for the country of origin are: loss of investment in human capital through the migration of highly skilled labor, the generation of a labor shortage in some areas and a possible stagnation of the economy. The emigration of qualified and skilled young people (with a high work potential) can lead to a significant drop of income, development and economic growth slowdown, falling of productivity and a reduction of foreign investment in the country of origin. Remittances impact can be beneficial or unprofitable as "brain drain" leads to loss in health and education system. One of the direct effects of brain migration is the decline in human capital stock, which is determinant for productivity and economic growth.

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## DIPLOMATIC SCHOOLS. A SHORT CHARACTERIZATION

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**Abstract:** *This paper is a succinct characterization of diplomatic schools in different regions. Through diplomacy, a country shows its position in relation to another country and not only the level of development that has been reached during the relationship between them. If we look methodically, diplomacy is aimed at resolving conflicts by amicable methods without resorting to force, taking into account the will of the states involved and the provisions of International Law. Diplomatic relations are embraced in international treaties and conventions, presenting the development framework and their evolution. At the appearance and evolution of the concept of diplomacy, as well as the elements that make up it, significant contribution was represented by the diplomatic schools. Taking into account the chronological order, the classification of diplomatic schools is as follows: Greek diplomatic school, Roman diplomatic school, Byzantine diplomatic school, Italian diplomacy, French diplomatic school, Ottoman Empire Diplomacy, Russian diplomacy, Far East diplomacy, Habsburg diplomacy and the Romanian Diplomatic School.*

**Keywords:** diplomacy; diplomatic schools.

**JEL classification:** B30; K00; N01.

In Homer's Iliad, for the first time, the characteristics of diplomacy in Greece are mentioned. Thus, we find out that the embassy consisted of two or three representatives. Each representative presented his presentation individually and successively, but was also allowed to provide additional additions or explanations regarding the statements made by the previous person.

In Greece, the embassy's expenses were publicly verified, and the person who served as ambassador was forbidden to accept attention or gifts.

The consul active in "the city where he resided, was appointed according to a certain protocol and had the duty to defend the interests of the city." (Malița, 1975)

Concerning Greek diplomacy, in the work titled Diplomacy, the author emphasizes attributes that an ambassador should not present: "if an ambassador does not speak well, if he has no power of persuasion, if he does not expose things well, he does not defend himself his cause and especially if he does not notice the right moment, then the state, the fortress loses not only an opportunity, but also the possibility to influence the course of events." Thus, any opportunity that was not used at the right time as a means of negotiating or obtaining in favor of its fortress is a missed chance, history being written.

In Roman diplomacy, "the negotiation of alliances, litigation, the handing over of the ultimatum were entrusted to embassy commissions, called by the Senate, whose members were specialists in matters that constituted the mission of the embassy." In Rome, the ambassador was called legatus (sent) Senate, the first being instructed and empowered by the Senate. Their delegations were composed of a number of ten to twelve members, the ship they were traveling was accompanied by other ships used in the war, thus remarking the imposing condition and the power held by the envoy of Rome. The history of Romanian

diplomacy is based on the Roman diplomacy that arose with the Geto-If interaction on the territory of our country.

In our country are written writings that, like those of the Byzantines, describe the ceremony of receiving the messengers of other peoples. We recall the following writings on "the unfolding of the diplomatic protocol in the teachings of NeagoeBasarab, RaduPopescu, Ion Neculce, DimitrieCantemir, MironCostin." (Malița, 1975)

The work titled "The Contemplation of Old and New Habits", written by Gheorgachi, about 1762, offers many details about the ceremony.

Byzantium is a culture, a world that has been through centuries of influence on the cultures of Western and Eastern Europe. Thus, we can note that the Romanian diplomacy also took in influences from the Byzantine culture in its formation.

According to the writings, the most important contributions of the Italian diplomacy include the appearance of the permanent embassy. Thus, the permanent memories were born in Italy and from there they spread to Western Europe and then to Eastern Europe. " (Malița, 1975)

In order to meet the requirements of a good ambassador, in the eyes of the Italian school, he is asked, among other things, to be a Latin master, the international language of the age, to have an aggressive eye, to look suspiciously on any stranger, but to approach the mask of a man of the world. " (Malița, 1975)

A notable personality of Italian diplomacy is the person of Niccolo Machiavelli. This is remarked by the work entitled "Il Principe".

The French diplomatic school stands out at the beginning of the 17th century. As soon as it was noted, Latin was replaced by French for almost two centuries. A prominent figure of French diplomacy at the time is Cardinal Richelieu, who enjoyed the support of Maria de Medici. He set up the Foreign Ministry in 1626 in France. We must note that the French school has brought valuable value in diplomatic history: suppleness and perseverance, continuity, clarity of the goals." (Malița, 1975)

Romanians' knowledge of the Turks derives from the long-standing relationship with the Ottoman Empire. DimitrieCantemir and Nicolaelorga were two personalities who wrote about the Ottoman Empire and the relationship between it and the Romanian Lands. Thus, the medieval Romanian diplomacy had to adapt to the relations with the Gate, applying, when Byzantine and Venetian methods, when Turkish methods" (Malița, 1975).

Since the reign of Stephen the Great, diplomatic ties with Russia have been recorded. Prior to leaving the mission, the messengers were obliged to acquire the instructions, discussing possible issues on the agenda. If they had new topics of discussion, the answer was postponed until home reporting was done. From this mode of action, there is the limited power given to the messengers.

The diplomacy of the countries of the Far East has been characterized by the displayed opposition of these countries, in the face of Europe's and US attempts to enter these markets and, at the same time, to benefit from raw materials. Except for the Canton, the other ports in China were closed in terms of foreign relations and trade. The self-isolation of China and Japan aimed to protect the feudal system from external inflection. Finally, the countries of the Far East have forcibly renounced this isolation policy, each having the possibility of choosing the direction and the level of domineering influence exerted by other states on them.

In 1713, during the reign of Carol, the "Pragmatic Prayer" was imposed, which assured the daughter of Carol, Maria Theresa, the succession to the throne. Carol had no descendants on the masculine line, and the monarchs of Europe wanted to divide Austria after Carol's death. Austria's integrity will be maintained for two centuries by imposing this thesis that influences that period of history. Thus, Maria Theresa succeeds in starting its reign in 1740, having the help of the Kaunitz count as foreign minister and chancellor of Austria. Austria's diplomatic activity is important for our country, especially in the Transylvanian area.

Throughout history, the Romanian states have used diplomacy as a way to survive in front of other, more numerous and much stronger peoples and, at the same time, to maintain their independence. On the territory of our country, diplomatic activity has been mentioned since the first state formations were registered.

Currently, the Minister of Foreign Affairs, the State Secretaries, the Undersecretaries of State, the Secretary General and the Deputy Secretary-General are legally members of the Romanian Diplomatic and Consular Body during the performance of their duties. Members of the diplomatic and consular corps of Romania, in the central administration of the Ministry of Foreign Affairs and in the diplomatic missions and consular offices, hold diplomatic and consular functions equivalent to diplomatic or consular diplomas.

Now, in diplomatic activity, the protocol and the ceremony constitute the framework within which the relations between states take place. The Protocol regulates the order of precedence of the representatives of the countries directly related to the principle of equality of states. The procrastination order was governed by the Vienna Congress, the protocol succeeding, if not to eliminate, at least to diminish the conflicts over the pride and prestige of the states.

The protocol provides for the immunity of those who permanently or temporarily represent foreign countries. The ensemble of the protocol and courtesy rules regarding the assessments and distinctions offered to the diplomats according to the rank held. In the case of the Royal Courts and beyond, special rules can be observed regarding the ceremony organized on the occasion of the presentation of the letters of accreditation by the ambassadors.

The main rules of ceremony and protocol in the diplomatic field are courtesy, international courtesy, etiquette, greeting and conversation.

Courtesy - Good conduct of diplomatic activities and relations is based on the principle of mutual respect. This principle applies irrespective of the size, geographical location or degree of economic and cultural development of the country of origin of the official representatives.

International courtesy - is manifested by the activities carried out at various events such as: celebrating the national day of a country in another country, routing actions, setting up a new head of state or acceding, the head of state responds to the invitation by his / her presence or representatives.

Labeling - is the set of rules of conduct that may, in some situations, make the difference between a diplomatic agent deemed to be competent in a professional capacity and a diplomatic agent deemed less competent. That difference resulting from this subtle line has the ability to avoid delicate situations or circumstances.

Greeting - is a form of education, and the answer to the greeting is obligatory, otherwise the gesture is considered a lack of politeness. We must point out that in the diplomatic environment the behavior of the diplomatic agent does not only reflect the culture and development of the person concerned but also of the country he represents.

The conversation - is considered the main link to inform and receive information. Objectively, any conversation should be pleasant, but especially interesting. An interesting conversation is composed in an imperative way through knowledge of general culture, professional and political knowledge, tact and diplomacy.

In the diplomatic space, ceremonial rules and protocol create a favorable environment for the development of relations between states, respectively the achievement of foreign policy goals. Failure to comply with these ceremonial rules and protocol can cause tensions and misunderstandings of a political and not only nature, which, besides the discomfort created, also affects the smooth running of diplomatic activity, an undesirable situation in the century in which they are constantly fighting for peace, diplomacy and tolerance.

## Conclusion

The emergence and development of diplomatic schools was determined by the need to regulate relations between states. The existence and activity of these schools has, over time, influenced the way in which states collaborate. Through the diplomatic schools, the direction of the diplomatic activity of the time was given. Ideas and activities promoted by a diplomatic or other school have the ability to determine the proximity or cooling of existing relationships between states. To a certain extent, diplomatic schools function as a means by which peace can be established or a conflict may be triggered.

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## HUMAM AND FINANCIAL RESOURCES IN THE ROMANIAN EDUCATION SYSTEM

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**Abstract:** *Before assuming institutional and educational performances, we need to identify the educational resources that we have or may have. Speaking of the educational resources, of course, with reference to human, financial, logistics, etc. resources, we will focus only on the first two essential aspects - vital for the subsistence of the educational institutions in Romania. Specifically, the human resources (educated person and educable person), respectively the financial resource, combined with some levels of financial allocation. Starting from the premise that education is done from individual to individual, we reach to a point where education needs to be supported by the individual, the state or, even more, by the entrepreneurial environment.*

*Education itself is an informational resource that, by assimilation of information by individuals, becomes the path to self-improvement. Except that, at one point, the individual has to become a pillar of support for the economic environment, through the performance of his work qualified and certified by an educational institution. The research is based on direct observation, by existing data - information from several sources: Eurostat, UNESCO, MEN.*

**Keywords:** education analysis, government spending and education, funding policy, performance and outlook

**JEL classification:** I21, H52, G32, P27

### 1.Introduction

Starting from the premise that education represents the main vector of human development, through the instructive and educational process, we come to the conclusion that the human resource, both quantitatively and qualitatively, should be placed at the forefront of the entire education system in Romania. Since a performing society derives from a supported education, we come to the conclusion that the role of education is to contribute to a society that is more civilised, conscious and actively participatory in the economic growth and development. The human resource is the living patrimonial asset, that educational asset that is set by staff categories, having well-defined and evaluable objectives to lead us to performance.

The primordial educational resource, more precisely, the human resource, is the institutional subsistence site, both at pre-university and university level. At the same time, the most important educational institutional human actor is the number of existing students. They represent the preservation side of the educational institutional existence, also ensuring the good conduct of the specialised institutions.

But, first and foremost, starting from the lowest level of education ISCED-0 (early education) to the highest level of education ISCED-8, first of all, we need children-pupils-students. They are considered to be the main actors, without which there is no institutional educational survival.

Of course, in order for education to become an efficient one, there is also a need for a financial resource. But, certainly beyond the two aspects of human - financial resources, the educator's creativity is also needed. The financial resource should not necessarily be

considered as the only way towards performance. The performance itself can only be achieved through two important aspects: the educable person's aspiration to achieve some performance, namely the educated person's willingness to focus on identifying the potential educable persons to achieve performance in a particular given field.

## 2. Human resources in the Romanian pre-university education sector

We start from the working hypothesis whereby education is done only with the existing human resource human resource that refers to the fact that any individual, if the necessary conditions are ensured, may grow and develop professionally and personally ... (according to Moldovan 2000). With reference to our case, of the educational sector, we can say that both the educated person (the teaching body), and the educable person (the pupil/student), is the human resource of institutional subsistence and, last but not least, of quality assurance in education.

Analysing the demographic context we find that the population in the pre-university education in Romania, the age group 0-19 years, decreased by 3.3 million people in the period 1990-2015 (INS 2016 data).

At the pre-university level, the shock wave of the drastic decrease of the school-age population, in the age group 0-4, early education, between 5 and 9 years, the ISCED-1/2011 level, with the age between 10 and 14 years, ISCED-2/2011 level, respectively 15 and 19 years, corresponds to the ISCED-3/2011 level of education, has been propagated since 2010. This can be attributed to the demographic evolution in Romania. The period 1990-2015, the population of 5-9 year decreased by 38.2% (from 1,720.3 thousand to 1,062.6 thousand), while the population of 10-14 years by 46.3% (from 1,976.8 thousand to 1,062.5 thousand) (Romanian Court of Accounts 2015).

Also the gross birth rate in 2015 was 9.3 ‰ in Romania, being below the indicator level at EU level 10 ‰ (Eurostat data 2016),. Taking into account the primary funding policies of the education systems of the EU Member States in the socio-economic context the education is a solution to cope with the impact of the crisis, provided that this investment is effective (Education and Training Monitor 2012).

This is why we believe that an effective education is made with assured, qualified and, last but not least, financially supported human resource. We know that the number of staff members in the pre-university education system in Romania is closely related to the number of pupils in the school units. Thus, during the school year 2015/2016, the number of employees in education continued the downward trend in recent years, in an accentuated form (with a decrease of about 8 thousand persons compared to 2014/2015), (Ministry of National Education 2016) aspect detailed in the table below.

**Table no. 1** Evolution indicators of the staffing levels, period 2013 - 2016, in Romania

| School year | Total staff ISCED 0-3 levels |                    |                |                             |        |
|-------------|------------------------------|--------------------|----------------|-----------------------------|--------|
|             | Teaching                     | Auxiliary teaching | Administrative | Maintenance and operational | Total  |
| 2015-2016   | 210008                       | 22815              | 7453           | 51549                       | 291825 |
| 2014-2015   | 216268                       | 23696              | 6821           | 52897                       | 299682 |
| 2013-2014   | 219805                       | 22873              | 6827           | 54337                       | 303842 |

Source: MEN, (2016), available at [https://www.edu.ro/sites/default/files/\\_fi\\_%C8%99iere/Minister/2017/transparenta/Stare\\_sup%20%202016.pdf](https://www.edu.ro/sites/default/files/_fi_%C8%99iere/Minister/2017/transparenta/Stare_sup%20%202016.pdf), accessed on 27.09.2017

We conclude that the total number of contractual staff ISCED 0-3 level in Romanian decreased by 12017 employees for the analysed period 2013-2016. Only the administrative staff increased by 628 employees. The decrease of the number of 12017 teachers for the analysed period can be attributed to the decrease of the number of pupils.

The increase in the administrative staff was a necessity due to the increase of the number of activities in a school unit, such as: responsible for the 'Bread and Milk' program, rounding the workload from 0.5 to full-time, hiring computer experts who are also responsible for supervising the audio-video cameras from simulations and national exams, contests, etc.

**Table no. 2** Indicators of the number of qualified teachers at ISCED 0-3 levels, in relation to a comparative analysis of the dropout rate, period 2009-2016, in Romania.

| Educational level            |  | 2010/<br>2011 | 2011/<br>2012 | 2012/<br>2013 | 2013/<br>2014 | 2014/<br>2015 | 2015/<br>2016 |
|------------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|
|                              |  | (%)           |               |               |               |               |               |
| ISCED 0<br>(preprim)         | Qualified<br>teachers<br>/<br>school<br>dropout<br>rates | 95.6<br>*     | 95.2<br>*     | 97.3<br>0.5   | 96.9<br>1.1   | 91.6<br>1.7   | 91.6<br>*     |
| ISCED 1<br>(primary)         |  | 98.8<br>1.4   | 98.8<br>1.6   | 98.0<br>1.6   | 98.0<br>1.1   | 97.0<br>1.2   | 96.8<br>1.8   |
| ISCED 2<br>(gymn)            |  | 97.8<br>1.7   | 98.1<br>2.0   | 96.8<br>1.9   | 96.8<br>1.7   | 96.4<br>1.8   | 96.3<br>1.9   |
| ISCED 3<br>(high-<br>school) |  | 99.4<br>3.7   | 99.3<br>4.4   | 97.6<br>3.2   | 97.5<br>3.2   | 98.4<br>4.5   | 98.6<br>*     |
| Vocational<br>(SAM)          |  | 96.6<br>19.8  | 100<br>30.4   | 77.3<br>7.9   | 89.4<br>4.3   | 89.2<br>5.0   | 88.6<br>*     |

Note: no data available \*

Source: made by the author according to MEN, (2016), Report on the pre-university education state in Romania-2016, pp. 26-36.

### 3. Conclusions

We find that in the period 2012-2015, at ISCED 0 education level (early education), the number of qualified teachers decreases by over 5%, respectively the school dropout rate in the pre-school is doubled annually in 2012-2015. More specifically, in the school year 2012-2013, the dropout was 0.5%, respectively in the school year 2014-2015, it reached to 1.7% of the total number of the enrolled children. Thus, we find a drastic decrease in the number of future educable persons, in addition to the accentuated trend of the school dropout rate, at the pre-school level, which leads to the reduction of staff, namely the dissolution of some pre-school classes.

In this regard, in the future, the education system, but not only, should review some policies that will lead to a decrease in the school dropout rate from the pre-school class level.

Future possible applicable solutions:

- ❖ *more efficient collaboration between educated persons from the pre-school - primary level;*
- ❖ *identification of solutions on possible home visits, with other representatives (eg., local police in the urban area, education commission within rural halls etc.);*
- ❖ *provision of consultancy within the offices of psycho-pedagogical assistance of the school units, conf. Order of the Ministry of Research, Youth and Sports 5555/2011, with the subsequent amendments.*

Another aspect that emerges from the analysis of the above table refers to the dropout rate in vocational education, also recognised by the (Ministry of National Education and Scientific Research 2015). Thus, there is a 'strong upward trend along with the entry into winding up of this training route starting with the school year 2009/2010', the school dropout rate reaching even a very high percentage of over 30% in the school year 2011-

2012. Along with the implementation of different forms of vocational education, the value of the dropout decreases significantly, starting with the school year 2012-2013, even reaching to the value of 7.9% with the downward trend until the year for which data is not available, 2015. Changing attitudes toward vocational and entrepreneurial education are also actions needed to be undertaken in order to achieve the expected outcomes (Badulescu et al, 2014).

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## PERSPECTIVES ON UNCERTAINTY IN THE ROMANIAN ECONOMY

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**Abstract:** *Despite the struggle against global strains and political risks, uncertainty not only persists in association with the external environment, but it reached extremely exalted levels compared to recent history. The instability of the global environment is leading to a lot of economic decisions being put on pause. Uncertainty's effects about a nation's economic policies can often spread beyond the country's borders, this being the reason why a possible deterioration of the macroeconomic equilibrium is expected to have a significant impact on the risk perception, with direct consequences upon the Romanian economy. The aim of this article is to outline not only the existing economic framework in Romania, but also its future development in a macroeconomic context driven by uncertainty.*

**Keywords:** risk and uncertainty; macroeconomic confidence index; Romania

**JEL classification:** E66

### 1. Introduction

This article, entitled 'Perspectives on uncertainty in the Romanian economy' is structured in 6 sections, as follows: part two reveals the macroeconomic global context, where uncertainty persists, although all over the world countries are struggling through national economic policies to assure stability. Summarizing the next section, I have chosen the Global Economic Policy Uncertainty Index to emphasise the fact that the entire world is facing record levels of uncertainty, all because the regions of the global economy are interdependent. The fourth part investigates, in an empirical manner (CFA Macroeconomic Confidence Index) how financial analysts foresee the Romanian economic context, having a one-year time horizon. The next section, 'Romanian Economic Framework', analysis the local entities that have the power to influence the economy in the future, namely the most stable companies, the state-owned entities and the most efficient firms. Part six briefs the main ideas of the paper and suggests some suitable ways of action.

### 2. Macroeconomic Global Context

Globally, inequality between countries has been decreasing with an accelerating rhythm over the past 30 years (World Economic Forum, 2017), but despite the struggle against global strains and political risks, uncertainty persists in association with the external environment. This refers especially to Brexit negotiations, US economic policies, the conduct of monetary policies led by FED (Federal Reserve System) and ECB (European Central Bank) and their consequences on the entire macroeconomic global framework.

Also, of relevance is the future development of the Chinese economic activity and from other emerging economies, through the impact they have on economic growth. But, as socio-economic effects are "increasingly determined globally" (World Economic Forum, 2017), the anger resides in the incapability of national policies to assure stability.

A possible deterioration of the macroeconomic equilibrium is expected to have a significant impact on foreign investors' risk perception, with direct consequences on the stable cash

flows that are directed towards Romanian economy. This is why is so crucial to maintain a balanced mixture of policies that can assure an endurance in facing potential turbulences.

### **3. Uncertainty Index**

According to European Systemic Risk Board (2016), “economic policy uncertainty in the EU was at all-time high”, reaching the peak (309.88) in December 2016, while in 2008, during the global financial crisis the economic policy uncertainty index registered a value of only 200.94. It was the first time ever when the value of the index surpassed the frontier of 300, meaning three times the average number over the past 20 years (as far back as the index goes), as stated in Washington Post.

Scott Baker (Northwestern University), along with Nicholas Bloom (Stanford University) and Steven Davis (University of Chicago) developed an index in 1997 in order to globally measure the degree of uncertainty, combining data from 18 different countries. These countries represent more than two thirds of the global economy.

The index built is mainly based on text research from news articles (The Washington Post, The New York Times, Wall Street Journal and so on) and aims to capture information about who will take some important steps, when and what economic policy decisions will be undertaken and the economic consequences of all these actions (Baker, Bloom, Davis, 2016).

The finance experts and economists who are looking for interdependencies between different regions of the global economy and political economic uncertainty are suggesting that the entire world is facing record levels of uncertainty and political chaos, which can lead to a diminish in economic growth and to unemployment.

### **4. Financial Analysts' Perspectives**

CFA Macroeconomic Confidence Index aims to quantify the anticipations of some financial analysts on the Romanian economic activity, having a one-year time horizon. It was firstly released in May 2011 by CFA Society Romania and is calculated based on a set of questions. This indicator can take values between 0, which shows no confidence and 100, highlighting a complete trust in the Romanian economy. Important to mention is the fact that the participants are active members of the CFA Society Romania or candidates for the second or third level of the CFA exams.

In September 2017, the Macroeconomic Confidence Index registered again a decrease, reaching a value of 45.4 points, the lowest result since June 2013. Compared to previous month, the index recorded a decline with 5.3 points, while in January the nominal value was 54.9, with 21% higher than this outcome.

Analyzing the two elements that compound the index, we can observe that the current conditions component (of business and labour market) exceeded the neutral level with almost 14 points and managed to attain the nominal value of 63.9, dropping with 4.6 points comparing with August. At the same time, the expectations constituent (about business, evolution of personal income, labour market, personal wealth) acquired the most inferior position since October 2012, namely 36.1.

### **5. Romanian Economic Framework**

In a global macroeconomic context driven by uncertainty, it is compulsory to outline an image of how Romania's economy will look like in the next decade. Are the perspectives going to be satisfying? Will the existing companies manage to overlook the multitude of challenges or can the state-owned enterprises sustain the economy? In order to answer to these questions is important to identify those firms that are expected to continue being part of the Romanian economy in the next years.

The Romanian economy is constituted to a large extent of mature firms and the future is probably going to follow the same characteristics. The National Bank (Neagu, Dragu, Costeiu, 2017) has identified about 133.000 companies (22% of the total number of active companies in December 2015) that can be considered the veterans of the Romanian economy, being present in the economy for at least 15 years (double the average lifetime of a firm which operates on the Romanian market). But the problem with these companies resides in the fact that their direct regional presence is a limited one. For instance, according to BNR (National Bank of Romania), between 2005-2015 only 134 Romanian entities penetrated the external markets through foreign investments.

When it comes to the most efficient existing companies in the national economy, the same authors (Neagu, Dragu, Costeiu, 2017) determined 13.100 of such firms (2,1% from a total of about 608.000 active companies in 2015), their importance in the economy rising continuously. The methodology for determining the elites of the national economy takes into account the net profit and the production factors that are used (capital and labour). Analyzing the dimension of these firms, it can be observed that the highest percentage is held by the small enterprises (62%) and having the branch of the activity as a criteria, it can be noticed that 30% represents only the manufacturing industry.

The importance in the Romanian economy of state-owned enterprises has been considerably diminished in the last decades, reaching values imminent to the European average. The number of companies with a majority public capital surpassed 1.000 in 2015, this value being six times less than the maximum level that was attained in 1995. Necessary to mention is the fact that the Romanian state-owned enterprises have a majority contribution in the research and development sector, spending 66% from the total amount of expenses.

## 6. Conclusion

The presence to a large extent of mature firms in the Romanian economy will accentuate the degree of aging, which can affect the economy's capacity to widely aim towards sectors of the future and readapt the mentality for next decade's requirements.

Although the most efficient companies use capital and human resources more effectively than the rest of the economy, the disparity in relation to the average of the developed countries is still maintained. The productivity is placed above the one registered in other countries from the region, but the values are significantly inferior compared to the developed countries.

The power equilibrium in the Romanian economy is expected to continue unbalancing in favour of the companies that possess a majority foreign capital, making mandatory the implementation of a national policy which will assure an adequate competitive context and an equitable treatment.

To conclude with, uncertainty's effects about a nation's economic policies can often spread beyond the country's borders. This is why it takes awareness to understand that *a stable macroeconomy reduces uncertainty and enables economic agents to focus on productive decisions rather than on trying to mitigate high risks* (World Bank, 2014). Indisputable, these are critical ingredients not only for the longevity receipt, but as well for performance.

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# ATTRACTING AND RETAINING TALENTS THROUGH CAREER MARKETING STRATEGIES

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**Abstract:** *Attracting and retaining the most qualified employees is essential to achieve organizational goals. The valuable employees are attracted by career development opportunities, but lately economic constraints and the flatter structures of organizations have led employers to ignore somewhat the careers of their employees. The aim of this paper is to define the career marketing concept and to highlight how the use of career marketing strategies and practices could help to increase the quality of human resources in organizations by attracting talented employees and retaining them through career development opportunities. Career marketing does not imply direct financial benefits, but contributes to the performance of the organization through the professional development of human capital.*

**Keywords:** career marketing, employee retention, professional development, turnover.

**JEL classification:** M31, M51

## 1. Introduction

The accelerated development of technology leads to increased competition, especially in terms of staff, which is an organizational asset that is difficult to imitate. The attraction and retention of the best employees has become a central managerial objective, especially for the service industry. Given the skills shortage existing in the labour market, as well as the wide range of job offers available to valuable specialists, companies should offer more than just a job. They have to create a professional route for each employee, which also targets their interests, not just those of the company.

The academic literature focuses predominantly on human resource management, without taking into account marketing techniques frequently applied for the efficient management of the workforce needed by an organization to achieve its goals. This paper highlights the importance of marketing strategies in reducing the highly qualified employees turnover and provides a definition of career marketing concept.

## 2. Career marketing – defining the concept

Human resources management represents all management decision that influences the relationship between the company and its employees (Beer et al, 1984 in Armstrong, 2009: 4). HRM policies aim to maximize employee engagement, facilitate organizational integration (Guest, 1987 in Armstrong, 2009)

and gain a competitive advantage on the labour market (Storey, 1995 in Armstrong, 2009). To achieve these goals, it is important to answer questions such as: what part of the labour market is important for the organization? What kind of people does the company need? What is the company's image on the market? Answering these questions we will inevitably use marketing techniques: segmentation, targeting, positioning, value proposition, employer branding.

Armstrong (2009) argues that labour market research data must be transformed into marketing plans in order to meet identified needs of the enterprise and its employees. Just as in commercial marketing, a number of strategies are applied to achieve maximum reaction from the target audience.

Career marketing differs from human resource management in two main aspects. First, HRM focuses on organizational performance as a whole, while career marketing focuses on the individual and how job satisfaction and intrinsic motivation contributes to professional development and high performance at work, which determines the performance of the organization. Thus, we will define career marketing as applying commercial marketing techniques to organizational career planning activities designed to attract and retain talented people within the company in order to increase the quality and performance of human resources. Career marketing does not imply direct financial benefits, but involves economic benefits by increasing the performance of human resources and reducing staff turnover. Of course, in this case, marketing techniques need to be adapted, using interdisciplinary knowledge and practices.

### **3. The importance of career marketing for employers**

Considering that the supply of educational units is not in line with the labour market needs (Agenția pentru Dezvoltare Regională Centru, 2016: 149), many jobs remain uncovered by the workforce prepared in the necessary field, but for others it is a fierce competition. In this case, the graduation certificate is no longer a relevant classification criterion, work experience becoming increasingly important.

Therefore, more and more candidates are looking for companies that provide opportunities for career development (Ahmad, N.A. and Daud, S., 2016: 696). Nevertheless there is a problem: along with the employer's investment in the professional development of its employees with the purpose of retention and motivation, their attractiveness on the labour market also increases (Cappelli, 2000; Preenen et. al., 2011). To meet this challenge, companies should provide satisfactory working conditions that are difficult to reproduce elsewhere.

Another solution would be developing the specific skills required for certain jobs in the organization which cannot be easily transferred to competing companies. In this way, the employee is bound to the job because of the limitation of possibilities. However, such an approach does not allow the company to adapt to changing needs in terms of knowledge and skills of employees. Therefore, career adaptability is a long-term solution in order to cope with changes in the market as well as technological ones.

However this approach can have contradictory effects - either increase affective commitment or encourage the intention to leave the organization (Ito and Brotheridge, 2005). Therefore career marketing strategies must be geared towards forming a career within the organization.

A study by Ahmad, N.A. and Daud, S. (2016) shows that there is a strong relationship between the professional development of employees and their intention to leave. The employer must offer as much professional experience as possible enabling career development. It is also very important to recognize employees' achievements to strengthen their commitment. According to Gruman and Saks (2011) employee engagement underpins organization's success, contributing significantly to increase its competitiveness in the market.

However, if in the past we could talk about the employee-employer relationship as a lifelong marriage (Cappelli, 2000: 1171), today we are talking about a concubine, a partnership that resists as long as the relationship is mutually beneficial. Employee loyalty to the organization has been replaced by career attachment (Cappelli, 2000: 1169). As long as the organization takes care of the professional development of its employees, they

will remain in the company. When employees will feel they have nothing to learn, they will look for another environment that promises them new challenges.

#### **4. Achieving competitive advantage through career marketing activities**

Aaker (2013: 101) argues that the competitive advantage can be obtained through the exceptional skills of the employees or through the exceptional resources the organization owns. Hence, human resources are an important source of competitive advantage (Porter, 1985). Employees offer exclusivity, uniqueness and economic value (Bratton and Gold, 2001: 432) because they are impossible to imitate. Unfortunately, not all managers are aware of the impact of human resources on a company's competitiveness and that maintaining a competitive advantage is closely related to the continuous development of employees (Batarliené et al., 2017).

If companies treat their employees as customers, they will be able to understand and meet their needs, and the consequences will be as expected. Just as in commercial marketing, employers must inform potential applicants and current employees about the benefits of hiring in the company and become an "employer of choice" on the labour market through branding activities.

With regard to career marketing, the product is represented by the vacancy "put up for sale". It should anticipate the occupant's development needs and present a well-planned professional route. In addition, the 'price' required for the product is also important. There is no necessary need for people with a huge experience in the back, but for talented people who can produce value. This is why the marketing mix is so important and consideration will be given to placement and promotion, as well as employer branding activities. In fact, employers have to market advantages because that's what each of us is looking for, be it financial or psychological, social or emotional advantages.

#### **5. Conclusions**

Career marketing is not just about the exchange between employees and the employer, namely the work done and its payment. The term also refers to the investments made by the organization to develop human capital and individualized career planning, resulting in increased motivation, loyalty and performance.

Career marketing is based on the idea that in order to attract and retain the best performing people is not enough to give them a job, but a career. It is an illusion to hope that highly qualified employees can be held in an organization without clear career development plans.

Nowadays, employees are more attached to the career than to the organization, which is why companies should offer them opportunities for professional development, combining work with lifelong learning and, as a result, employees will not even think of going to another organization.

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## APPLE'S MOBILE PAYMENTS ECOSYSTEM

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**Abstract:** *Starting with 2007 Apple showed that it's a real trendsetter with respect to innovative solutions and that it has something to say when it comes to mobile devices. Taking into account job creation, research and development investment, product selling and last but not least the annual reports, the company proved to be a key player in the world's economic environment. Looking at the numbers, each and every year, when Q4 comes and the launching of a new iProduct is scheduled, the device's shipments are hiking. With every new product launch and new technology implementation, the company is driving the industry of portables in new directions. The main takeaway of this paper is to see in which manner the giant influenced and continues to influence mobile payments industry.*

**Keywords:** biometric sensor; mobile payments; application; iPhone

**JEL classification:** E42; O33.

### 1. Introduction

Starting with 2007, Apple Inc. led by its visionary Chief Executive Officer Steve Jobs, began to focus on developing portable devices. This was in his opinion an unexploited branch and he managed to improve it. Released in June, the original iPhone was 5 months away from the launching of one of the most coveted phone of that time – Nokia N95 8GB version. It had the specifications similar to Nokia N95 and with a \$599 price, it was even cheaper than the \$749 king of Symbian Operating System (Newsday Tribune, 2015). With thousands of mobile applications ready to be installed, Nokia had the first-mover advantage but also no records of its users. This was the main issue that killed a great operating system. With no feedback from the users, Nokia developed application just for the record and not for user's retention. Launched in 2008, Apple's proprietary App Store was the unique place where users could install tailor-made apps. It started with 500 apps but in May 2017 the total number of available apps reached 2.2 Bn. (The Daily Advertiser, 2013) (Costello, 2017). With the launch of the iPhone 2G (first generation iPhone), Apple also introduced to the masses the capacitive touchscreen, a different shift from the existent one at that time – the resistive touchscreen. It was a major improvement because in order to operate the phone you were not required to use a stylus anymore. Another premiere was the use of the SIM card tray. Unlike the existing phones in order to insert the SIM card in the phone, you had to eject the SIM tray, put the SIM card on it and then insert it back. Both concepts are standard in the industry 10 years after the launch of the first iPhone. Launched in 2010, with a mature technology onboard, the iPad followed a quite upward trend in sales and the company's cash growth increased from \$11Bn to \$39Bn (Bullish Cross, Philip Elmer-Dewitt). Innovative with some solutions, Apple is at the same time reserved when it comes to adopting hardware and software novelties. One example can be given by comparing the 2013 flagship phone of Samsung – Samsung S4 – released in April, with last flagship from Apple – iPhone X – released in October 2017. It took 4 years

and a half for Apple in order to implement wireless charging, compared to Samsung. It took also between 2 and 3 years compared to Google's Android Operating System to implement in their proprietary operating systems functions like notification centre, personal hotspot etc.

## **2. Mobile payments – present and future**

In 2013, with the launch of the iPhone 5S, Apple managed to shed the light first on mobile security and afterward on mobile payments. iPhone 5S was the first iPhone with an embedded fingerprint reader named Touch ID. Originally showcased as a method of stopping unauthorized use of the phone, this laid the foundation of the Apple Pay platform. In a manner that Alan Curtis Kay (1992) pointed out that 'People who are serious about software should make their own hardware', Apple started to develop a hardware solution. Launched in late 2014, iPhone 6 together with iPhone 6+ were the first mobile phones to embed both software and hardware solution for mobile payments. Both phones came with Apple Pay software preinstalled and had implemented the entire hardware set for a secure payment: NFC - Near Field Communication antenna, fingerprint sensor and a microprocessor that encrypts the transactions.

Referring to ecosystems it is worth mentioning that older devices like iPhone 5, iPhone 5S and even old generation iPod touch can also use Apple Pay to make payments but thanks to NFC chip embedded in Apple Watch. Basically having an Apple Watch enables a non-NFC capable Apple device to make payments via Apple's dedicated platform. The sole requirement for Apple Pay is to have a device with minimum the 8<sup>th</sup> version of the Apple mobile operating system – iOS 8 – installed.

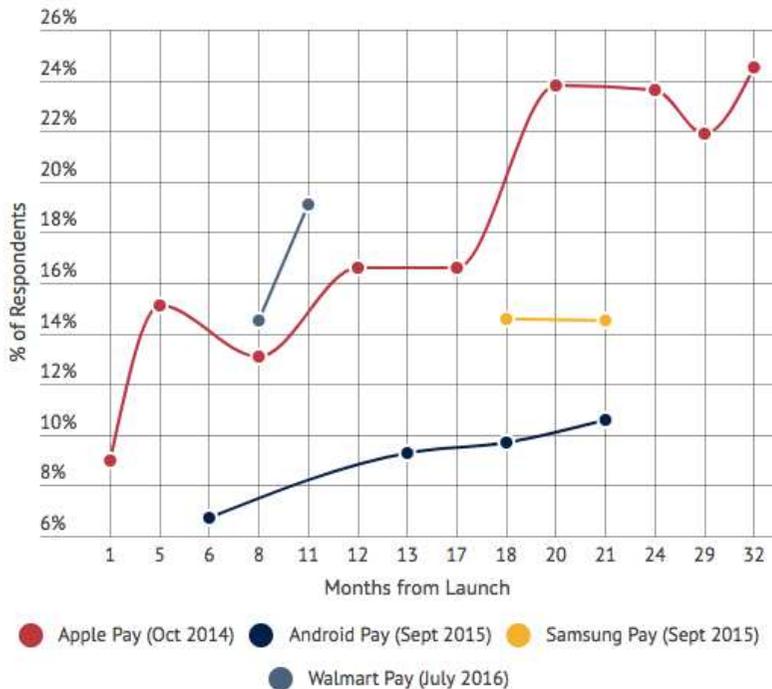
Unlike contactless cards Apple Pay seals the payments, covering a set of advantages. For example, when approving a payment, the software converts the card information into a hexadecimal code using the 'secure element' (Santus, 2014). This code can be read only by the point-of-sale. In case of security breach, the card details are safe because hackers can see only a hexadecimal code and not the name and surname of the owner, card number, CVC code etc.

According to a study published by PYMNTS.com, conducted in collaboration with InfoScout – a consumer research company – when it comes to mobile wallet adoption, Apple Pay is by far the most used for payments. In 32 months since launch, the usage has risen threefold compared to 2014 as presented in Figure 1.

This is strongly related to bank's adoption of the mobile payment. If in the case of mobile adoption the increase was almost linear, the number of participating banks expanded from 20 in 2014 to approximately 2500 in 2017 – 304 in Asia-Pacific, 112 in Europe and the Middle East and 2000 in the United States and Canada (Apple, 2017).

With the launch of anniversary iPhone, Apple introduced on their stage another biometric sensor – face recognition – alias Face ID. Facial recognition technology has sparked controversy since its launch when Craig Federighi's face was not recognized when he tried to unlock the iPhone (Richardson, 2017). The main declared purpose of this technology is to improve the unlocking time of the iPhone and to make mobile payments run faster. As we speak, this technology is immature and no data can be analysed since iPhone X – the only iPhone with Face ID – is just starting to be rolled out in the stores.

Both Touch ID and Face ID technologies will be the pillars of Apple Pay Cash development. Implemented in the late version of iOS 11, Apple Pay Cash is a P2P –peer to peer service which enables users to wire the money via iMessage – Apple's proprietary messaging application. All transactions will be authorized via Touch ID or Face ID.



**Figure 1:** Percentage of respondents that used the wallet  
Source: PYMNTS.com

### 3. Conclusions

One might think that the fingerprint recognition and face recognition are the latest trends in the field. Actually, they are not. The implementation of fingerprint technology dates back in 2004 (Germain, 2004) and the topics related to facial recognition were discussed since 1966 by Woody Bledsoe (1966).

Another possible mistake is to assume that Apple was the first company that introduced NFC payments. When Apple Pay was launched Nokia had implemented NFC for 10 years but only for interoperability among different devices (Microsoft Devices Team, 2012).

The main merit of Apple is not the implementation of biometric sensors in their technologies, or the using an apparent obsolete NFC technology after 10 years of failure. The main merit is that they managed to raise, to mature the software and then to integrate it with hardware, at the end developing a unique mobile payment ecosystem.

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# SMES AND START-UPS. IMPORTANCE AND SUPPORT POLICIES IN EUROPEAN UNION AND ROMANIA

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**Abstract:** *Small and medium-sized enterprises (SMEs) are considered as being the engine of the European economy. They lead to job creation and economic growth, guaranteeing social stability. Nine out of ten enterprises are SMEs, which generate two out of three new jobs. SMEs also stimulate entrepreneurship and innovation, and are therefore very important for boosting competitiveness and employment. Given their importance to Europe's economy, SMEs are a major objective of the European Union's policy. The European Commission has as its major aim to promote entrepreneurship and improve the business environment for SMEs by enabling them to fully realize their potential in today's globalized economy by giving them the opportunity to access funds through various programs. This paper contains some definitions and interpretations of SMEs and start-ups and aims to outline their importance in the contemporary economy as well as their support policies.*

**Keywords:** SMEs; Start-up; concepts, policies, EU, Romania

**JEL classification:** E60; M21

## 1. Introduction

Small and medium-sized enterprises do not have a standard definition at international level (OECD, 2017). Each of the enterprises engaged in an economic activity, irrespective of its legal form, is considered an enterprise itself. SMEs are defined differently in the legislation of different countries, especially because the "small" and "average" size of a firm is relative to the size of the national economy.

## 2. SMEs and Start-ups. Concepts and significance

### 2.1. *Small and Medium Enterprises in Contemporary Economies*

The Organization for Economic Cooperation and Development (OECD) defines SMEs as employing up to 249 people, with the following breakdown: micro (1 to 9), small (10 to 49) and medium (50-249). This ensures the best comparability given the different data collection practices in different countries.

A first definition of SMEs at EU level was introduced in 1996. In 2003, it was revised to reflect general economic developments and address the specific barriers faced by SMEs. A number of ample discussions took place between the Commission, Member States, employers' organizations and experts, and they provided information and support for the review by adopting the current version of the SME definition: "Micro, Small and Medium Enterprises) consists of undertakings employing fewer than 250 persons and having an annual net turnover of up to EUR 50 million and / or holding total assets of up to EUR 43 million "(European Commission, 2003).

Within the SME category, a small enterprise is defined as an enterprise employing fewer than 50 people and whose annual turnover and / or annual balance sheet does not exceed

EUR 10 million and a micro-enterprise is defined as an enterprise employing less than 10 persons and whose annual turnover and / or balance sheet does not exceed EUR 2 million (European Commission, 2015)

In Romania, Law no. 346 of 14 July 2004 on the stimulation of the establishment and development of up-to-date small and medium-sized enterprises defines the category of Micro, Small and Medium Sized Enterprises (SMEs) as comprising enterprises employing fewer than 250 persons and having an annual net turnover to € 50 million and / or hold total assets up to € 43 million (Monitorul Oficial, 2004).

Depending on their relationship with other enterprises, based on their capital or voting rights or the right to exercise a dominant influence, there may be 3 types of enterprises (European Commission, 2015):

*Autonomous or independent enterprises:* they do not have any share capital or voting right in any other undertaking and no other undertaking holds any share capital or voting rights therein. This quality is also preserved even if the enterprise owns less than 25% of the share capital or the voting right in one or more undertakings and / or if another enterprise does not hold more than 25% of the share capital or the right of the first enterprise. By way of exception, an enterprise may be classified as autonomous and thus, having no partner enterprise even if the 25% ceiling is reached or exceeded by the following investors, provided that they are not linked: public investment corporations, risk, natural persons or groups of individuals who regularly carry out a venture capital investment activity and which invest equity in unquoted business (business angels), provided that the total investment of provident investors concerned in the same undertaking does not exceed EUR 1,250,000; universities and non-profit research centers; institutional investors, including regional development funds; autonomous local authorities with an annual budget of less than 10 million and less than 5,000 inhabitants.

*Partner enterprises:* if the participations in other enterprises reach at least 25%, but do not exceed 50%, the relationship is considered to be between partner enterprises;

*Related or affiliated undertakings:* if the participations in other enterprises exceed the threshold of 50%, they are considered affiliated enterprises. Affiliated undertakings are those that form a group by directly or indirectly controlling the majority of the voting rights of an enterprise through another or by being able to exercise a dominant influence over an undertaking.

## **2.2. Start-ups, concepts and interpretations**

Start-ups can be defined as newly established, innovative companies with a service life of up to 2 years and a maximum of 10 employees.

The European Start-up Monitor defines start-ups by three criteria (ESM, 2015):

- are established for less than 10 years;
- bring innovative technologies and / or new business models;
- engage a significant number of people and / or have rising sales.

Some authors consider that it is not enough for a business to be just set up to be called start-up (Papageorgiadis, 2015). The remarked difference is that start-ups mean innovation, so a new business that does not bring innovation cannot be called start-up. Start-ups cannot be copied easily, they have the potential for rapid growth, they track the value of shares on the capital market and not necessarily profit and they are financed differently from other enterprises.

In organizational terms, start-ups are approaching traditional SMEs, as their structures are very low and informal relations are very developed (Badulescu, 2013).

Some authors (Forbes, 2013) are of the opinion that a company can be considered a start-up in the first 5 years since its establishment. Others claim that a start-up is a company that seeks to solve an existing problem by designing creative solutions. There are opinions that say that start-ups must have immediate impact and spectacular growth.

### **3. The Importance of Small and Medium Sized Enterprises**

Micro-enterprises and small and medium-sized enterprises (SMEs) account for 99% of EU businesses. They provide two thirds of private sector jobs and contribute more than half of the total added value created by EU businesses. Nine out of ten SMEs are in fact micro-enterprises with fewer than 10 employees (European Commission, 2015). Various action programs have been adopted to support SMEs, including the Small Business Act, which brings together all these programs and aims at creating a comprehensive strategic framework. The Horizon 2020 and COSME programs were also adopted in order to increase SMEs' competitiveness through research and innovation and to facilitate their access to finance (European Parliament, 2017).

SMEs have an important role in the economy. Start-ups, generally small businesses or micro-enterprises, are the primary source of job creation in many countries. Moreover, business dynamics is an important factor for productivity growth (OECD, 2016). In any case, most new businesses either do not succeed in the first years of activity or remain very small (OECD, 2016), and the role of education and entrepreneurial culture is obvious (Badulescu et al, 2014).

SMEs have an important role in the contemporary economy, being a continuous source of innovation and job creation. However, they are confronted with market imperfections, often facing difficulties in obtaining capital or loans, especially in the start-up phase.

There are currently about 21 million SMEs with about 88 million employees, a key source of entrepreneurship and innovation, vital to the competitiveness of EU businesses. EU SME policy aims to ensure that Union policies and actions take account of the needs of small businesses and contribute to making Europe a more attractive place for business creation and economic activity (European Parliament, 2017).

### **4. Support policies at EU and Romanian level**

At EU level, the Commission's largest and most comprehensive initiative on SMEs has so far been presented in June 2008 in the form of a Small Business Act (SBA) communication. The SBA aims at creating a new strategic framework that integrates existing instruments and builds on the European Charter for Small Enterprises and on a "Modern SME policy for growth and employment". The document contains 10 principles and advocates rather "a political partnership approach with the Member States" rather than a fully-fledged Community approach. The SBA aims to improve the overall approach to entrepreneurship in the EU by applying the "thinking small first" principle, taking in consideration the characteristics of SMEs when drafting legislation and simplifying the existing regulatory framework (European Parliament, 2017).

The Small Business Act (SBA) is a general framework for EU policy on small and medium-sized enterprises (SMEs). Its aim is to improve the entrepreneurship approach in Europe, to simplify the regulatory environment and policies for SMEs and to remove the remaining barriers to their development (European Commission, 2011)

One of the priorities of the European Regional Development Fund (ERDF) 2014-2020 is to support entrepreneurship and SMEs by providing start-ups, guarantees and initial capital through financial instruments and offering support for the business plan.

Referring specifically to supporting start-ups and start-ups in Romania, we can mention several dedicated programs. Thus, the National Rural Development Program under sub-measure 6.2 - Support for the establishment of non-agricultural activities in rural areas, encourages the establishment and development of micro-enterprises and small enterprises in the non-agricultural sector in rural areas, with a view to sustainable economic development, work and reducing poverty in rural areas (Badulescu et al, 2015).

Also at the national level is the "Start Up Nation" program implemented by the Ministry of Business, Commerce and Entrepreneurship (MMACA) through the Territorial Offices for

Small and Medium Enterprises and Cooperatives (OTIMMC), in accordance with the provisions of the Emergency Ordinance no. 10/2017 to stimulate the establishment of new small and medium enterprises approved by Law no. 112/2017, the provisions of Law no. 346/2004 on the stimulation of the establishment and development of small and medium-sized enterprises, with subsequent amendments and completions, as well as of the Government Decision no. 23/2017 on the establishment, organization and functioning of the Ministry of Business, Commerce and Entrepreneurship (Ministerul pentru Mediul de Afaceri, Comerț și Antreprenoriat, 2017).

## 5. Conclusions

In the present paper I intended to present some concepts of the SMEs and of the start-ups, trying to emphasize their importance in the economy. I also reviewed the main national programs that support start-ups, due to the importance of innovation and the creation of new jobs for the economy. Understanding the role of SMEs and start-ups is of great and major importance for ensuring the dynamism and prosperity of the European Union's economies. Deepening this role and the links between setting up new businesses and their future performance, it will certainly be the subject of our future research.

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## LATEST AMENDMENTS PROPOSED IN ROMANIA IN TERMS OF TAXATION OF EMPLOYEES. WHAT ARE THE CONSEQUENCES?

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**Abstract:** *“This is a question too difficult for a mathematician. It should be asked of a philosopher”, this seems to be the view of the famous scientist Albert Einstein about filling the income tax return. There is no clear evidence that he even said this. However, are the ways of taxation of individuals so complicated? In the current political and fiscal context in Romania, the answer may tend towards an affirmative one. The latest and perhaps the most debated amendment released in the public space by the decision-makers refers to the shifting of social security contributions from the employer’s burden to the employee, along with the reduction of their rate and the reduction of the income tax rate. Moreover, recently, it was brought into question a so-called “solidarity tax” to be paid by employers. What has not been released by the decision-makers is an impact assessment on the economic environment, considering that these envisaged amendments will affect both individuals (employees) and employers. Also, such analysis should also focus on the budgetary impact. Thus, through critical empirical analysis, this paper responds to such needs, and its results can be considered as a real help in shaping a clear overview of these amendments.*

**Keywords:** personal income tax, social security contributions, taxation of individuals, tax rate, shifting the tax burden, employers, employee

**JEL classification:** H30, H20, K34

### 1. Introduction

Romania faces major tax changes in these times, and the uncertainty of the business environment reached a critical level. General attention is directed to the Romanian business environment and the Romanian employees, but there is a deficit of practical analyses and a lack of attention to the impact of these tax reluctances on public finances, a parallel view being required.

Before going into details of these changes, we should also consider some concepts of public finances and related implications.

### 2. Considerations on budgetary and fiscal policies

Public finances represent a complex concept, being understood in many ways. A classic view is provided by Văcărel I. (2007) which sees the public finances as an instrument for controlling the public financial resources, reflecting the objectives of the state’s financial policy.

Intuitively, one can recognize that public finances are managed through budgetary and fiscal policies. Subsequently, the tax system (governed by the fiscal policy) is an essential element of public finances that contributes decisively to the evolution of a country’s

economy. Cioponea M.C. (2007) defines the tax system as “the expression of the political will of an organized human community, established in a determined territory and having sufficient autonomy to be able, through the organs it represents, to acquire a whole series of legal and, in particular, tax rules”.

The importance of these two policies in defining the characteristics of the economic environment of a country is also highlighted by Šimović H. (2017), which also shows their role in ensuring a level of development for citizens.

Following the needed awareness, below we present the changes discussed.

### 3. Measures to be implemented

The discussions in the media related to changes in terms of taxation of employees were materialized in a draft normative act amending the Fiscal Code, published on the website of the Ministry of Public Finance. This draft provides a lot of legislative news, but the ones related to this paper provide the shifting of the pension contributions and health fund contribution in full to employees, corroborated with the reduction of their rate from approx. 39.25% to 35% and the reduction of the income tax rate from 16% to 10%. Under the employer's burden it will remain the insurance contribution for work at a rate of 2.25%. Moreover, personal allowances are affected in the sense that they are increased and new ones are introduced. These measures are to be applied starting with 1 January 2018.

How these changes will be reflected in practice, as well as the implications for employees, employers and for the state budget are presented in the next chapter.

### 4. Effects on the economic environment

The analyses summarized in the tables below present the impact of the proposed measures, considering the gross minimum salary of RON 1,450 and the gross average salary of RON 3,290 (registered in September 2017).

Table 1: Current situation of minimum salary / average salary taxation

| Item                     |  | Rate   | Amount (RON) |       |
|--------------------------|--|--------|--------------|-------|
| Gross salary             |  |        | 1,450        | 3,290 |
| Income tax               |  | 16%    | 146          | 440   |
| Employee's contributions | Pension contribution   | 10.50% | 152          | 345   |
|                          | Health insurance fund  | 5.50%  | 80           | 181   |
|                          | Unemployment insurance fund                                  | 0.50%  | 7            | 16    |
| Personal allowance       |  |        | 300          | 0     |
| Net salary               |  |        | 1,065        | 2,308 |
| Effective tax rate (%)   |  |        | 26.55        | 29.86 |
| Employer's contributions | Pension contribution   | 15.80% | 229          | 520   |
|                          | Health insurance fund  | 5.20%  | 75           | 171   |
|                          | Unemployment insurance fund                                  | 0.50%  | 7            | 16    |
|                          | Medical leave fund   | 0.85%  | 12           | 28    |
|                          | Guarantee Fund   | 0.25%  | 4            | 8     |
|                          | Work accidents, risk insurance and occupational disease fund | 0.18%  | 3            | 6     |
| Total employer's cost    |  |        | 1,780        | 4,039 |

Source: own calculations and data processed based on current legislation

Table 1 presents the current situation in terms of taxation of minimum and average salaries. One can notice a slight difference between the effective tax rates of the minimum

salary compared to the average salary; this is explained by the supplementary personal allowance in the case of first.

**Table 2:** Future situation of minimum salary / average salary taxation

| Item   |                             | Rate  | Scenario 1*  |       | Scenario 2** |       | Scenario 3*** |       |
|--|-----------------------------|-------|--------------|-------|--------------|-------|---------------|-------|
|  |                             |       | Amount (RON) |       | Amount (RON) |       | Amount (RON)  |       |
| Gross salary   |                             |       | 1,450        | 3,290 | 1,734        | 3,927 | 1,741         | 3,950 |
| Income tax   |                             | 10%   | 43           | 203   | 62           | 245   | 62            | 246   |
| Employee's contributions                               | Pension contribution        | 25%   | 363          | 823   | 434          | 982   | 435           | 988   |
|  | Health insurance fund       | 10%   | 145          | 329   | 173          | 393   | 174           | 395   |
| Personal allowance                                     |                             |       | 510          | 105   | 510          | 105   | 510           | 105   |
| Net salary   |                             |       | 899          | 1,935 | 1,065        | 2,308 | 1,069         | 2,321 |
| Effective tax rate (%)                                 |                             |       | 37.98        | 41.18 | 38.56        | 41.23 | 38.57         | 41.23 |
| Employer's contributions                               | Work insurance contribution | 2.25% | 33           | 74    | 39           | 88    | 39            | 89    |
| Total employer's cost                                  |                             |       | 1,483        | 3,364 | 1,773        | 4,015 | 1,780         | 4,039 |
| *Scenario 1: keeping the same gross salary amount      |                             |       |              |       |              |       |               |       |
| **Scenario 2: keeping the same net salary amount       |                             |       |              |       |              |       |               |       |
| ***Scenario 3: keeping the same total employer's costs |                             |       |              |       |              |       |               |       |

Source: own calculations and data processed based on the draft normative act published on the website of the Ministry of Public Finance

Referring to the three scenarios presented in table 2, we strongly believe that an honest employer will keep the same net salary for its employees or will try to keep its costs constant. Thus, we consider that scenario 1 is less probable; however, it should not be overlooked, as it may leave room for abuses by certain employers. Scenario 2, in which net salary is constant, represents a slight advantage for employer, as the costs will decrease. Scenario 3 seems to be a win-win situation from the employee's perspective, as they may register a slight increase in net salary and the costs for the employer would remain unchanged.

The main impact is represented by the increase of the fiscal pressure with approx. 10 percentage points ("pp.") at the employee's level. At the same time, we can observe a fiscal relaxation at the employers' level. However, it remains to be seen whether this relaxation will be offset by other measures (i.e. tax on turnover).

Given the analysis of Ziarul Financiar (2016), according to which approx. 70% of Romanian employees recorded at that time a salary below the average, we can state that only approx. 30% of the Romanian employees will be affected by a fiscal pressure of over 40%. The others will record a lower fiscal pressure due to additional tax deductions (i.e. personal allowance).

According to some estimates, these measures involve a lower level of revenues to the budget state by 6 pp. in terms of income tax and 2 pp. in terms of social contributions. Thus, it is of interest how decision-makers will manage these decreases, also taking into account the latest European Commission Report (2017) which clearly states: "It was understood that the Romanian authorities do not intend to act upon the Significant Deviation Procedure ("SDP") recommendation", estimating that the deficit will increase based on the no-policy change scenario.

The SDP was launched for Romania in spring 2017, due to the fact that the structural deficit increased to 2.5% of GDP in 2016, from below 1% in 2015, explained by the cuts in indirect taxes and increases in public sector wages.

## 5. Conclusion

Regardless of the scenario applied, we can conclude that these measures result in a higher fiscal pressure for Romanian employees. Regarding the budgetary impact, this may translate into a lower level of revenue. Consequently, other measures are expected to offset this lower level of income. We also expect the European Commission to have a reaction in this regard, in the sense of tougher measures for Romania in terms of budgetary stability.

The consequences have a major impact on all variables analysed, and the entire economic environment is affected.

## 6. Acknowledgements

During the publication of this paper, these amendments were published in the Official Gazette of Romania without any changes affecting the results of these analyses.

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# ASPECTS OF THE DEVELOPMENT OF THE ELECTRICITY INFRASTRUCTURE IN THE SINGLE INTERNAL MARKET

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**Abstract:** *This paper exemplifies some aspects of the European energy market, and more precisely effects of the development of the electricity transmission infrastructure. For better coordination of the European energy market, the foundations of the internal market are laid. Through three Internal Market Directives, the internal market for electricity is liberalized and significantly increases cross-border trade. Dependence on imported energy resources in the European Union has encouraged the development of electricity generation from renewable resources. With the adoption of the 2020 Energy Strategy, 20% of the electricity produced from renewable sources is foreseen to maintain the European energy balance by 2020. To achieve this, EU countries are committed to achieving their national renewable energy targets. The proposal for the Energy Directive 2030 provides for the European Union to become a world leader in the field of renewable energy. In this context, through cross-border trade, energy produced in a country can be consumed in the territory of another country. For Romania, the development of the electricity infrastructure has as a consequence the increase of the energy transport capacity and the cross-border exchange.*

**Keywords:** domestic market; electricity infrastructure; energy sources; renewable energy

**JEL classification:** Q 43

## 1. Generally Introduction

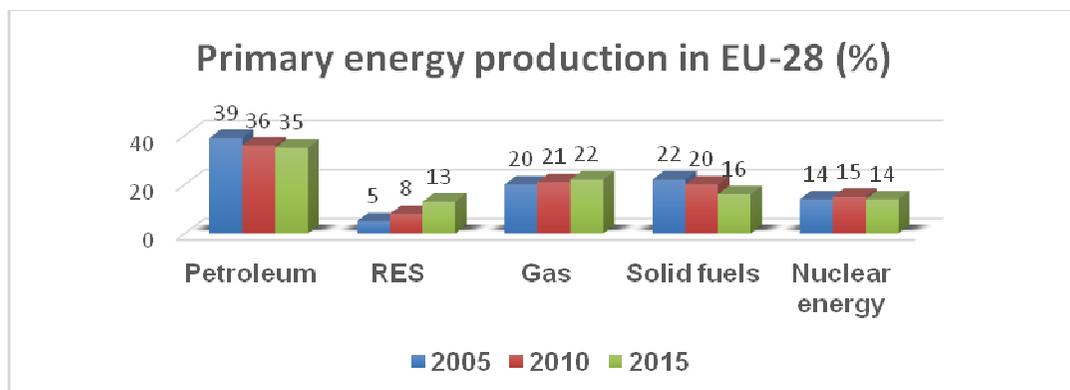
The Internal Market is one of the most ambitious achievements of the European Union and the most advanced process of commercial integration. It is the culmination of the Treaty of Rome (1957) which provides for the creation of a "common market" based on the free movement of goods, services, persons and capital.

## 2. The Energy Policy of the European Union

Article 194 of the Treaty on the Functioning of the European Union states that, in the context of the establishment and functioning of the internal market, and in view of the need to preserve and improve the environment, the Union's energy policy pursues, in a spirit of solidarity between Member States: energy supply in the Union; promote energy efficiency and energy saving as well as the development of new sources of energy and renewable energies.

Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity has made a significant contribution to the creation of an internal market for electricity.

The European Union is confronted with a number of specific problems, among which the most serious one is the increased dependence on imported energy resources.



**Figure 1:** Primary energy production in EU

Source: DG Energy, 2017

The EU's Renewable Energy Directive sets a binding target of 20% final consumption of energy from renewable sources by 2020.

**Table 1:** Share of renewable energy in gross final energy

| %       | 2005 | 2010 | 2015 | TARGET 2020 | TARGET 2030 |
|---------|------|------|------|-------------|-------------|
| EU - 28 | 9,0  | 12,9 | 16,7 | 20          | 24          |
| BE      | 2,3  | 5,7  | 7,9  | 13          | 16          |
| BG      | 9,4  | 14,1 | 18,2 | 16          | 20          |
| CZ      | 7,1  | 10,5 | 15,1 | 13          | 15          |
| DK      | 16,0 | 22,1 | 30,8 | 30          | 37          |
| DE      | 6,7  | 10,5 | 15,1 | 13          | 15          |
| EE      | 17,5 | 24,6 | 28,6 | 25          | 32          |
| IE      | 2,9  | 5,6  | 9,2  | 16          | 24          |
| ES      | 8,4  | 13,8 | 16,2 | 20          | 24          |
| FR      | 9,5  | 12,5 | 15,2 | 23          | 28          |
| IT      | 7,5  | 13   | 17,5 | 17          | 20          |
| CY      | 3,1  | 6,0  | 9,4  | 13          | 22          |
| LV      | 32,3 | 30,4 | 37,6 | 40          | 37          |
| LT      | 16,8 | 19,6 | 25,8 | 23          | 22          |
| HU      | 4,5  | 12,8 | 14,5 | 13          | 15          |
| MT      | 3,1  | 5,4  | 7,2  | 10          | 25          |
| NL      | 2,5  | 3,9  | 5,8  | 14          | 18          |
| AT      | 23,9 | 30,4 | 33,0 | 34          | 39          |
| PL      | 6,9  | 9,3  | 11,8 | 15          | 18          |
| PT      | 19,5 | 24,2 | 28,0 | 31          | 42          |
| RO      | 17,3 | 23,4 | 24,8 | 24          | 29          |
| SI      | 16   | 20,4 | 22,0 | 25          | 28          |
| SK      | 6,4  | 9,1  | 12,9 | 14          | 17          |
| FI      | 28,8 | 32,4 | 39,3 | 38          | 38          |
| SE      | 40,6 | 47,2 | 53,9 | 49          | 54          |
| UK      | 1,3  | 3,7  | 8,2  | 15          | 18          |

Source: Eurostat, 2017

Directive to turn the EU into a world leader in renewable energy and to ensure that the 2030 target is met. On 30 November 2016, the Commission published a proposal for a revised Renewable Energy.

### **3. Analysis of the development of the electricity infrastructure in the single internal market**

#### **3.1. Developing the European Electricity Infrastructure**

The European Union supports the coverage of existing gaps in energy infrastructure, which will allow us to realize a connected European energy market. This is necessary to strengthen the security of energy supply and make more efficient use of energy resources. To this end, a € 5.35 billion total has been allocated to Trans-European Energy Infrastructure projects for the 2014-2020 period under the 'Connecting Europe' facility. To be eligible for a grant, proposals must target projects of common interest. At present, there are 195 European energy infrastructure projects considered as projects of common interest.

#### **3.2. Development of the Romanian electricity infrastructure**

The Romanian Power System has an outdated infrastructure that can endanger both the safety of the National Energy System and the integration of green electricity production into final energy consumption. In this sense, there are a number of electrical lines that record loads above the normed power.

Following the integration of a large number of wind and photovoltaic plants, more than 20% of the total installed production and capacity has been achieved, and the contribution to maintaining the safe operation of the national power system (NPS) is much lower than that of conventional power plants. In addition, renewable power plants also benefit from consumer subsidies, through green certificates included on current bills, and the take-over of production in the system.

The transport of electricity in the conditions of production of renewable sources (especially wind and photovoltaic) in the South and South-Eastern region of Romania faces difficulties in the safety of operation.

### **4. Conclusion**

The European electricity market has undergone in the last decades a series of transformations that result in an interconnected, functional market that encourages renewable energy production at the highest possible level.

Renewable energies will continue to play a key role in helping the EU meet its energy needs beyond 2020. EU countries have already agreed on a new renewable energy target of at least 27% of final energy consumption in the EU as a whole by 2030, the EU's energy and climate objectives for 2030.

Increasing the capacity of the National Energy System for the take-up of energy produced from renewable resources aims to strengthen the transport network in order to take over the additional energy produced from renewable resources, amid the increase of production capacities from renewable resources supported by the green certificates system and other non-reimbursable financing programs.

Measures to strengthen the transport network are needed, through projects that represent elements of an efficient and intelligent system, part of the production-transmission-distribution-power-consumption chain. It is necessary to decongest the areas in which the transport of electricity produced from large concentrations of capacities for the capitalization of renewable energy sources is carried out, for example, projects for the

modernization/ realization of a vital power station, or the realization of an energy transmission line electrics of major importance.

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## RESTRUCTURING OF LOANS – NECESSITY AND IMPLICATIONS IN ROMANIAN BANKING ACTIVITY

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**Abstract:** *Banks will use specific tools to develop and compare alternative scenarios to determine what the opportunities to restructure a loan are, and to identify the most appropriate bargaining levers. Restructuring activity involves early identification of the problem and empowering teams consisting of bank specialists to solve the magnitude of the existing intervention. After analyzing the unfavorable situation of the customer they perform the necessary steps to implement and monitor the restructuring solution. Also, banks are following and evaluating the risks associated with the restructuring of loans to cover up or avoid the occurrence of effects that will degrade the good functioning of things. Customers should be informed about the restructuring process to see what kind of measures can be taken to improve their financial situation. They can solve their financial difficulties by changing the monthly payments and their business activities. The issues that affect the customers are the increased payment amounts and the time when those payments have to be made. This paper aims to analyse the implications of the restructuring of loans for banks and customers. The analysis has been conducted by using an econometric study based on annual data of banks active in Romania.*

**Keywords:** restructuring procedure; performance; insolvency; non-performing loans

**JEL Classification:** D81; E43; G21

### **1.Introduction**

Restructuring is an ample process being carried out by a bank if a private or public company is faced with cash flow problems, a process that involves debt renegotiation in order to restore liquidity.

Currently, under the influence of the economic situation in Romania, the restructuring of the loans is achieved due to developments in the real estate market, which is why banks evaluate the behavior and activity of the customers regarding the restructuring (the economic and financial situation is analyzed and also, the level of arrears accumulated by them). The Bank also evaluates and analyzes the customers' ability to pay, taking into account their ongoing contracts and the cash flow level, and reports on market developments and business areas in which customers operate.

### **2.Primary considerations of restructuring**

The restructuring is based on a number of considerations, including: evaluating the financial behavior of the client and his collaboration with the bank, the client's compliance with the term of the ongoing credit agreements, analyzing the client's annual financial statements, adjusting the cash flow by correlating with market evolutions and trends followed by the company's field of activity, framing with the eligibility criteria imposed by the bank, the customer's ability to respect the repayment schedule and identifying its ability to recover payments recorded over a period of time.

### **2.1. Restructuring – alternative or necessity for bank customers**

Restructuring in essence is a multitude of operations designed to support customers in overcoming certain financial difficulties that they encounter during the course of the credit agreements related to the activity. The analysis performed by the bank is summed up on the revenue level at the time the loans are granted, their evolution during crediting, the current level of revenues and the changes in the real estate market for the buildings with which the contracted loan was guaranteed.

The renegotiation of contracts involves the customers' anticipation of an event that will affect the revenue generated by the activity or the detection of the already existing problem. Also, the customer will make a restructuring request, which he addresses to the bank having as references: the factors that led to the problem, its evolution and the plans for future income.

In this case, the bank seeks reimbursement solutions that benefit the client, solutions that relate to maintaining an acceptable level of outstanding balance, as well as credit risks and default risks. Regardless of what restructuring method (Celano, 2009) is chosen, the bank doesn't consider the eligibility conditions from the time when the loan was granted. For these reasons, the bank provides information to the client about the risks of increasing the credit balance by capitalizing outstanding amounts and unpaid interest.

### **2.2. The effects on the credit restructuring process**

Restructuring operations refer to a series of solutions (Chorafas, 2006), including partial or total gratification for one or more components of the loan - a period that varies between 6-12 months as the case may be, the partial or total capitalization of debts recorded on a the loan maturity extension to decrease the volume of monthly client installments, the modification of a revolving credit facility into a monthly credit facility, the refinancing of the remaining loan to be repaid, changing the currency of the loan, the reduction of the loan interest and other discounts. Also, the number of restructuring operations differs from case to case and these are analyzed individually.

Being a way to overcome the borrower's financial difficulties, restructuring generates a number of positive benefits, being different from case-to-case, therefore: identifying new outlets, producing cost-sales efficiency, diversifying and intensifying those activities existing inside of the company that earns high profits, obliges associates or shareholders to act in order to increase profits and achieve a high performance management. ( ABC Training Consulting S.R.L., 2009)

A special effect of the restructuring is represented by the conversion of debt into equity, an effect that avoids the repo. Conversion is a commonly method used commonly used in Western jurisdictions because it can benefit the debtor in terms of indebtedness, the financial performance class, the possibility of contracting new loans and relieving the repayment of loans. In Romanian law (Code, 2017), this operation will increase the interest in debt conversion for companies and banks, being used for all existing business fields.

Regarding the benefits of this type of process, they relate to reducing or eliminating interest payments and increasing the financial performance of the debtor, as well as obtaining a shareholding by the lender at a lower price than the price when the company was profitable, and the opportunity to participate in company management and change of business strategy.

This procedure also presents a number of disadvantages for both sides of a credit agreement. A first aspect is where the lender has no experience or knows only a little bit about the borrower's business, which will lead to poor business performance. And about the creditor (Myers, 2002), he can be held liable if he proves that he is responsible for bringing the company into insolvency or even bankruptcy and that he will not receive his annual dividend due to the unfavorable performance recorded by the debtor.

### 3. Implications of loan restructuring in Romania during the post-crisis economic recovery

In Romania, credit restructuring has been rising in recent years due to the high non-performing loans recorded by banks' customers, due to the poor performance recorded by the clients in their business. Risks related to credit restructuring are based on a series of trigger factors, which require banks to pay attention to ongoing loans and borrowing behavior.

To highlight the impact of loan restructuring in Romania, I realised an econometric study based on 15 banks, analyzing a period of economic recovery (2010-2016). The data contained in this sample has been extracted from the annual financial reports of the top banks according to the turnover present in Romania, their choice and the determination of the large number of variables was determined by the fact that the level of debts can be influenced by a multitude of factors, and a minimal number of them would not have a significant relevance in the study.

The dependent variable is the degree of indebtedness, and as independent variables we have chosen the degree of development, Herfindahl Hirschman index, inflation rate, bank net income, total bank capital, total assets, unemployment rate, the average ROE and the average ROA. Also, it can be noticed how the probability encountered in the analyzed variables is less than 0.95, so there is a significant influence on the dependent variable. Based on the value obtained in the determination ratio  $R^2$ , it results that only 17,63% of the dependent variable is explained or determined by the variation of the independent variables. This distribution can be explained by the Skewness value of -0.656361 that is different from 0, which suggests distribution abnormality. Also, the Kurtosis value of 2.871915 does not exceed the threshold of 3, resulting in this case a platykurtic distribution. The standard deviation recorded at 0.091952 shows a distribution not too far from normality.

**Table 1. Frequency of indebtedness**

| Dependent Variable: LEVEL_OF_INDEBTEDNESS |             |                       |             |        |
|---|-------------|-----------------------|-------------|--------|
| Method: Panel Least Squares               |             |                       |             |        |
| Date: 09/29/17 Time: 20:13                |             |                       |             |        |
| Sample: 2010 2016                         |             |                       |             |        |
| Periods included: 7                       |             |                       |             |        |
| Cross-sections included: 15               |             |                       |             |        |
| Total panel (balanced) observations: 105  |             |                       |             |        |
| Variable                                  | Coefficient | Std. Error            | t-Statistic | Prob.  |
| GDP                                       | 9.61E-14    | 4.81E-13              | 0.199823    | 0.8421 |
| DEVELOPMENT                               | 1.903244    | 1.918159              | 0.992224    | 0.3236 |
| HERFINDAHL_HIRSCHMAN_INDEX                | -0.000106   | 0.000401              | -0.264151   | 0.7922 |
| INFLATION                                 | -0.152086   | 1.392751              | -0.109198   | 0.9133 |
| NET_INCOME                                | -1.67E-12   | 2.72E-11              | -0.061634   | 0.9510 |
| TOTAL_CAPITAL                             | 1.88E-11    | 3.03E-11              | 0.620633    | 0.5363 |
| TOTAL_ASSETS                              | -1.98E-12   | 3.17E-12              | -0.624409   | 0.5339 |
| UNEMPLOYMENT_RATE                         | 1.431755    | 4.910819              | 0.291551    | 0.7713 |
| ROE                                       | 1.345580    | 0.598520              | 2.248180    | 0.0269 |
| ROA                                       | -11.00639   | 5.520088              | -1.993880   | 0.0491 |
| C   | 0.503222    | 0.725706              | 0.693424    | 0.4898 |
| R-squared                                 | 0.176347    | Mean dependent var    | 0.601333    |        |
| Adjusted R-squared                        | 0.088724    | S.D. dependent var    | 0.101319    |        |
| S.E. of regression                        | 0.096720    | Akaike info criterion | -1.735140   |        |
| Sum squared resid                         | 0.879343    | Schwarz criterion     | -1.457106   |        |
| Log likelihood                            | 102.0948    | Hannan-Quinn criter.  | -1.622475   |        |
| F-statistic                               | 2.012574    | Durbin-Watson stat    | 0.213419    |        |
| Prob(F-statistic)                         | 0.040363    |                       |             |        |

**Source:** Author's calculations based on data provided by banks

#### **4. Conclusions**

In these times, influenced by internal and external factors of the banking system and the economy, restructuring of loans appears as a saving solution for those who have difficulties in their repayment.

From previous studies on the example of the Romanian banking system, if more taxpayers would appeal to one of the measures or programs offered by the banks in the system, which can be understood by those who want to appeal to a loan restructuring, the NPL rate would not be so high in some banks. The urge to take these measures in case of a financial impasse is increasing, which is a satisfactory thing.

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## EUROPEAN FUNDS BETWEEN FRAUD AND MOTOR OF ECONOMIC DEVELOPMENT

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**Abstract:** *Although the official financial data doesn't highlight any reasons for signs of worry concerning Romania, still the use of European funds that may be attracted from the European Union represent a concrete objective cause they may create advantageous conditions in the European economic context in which Romania activates. The experience of the implementation in Romania of the multiannual financial frame 2007-2013 highlights a series of factors that are to blame for a low absorption rate: the inefficient legislative frame which was constantly changing, the excessive bureaucracy, the incapacity of the beneficiaries to manage the funds according to the rules imposed and also their inability to financially support the project until the moment of reimbursement, the involvement of inexperienced players in the management as well as in the use of European funds, and the fraudulent use of European funds. In the present article the authors are aiming to analyze the influence of the fraudulent use of European funds on the economic development of Romania.*

**Keywords:** fraud, European funds, development, European Union.

**JEL classification:** A14

### 1. Introduction

Congruent to the latest legislative modifications aiming at fighting the fraud against the financial interests of the European Union (Directive no. 1371/2017), we highlight the negative influence of fraud in the process of economic development targeted by Romania, the existing theories, the specialty literature concerning fraud as well as the reports of the organizations fighting against fraud at the level of the European Union and at our country's level.

Considering the latest report of the Ministry of Regional Development, the Public Administration and European Funds from March 2017, concerning the stage of absorption for the Operational Programs 2007-2013, as well as "The White Book of the Court of Counts from Romania 2008-2017" we will present an analysis of the factors which have slowed the process of absorption of European funds during the 2007-2013 period, and also an analysis of the factors which were the base for fraudulent use of European funds thus determining negative effects on the progress of economic development of Romania. In the last part of the article, we will present our conclusion concerning the influence of fraud on the positive effects that European funds might have had for the economic development of Romania.

### 2. Analysis of the factors which brought the absorption process of the european funds in the 2007 – 2013 period

Before the implementation of the Financial Multiannual Frame 2007-2013, Romania has benefitted from pre-adhesion funds PHARE, ISPA, SAPARD, funds which were destined to

support the economic development of Romania in order to diminish the differences in the social and economic development between Romania and the rest of the state members of the European Union. New institutions were founded in Romania in order to manage these funds, the hired personnel benefitted by instruction and training courses, all these actions were taken in order to create a favorable frame for the effective and efficient use of European funds.

After the adhesion of Romania to the European Union in 2007 the Financial Multiannual Frame 2007-2013 started and this represented the starting of structural and investment funds through some Operational Programmes.

In the same time opinions from specialists about the efficiency of these funds started emerging, some of them claiming that this alternative source of financing the economy will generate progress, economic growth, sustainable development safety, the growth of the quality of life, others claiming that the instruments of the cohesion politics have "an insignificant or negative impact on a state" (Michele Boldrin and Fabio Canova, 2001), while others claim that these financings disturb the natural rhythm of an area by being intolerable with its natural development.

In Romania, according to the official data from site of the Ministry of European Funds ([www.fonduri-ue.ro](http://www.fonduri-ue.ro)), in March 31<sup>st</sup> 2017 the absorption rate of European Funds assigned through the main financing programs was 79.23%.

Table 1: The picture of structural funds absorption in the period 2007 – 2013

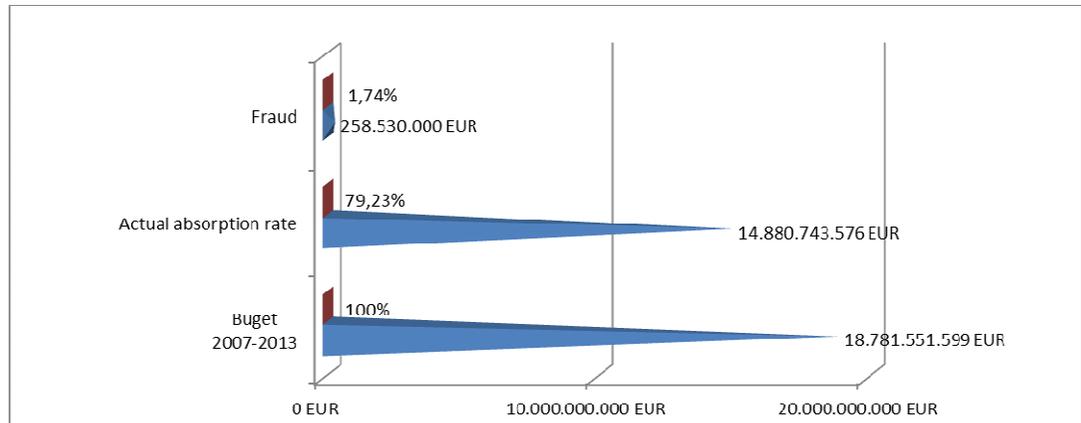
| No. | Operational Programmes                                     | Buget 2007-2013 (EURO) | Actual absorption rate (EURO) | Fraud (EURO) |
|-----|--|------------------------|-------------------------------|--------------|
| 1   | Increase of Economic Competitiveness Operational Programme | 2.536.646.054          | 2.179.933.761                 | 22.058.000   |
| 2   | Technical Assistance Operational Programme                 | 170.237.790            | 146.404.499                   | 1.855.000    |
| 3   | Environment Operational Programme                          | 4.412.470.138          | 3.463.047.369                 | 20.131.000   |
| 4   | Regional Operational Programme                             | 3.966.021.762          | 3.372.867.345                 | 21.871.000   |
| 5   | Human Resources Development Operational Programme          | 3.200.038.455          | 2.347.832.808                 | 46.312.000   |
| 6   | Transport Operational Programme                            | 4.288.134.778          | 3.200.095.644                 | 143.093.000  |
| 7   | Administrative Capacity Development Operational Programme  | 208.002.622            | 170.562.150                   | 3.210.000    |
| 8   | TOTAL  | 18.781.551.599         | 14.880.743.576                | 258.530.000  |

Source: authors based on data provided by the Ministry of European Funds and the Court of Accounts of Romania

Like in a scenario, the absorption rate during the first 2 years of the 2007-2013 frame and of the 2014-2020 frame, was zero. In 2015 the absorption rate for the operational programs from the 2007-2013 frame was barely 55.51%, in 2016 was 58.86% and in 2017 in climbed to 79.23%.

Four years after the finalization of the financial allocation we can say that the level of absorption was very low, and after analyzing the data from the Romanian Court of Counts we can conclude that the absorption was not only low but also imperfect.

Diagram 1: Absorption and fraud of structural funds over the period 2007 – 2013



Source: authors based on data provided by the Ministry of European Funds and the Court of Accounts of Romania

The factors which slowed the process of absorption of structural funds during the 2007-2013 period are: the inefficient legislative frame which was constantly changing, the excessive bureaucracy, the incapacity of the beneficiaries to manage the funds according to the rules imposed and also their inability to financially support the project until the moment of reimbursement, the involvement of inexperienced players in the management as well as in the use of European funds, and the fraudulent use of European funds.

There are specialists who claim that the state by the personnel hired in its institutions create the premises for the development of the fraud by the lack of clearly and uniformly applied sanctions as well as by interpreting the law in the favor of some beneficiaries, and the specialist Nicolae Hoanță considers that “when speaking of the notion of fraud, we must speak about the legitimate fraud and the illegal fraud.” (Nicolae Hoanță, 1997)

### 3. Analysis of factors based on European funds fraud

According to the scientist Dr. Donald R. Cressey A. who studies fraud, the motives which lay at the base of fraud are: opportunity, justification, financial pressure, or the so called triangle of fraud.” (Cendrowski, Petro, Martin & Wadeki, 2007). From the data of the organizations fighting against fraud as well as from experts authorized in investigating fraud, the most common forms of fraud are based on the manipulation of acquisitions, falsifying documents and declarations, bribe, illegal reimbursement, greed for money. The Department for Fight against Fraud reported in the interval 2013-2016, 4857 cases which had an estimated impact of 5.65 from the total payments.

### 4. Conclusions

The specialist Valentin Lazea said that: “An economical increase is sustainable when it doesn’t increase other economical imbalance. In the case of Romania if we look at the budgetary deficit it has risen from about 0.8% from PIB in 2015 to 3% last year and with perspective to get worse this year.” This means that an increase of 8.8% of the PIB in the

3rd trimester of the year 2017 relative to the same period of the last year is not a sign of an explosive economic growth especially in the frame already presented. We consider that in order to transform the European funds in a true engine of economic development, the authorities involved in their administration should be more efficient in preventing fraud, should have a more rigorous approach, a more transparent unitary application of the law and should have more efficient control actions. From the specialty reports one can conclude that fraud is closely connected to corruption, in the favorable environment of an imperfect and instable legislative system, so the existence of fraud and corruption lead to a decrease in the trust of the institutions that manage the funds, discourages the interest for attracting the European funds (only a 79.23% absorption rate), and increase the trust of those who have committed acts of fraud in the lack of a proportionate sanction. In this context Romania will have funds unreached from the 2014-2020 allocation, and the sums found it have been fraud will be returned an all these in the context of Romania contributing to the budget of the European Union.

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## THE SOCIAL ECONOMY FROM A ROMANIAN AND UKRAINIAN PERSPECTIVE

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**Abstract:** *The paper briefly presents the evolution of the social economy in Europe and Romania in terms of its characteristics, but also through its development and its diversification. Two perspectives, two approaches on the social economy: Romanian and Ukrainian are presented and analyzed, considering not only the geographical proximity but also common elements of the historical destiny. Definitions given to the term social economy in the literature of the two countries, are similar in terms of both similarities and differences, which implies the approach of the social economy, specific characteristics.*

**Keywords:** social economy, Europe, Romania, Ukraine, definitions, approaches, similarities, differences

**JEL classification:** L31, F00, J14, J54

### 1. Social Economy in Europe

The beginnings of the social economy and, implicitly, the emergence of the term social economy can be located in France at the beginning of the nineteenth century, after which it spreads throughout Europe and then beyond the ocean in the Americas as well as in Asia. Social enterprises are inspired by the purposes and the goals of charitable associations, namely charitable purposes to support those with limited material possibilities. However, unlike traditional or charity associations, social enterprises no longer depend on subsidies or donations, earning revenue in a resource-intensive production process that seeks to obtain consumer goods and services, as well as having an entrepreneurial dimension and a commercial one. In this context, the European Union documents explicitly aim at modernizing the European social model, investing in people and combating social exclusion (Lisbon Agenda, 2000), and the right of Europe "into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion" (Europe 2020, p.10)

The difference between the two documents lies in the fact that while the Lisbon Agenda aimed to adapt the European model of development to the new context by modernizing the same instruments, a model that proved its limits in the 2008-2011 crisis, the Europe 2020 Strategy proposes the establishment of a new socio-economic model that provides solutions to the new challenges of the early millennium: "the globalisation of the economy, the low rates of economic growth, the complexity of society, and growing demands for new services" (European Commission, 2013, p.15).

Currently the social economy enterprises diversify their activity by being present in new areas such as: "the provision of new forms of educational, cultural, environmental, and public utility services, as well as food production, distribution and consumption" (European Commission, 2013, p.41), according to the needs and interests of the community and the society.

In Romania, the preoccupations for sustaining and developing the social economy are quite recent, despite the fact that there is a tradition of over a century in this field (Arpinte, Cace, Scoican, 2010). After the drafting of the Social Economy Law in 2015, there are prospects for the development of these enterprises and, implicitly, for the better integration

of the disadvantaged groups into the labor market, with a direct impact on the increase in their standard of living.

## 2. The concept of social economy from a Romanian and Ukrainian perspective

Many of the definitions given by Ukrainian specialists are similar (some taken from) with definitions from other geographical areas (France, Italy, USA). I have selected three definitions with a certain specificity to compare them with definitions given by Romanian specialists. For the Ukrainian exegetes, "the main difference between" social economy "and" political economy "is that the first is the science of" human cooperation "and the second is the science of" human confrontation. "

Definitions given by Ukrainian authors:

1. The social economy is a set of socio-economic relations between people who appear in the process of production, distribution, exchange and consumption of material goods and services in the world of limited resources. It creates a defined economic system (economy) that is consciously focused on personal development, economic growth and social progress, well-being and living standards in the country. (Головнина, 2006).
2. Social economy - a system of social and economic relations based on diversity of property, freedom of entrepreneurship, healthy competition in the conditions of solid social policies, offering decent living standards and guaranteed social protection, based on a high level of development economic. The social economy advocates a management system that ensures socially-oriented growth in the context of social development oriented simultaneously to the economy (Віскова, Котвіцька, 2013).
3. The social economy studies the laws and rules of civil society, realizes a social consensus, seeks a social compromise in order to achieve well-being in a complex and controversial world (Веляев, Диба, Кириленко, 2005)

Definitions given by Romanian authors

1. "Social economy is the set of activities organized independently of the public sector, whose purpose is to serve the general interest, the interests of a community and / or personal non-patrimonial interests, by increasing the employment of the vulnerable group and / or the production and supply of goods, provision of services and / or execution of works "(Law No. 219/2015, art.2).
2. The social economy was born two centuries ago out of the people's desire to fight poverty and unforeseen events, to help each other in times of difficulty, to do something not only for them but also for the community without waiting for any reward in this regard and to place the money, not forgetting to be solidary. The social economy tries to effectively combine the freedom of the market, which operates on economic principles and social responsibility based on the principle of social solidarity for the benefit of society as a whole (Vîrjan, 2012, p.119).
3. In the opening report "Profit for people" the social economy effectively combines individual and collective responsibility for the production of goods and / or supply service, which pursues the economic and social development of a community and whose main purpose is social benefit. The social economy is based on a private, voluntary and solidarity initiative, with a high degree of autonomy and responsibility, involves economic risk and limited profit distribution. "(Asiminei, 2012, p.10).

**Table 1:** Comparisons between definitions given to the social economy in Ukraine and Romania

| Defining elements                  | Romania   | Ukraine  |
|------------------------------------|---|--|
| The position of the social economy | The social economy includes all the organizations located between the public sector and | Social enterprise as a symbiosis of traditional business and charity |

|   |  |  |
|---|--|--|
| among the economic sectors                                  | the private sector (Pîrvu, Ungureanu, Hagi, 2009, p.53)  | (Kostetska, Berezyak, 2014)  |
| Autonomy of the scientific field                            | The social economy has a relative autonomy, operating in accordance with a special legislation                                     | The social economy as a new field of research has emerged relatively recently at the junction of several sciences  |
| The relationship between economic and social                | The focus is primarily on social issues, without neglecting economic aspects   | The focus is almost exclusively on social issues   |
| Values assumed  | Solidarity, Social Justice, Equal Opportunities, Respect for Human Rights, Democracy, Respect for Property, (Rista, Stanciu, 2011) | Justice and social security, equality of all citizens before the law (Matveev, 2011)   |
| The relationship between the social and the liberal economy | Complementarity  | Differentiation: the social economy is predominantly collaborative, while the liberal economy is predominantly competitive   |
| Model accepted  | The French model, the social economy of solidarity   | The German model the social market economy   |
| Focalization  | On the economic activities carried out   | On the "management system that ensures socially oriented " (Казань 2005)   |
| Expected effects  | Improving living conditions and providing new opportunities for disadvantaged or vulnerable people (Law 219/2015)                  | The concept of "socialization" can not and should not be limited to social security and social protection of the weak segments of the population but all aspects the economic activities of the state, which serve the social component (Заславська, 2004) |

Source: Author's works

### 3. Conclusions

The idea of a social economy is relatively new in Ukraine, while in Romania, especially after the integration into the EU and benefiting from the possibility of attracting European funds for the development of this sector, the social economy is conceptualized and theorized in a series of studies, along with the development of social enterprises.

"Ukrainian legislation does not yet have a definition of the social enterprise and does not create the environment in which all the advantages of this phenomenon could be advantageously used" (Kovaliv, 2007, p.1), while in Romania there is a law of the social economy which, on the one part also clarifies the term from a legal point of view and, on the other hand, regulates its organization and functioning framework (Law 219/2005)

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## MEDICAL SERVICES - ECONOMIC IMPLICATIONS OF SURGICAL WOUND INFECTIONS

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**Abstract:** *Infections associated with the medical and the surgical act are an important public health problem and quality of medical services, with certain economic implications. Losses from the health state budget are explained by prolonging hospitalization, staff costs, costs of antibiotics, medical tests, investigations. The present study aims to highlight the importance of this issue by reviewing comparative financial data from the national and international literature. In Romania there is an incidence of hospital acquired infections between 1% and 3% of cases solved. In the European Union, under the influence of legal provisions, the incidence of these infections is between 5% and 15%. Romania, as a Member State of the European Union, will have to comply with reporting requirements for this type of infection (according to the Decision 2119 /98/ EC) and will have to make legislative proposals for economic analyzes on medical services and their quality. The case study represents an economic approach of a case of surgical wound infection in a public hospital in Sibiu County. In Romania there are no financial data available in this field, aspect which will give originality of this paper.*

**Key words:** medical services, infections associated with medical-surgical act, costs

**JEL classification:** I18

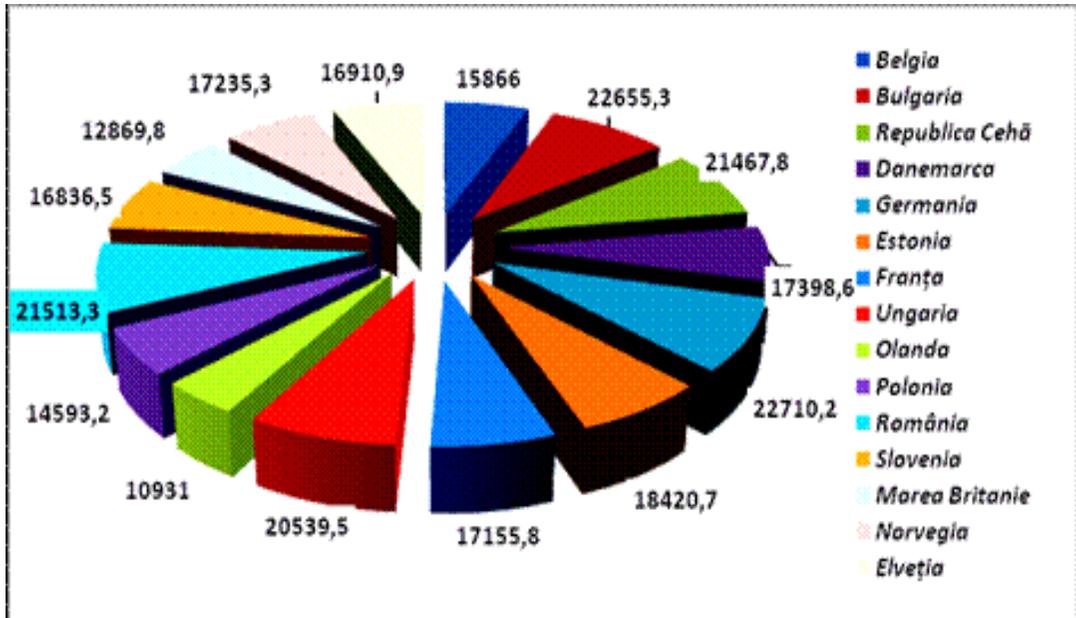
### 1. Generally Introduction

The present study aims to highlight the importance of this issue by reviewing comparative financial data from the national and international literature.

### 2. Quantifying financial losses resulting from medical care associated infections worldwide

Worldwide public health systems financing is done by quality indicators that we can also meet in the health system in Romania ([www.drg.ro](http://www.drg.ro)), but the difference lies in the critical evaluation of unwanted system losses - Dilara I., et. al (2005); Graves N. (Apr 2004); Hassan M., et. al (2010); Yalcin AN, et. al (2002). Studies of immense financial losses in the hospital system through infections have occurred nationwide in the United States of America, the UK, Australia, Taiwan, Turkey, Sweden, etc. The main loss of funding is the cost of treating and re-bringing patients with hospital infections (prolonging hospital stay, increasing antibiotic and other medication costs, surgical interventions, disinfectant costs)-Hassan M., et. al (2010). The authors of the specialty articles demonstrate that simple observance of infection prevention programs leads to significant savings. A study from Turkey -Dilara I, et. al (2005) shows that the average price of a single antibiotic per day for a single infection reaches \$ 94.31. Taking into account the possibility of prolonging hospitalization, other infections with additional daily costs may also occur (\$ 99 for

pneumonia, \$ 52.37 for urinary tract infections and \$ 162.35 for other cumulative infections) -Smith M. (2003). In the United States -Stone P. (Oct. 2009), total annual hospital-related infections amounted for \$ 6.7 billion in 2010, and in the UK about \$ 1.6 billion. In all studies, at least 1 of 10 hospitalised patients contacted at least one infection- -Crotty, M. (2003); D.L. Heymann, et.al (2014) . All of the above studies were reported to national research centers to signal that the initial budget of hospitals did not provide for these losses. In the northern European countries it is proposed to exclusively fund the hospitalization of the patient without complications, and the additional costs of the infections to be borne by the hospital, the attending physician and even the patient - Neergaard H., et.al (2007). There are legislative controversies.



**Figure 1- Hospital medical services/100.000 inhabitants**

Source: Eurostat

### 3. Health-associated infections in Romania- situation analysis

Infections associated with medical and surgical act are poorly reported in Romania, compared to other EU countries and the USA. Thus, by 2015, the Ministry of Health ([www.MS.ro](http://www.MS.ro)) records a total of 57,088 cases of such infections in Romania. According to the National Center for Statistics of Public Health in Romania, the average annual number of cases is 8891, with a minimum in 2010 (8105 cases) and a maximum reported in 2008 of 9677 cases, without analyzing the economic implications.

A possible sub-declaration of cases in Romania could be explained by the large number of unjustified admissions for pathologies that could be solved at the level of family doctors, but also by the prejudices of doctors who do not want to compromise the reputation of the department or hospital. (Digi24.ro). HAI's hidden cost issues have been taken over by the media (Agerpres.ro) which signals these dangers regarding the safety and quality of the medical act, which has spurred the appearance of the legislative document MS nr. 1101 of 2016, which regulates the declaration, investigation, prevention and control of in-hospital infections.

#### 4. Hidden costs of a surgical wound infection in a public hospital (initial research-example)

Table 1- case study

| Cost surgical patient without wound complications | Cost of patient S.I. with surgical wound infection   |
|---|--|
| Standard hospitalization = 6.9 days               | Infection surgical wound= 51 days of hospitalization<br>(Excess = 44.1 days)   |
| DRG cost of hospitalisation= 331.96 RON           | Real cost / day of hospitalization for infectious complication = 764 RON (real cost / day 2.3 times higher than DRG) |
| Total hospitalization cost (DRG) = 2290.524 RON   | Total expenses for infection complications = 35.994.11 RON<br>(avoidable expenses 33.703.86 RON)                     |

#### 5. Conclusion

These centralized data at national level have again highlighted the importance of the quality of medical services and of the medical act, the respective infections being a risk factor for the patient and for the economic aspect of financing the medical system.

The future research directions of the thesis will focus on the financing of public hospitals and the economic impact of non-quality risk factors (hospital acquired infections).

#### 6. Acknowledgements

Many thanks to the team I worked with.

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# SUSTAINABLE BANKING AND CORPORATE SOCIAL RESPONSIBILITY IN CEE MARKETS. THE CASE OF RAIFFEISEN GROUP

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**Abstract:** *As large investors are indifferent or skeptical about the value of sustainability initiatives, on shareholder activism or environmental Non-Governmental Organisations' efforts, this can be accredited to the fact that they consider the balance between environmental performance and financial performance. The last two decades have witnessed the emergence of remarkable initiatives on sustainability, aiming at reconciling the goals of the financial sector with the major environmental, social, and sustainability challenges of contemporary development, through a series of innovations and rules for an identifiable field of sustainable finance. This paper examines the annual reports issued by an important international banking group, i.e. the Raiffeisen Bank International for the existing subsidiaries in some of the ECE markets, in order to investigate the existence of explicit elements of environmental and social sustainability in financing activities, or voluntary compliance to the principles of sustainable development, and thus to understand the actual involvement in enforcing sustainability issues.*

**Keywords:** responsible business, sustainable banking principles, CEE markets, Raiffeisen Bank

**JEL classification:** O44, Q56, G21

## 1. Introduction

Environmental liability and the potential impact of climate change on businesses are areas of common interest of business environment and insurance companies, although the progress in understanding how insurance could contribute to sustainable development are limited.

Banks ignore, intentionally or not, their strategic role within the national economy, the fact that they possess resources, capabilities and opportunities, and thus they could generate support for promoting a sustainable economy and can facilitate the transition to a greener economy.

## 2. Banking systems and sustainability challenges

Financial, ecological and social sustainability of the banking sector is treated in banks' annual reports or studies, in separate chapters, and therefore, the financial industry's perspective on its impact on society and environment is often unwell understood. Quite often, improper terminology and lack of consensus have prevented to establish the precise course of action. For example, the documents of the European Commission or the European Central Bank speak about "sustainable financial sector" referring either to sound financial performance "to create sustainable ways of generating profits in a post-crisis environment" (European Central Bank, 2016, p. 147), either to economic growth "a safer, sounder, more transparent and more responsible financial system (...) able to finance the real economy, is a precondition for sustainable growth" (European Commission, 2011,p.2).

The process of implementing such regulations experiences rapid changes and developments. Some countries do not have banking specific sustainability or green policies, but implement global policies, for economic activities as a whole (Oyegunle & Weber, 2015). There are also countries that particularly focus on the banking sector, and others developing cross-sectoral policies in order to cover, where appropriate, the banking sector particularities (Kern, 2014). Finally, there are countries delaying implementation of their own procedures, waiting perhaps the emergence of internationally certified procedures (such best practices) to avoid legislating ineffective or limited regulations.

### **3. Research methodology**

The goal of our research is to investigate whether and to what extent Raiffeisen Group International are considering the principles of sustainability and have referred this kind of activities in their annual reports issued in the last 5 years (2012-2016). We are mainly interested to find any reference regarding the voluntary agreement to sustainability initiatives as mentioned above, and any specific tangible actions undertaken (i.e. number of actions, economic sectors, amounts etc.). When possible, we distinguish the Corporate Social Responsibility (CSR) – type actions (e.g. volunteering, charity etc.), even some of them add the ecological dimension to the social one, and prefer to focus on responsibility applied to business lines, actions. In our investigation we consider six countries in which Raiffeisen Group International is operating in Central and Eastern Europe, namely: Raiffeisen Polbank, operating in Poland, with a market share of 3.1%, Tatra Banka, operating in Slovakia, with a market share of 15.6%, Raiffeisen Bank Czech Republic with a market share of 5.1%, Raiffeisen Bank Zrt operating in Hungary, with a market share of 5.9%, Raiffeisenbank Bulgaria with a market share of 6.9% and Raiffeisen Bank Romania with a market share of 8.5%, all dates are related to the end of 2016 (Raiffeisenbank Group, 2016).

### **4. Results and discussion**

In *Poland*, over those 5 years, Raiffeisen Polbank was financing renewable energy sources, especially wind energy. In total, projects with an overall capacity of approximately 100 MW were financed in this segment in this period of time. In 2015, Raiffeisen Bank International AG has jointly financed the construction of a 42 MW wind farm in Poland. The wind farm has been in operation since 2010 and is reporting very good yield values so far. The entire “Renewable Energy” financing portfolio of RBI AG during 2015 encompassed 13 projects with a volume of € 247 million, including eight wind farms, two solar installations, two biomass heating plants and one small hydroelectric power station. In 2016, the portfolio of Raiffeisen Polbank in the area of renewable energy encompasses 17 wind farm projects with a total volume of approx. € 102 million.

In *Slovakia*, a team of experts for the financing of projects in conjunction with renewable energy such as photovoltaics, biomass, biogas, hydro plants, has been established at Tatra Banka. In 2013 investments of small and medium-sized enterprises, property management companies, towns/ municipalities with up to 5,000 residents as well as energy management companies aimed at improving energy efficiency, can be refinanced through the EIB. In 2014, Tatra Banka disbursed European Investment Bank funds for energy efficiency projects, the renewable energy projects include project financing of three biomass plants and two photovoltaic installations. In 2016, the projects are still in the construction phase and encompass a financing volume of approx. € 8 million. The overall portfolio of renewable energy projects amounts to € 209 million and consists of over 100 individual projects (Raiffeisenbank Group, 2012-2016).

In the *Czech Republic*, between 2012-2016, Raiffeisenbank has financed photovoltaic systems. Beginning with 2012, state support became increasingly restricted. After three plants in 2011, only two solar power plants could be financed in 2012. Naturally, Raiffeisenbank works in conformity with all existing, relevant environmental guidelines on

both the national and EU level, especially with regard to the CO2 footprint. Raiffeisenbank financed five new solar energy plants in 2016 with a total volume of € 57 million as well as a residence for seniors in the amount of approx. € 5 million. In addition, Raiffeisenbank, offers green loans to SMEs with the support of the European Investment Fund (EIF). Preferential financing is also offered for agricultural land. The total financing volume for renewable energy amounts to approx. € 415 million for 30 projects.

In *Hungary*, a financing agreement exists between Raiffeisen Bank Zrt. and the European Investment Bank (EIB). Their goal, amongst others, is to finance projects that increase energy efficiency and contribute to the provision of renewable energies to small and medium-sized businesses in Hungary. Since 2012, Raiffeisen Bank Zrt. has financed suitable projects of small and medium-sized enterprises aimed at increasing energy efficiency and projects for the production of renewable energy via the “EIB – SME Energy Efficiency Program”. Specifically, renewable energy sources from small and medium-sized enterprises as well as block houses were financed in Hungary. In 2016 Raiffeisen Bank Zrt. financed a solar power plant in 2016. Overall, the portfolio encompasses five renewable energy projects in the amount of approx. € 30 million (Raiffeisenbank Group 2012-2016).

In *Bulgaria*, over those 5 years Raiffeisenbank Bulgaria has launched multiple financing initiatives to support ecologically and socially responsible projects. One of these took place within the framework of an EIB global loan. This is done in a variety of ways, including by signing agreements under which appropriate, discounted energy efficiency loans can be granted. The replacement of vehicle fleets with less-polluting motor vehicles, a replacement investment in energy-saving hydraulic excavators, and a laser-operated tool machine (form press and equipment) are also amongst the projects. Project financing was also launched in 2013 for a new biogas plant. In 2015, the most important sustainable financing concerned replacing old equipment with newer, more energy-efficient machines and agricultural equipment (trucks, pumps, combines). Also in 2016, the bank financed three wind power plants in northeast Bulgaria, near the Black Sea, and one hydropower plant in the Blagoevgrad region with a total capacity of about 56 megawatt-hours. The total of all renewable energy financing projects was approx. € 8.6 million.

In *Romania*, Raiffeisen Bank S.A. has had a social and environmental risk policy in place since 2011. Corporate customers, including small and medium-sized enterprises, are investigated with regard to the risk categories of the EBRD.

Two solar energy projects, two photovoltaic systems and two waste water treatment plants and a biomass plant in Suceava were financed in 2013. Over 2014, Raiffeisen Bank supports specific energy efficiency projects developed by private companies that are particularly worthy of assistance. For Sanex S.A., a company specialized in production of tiles, in order to improve energy efficiency, increase productivity and reduce specific energy consumption, it has been decided to replace some equipment. The project was implemented in 2014 with an investment of € 151,000 (excluding VAT). The project was fully funded by Raiffeisen Bank under the Energy Efficiency Finance Facility program. The energy savings achieved through the implementation of the investment was about 47%. For Electroprecizia Electrical Motors SRL two projects were co-financed with Norwegian government funds (in the "Green Industry Innovation Program Romania" program), one in 2014 and another in 2015. The first project was to implement in the mass production a new range of engines, the premium efficiency class - ECO innovative. The amount of bank financing for the first project was over € 1,6 million. The second project was to modernize the eco-innovative production capacities of electric motors, and the amount of funding was over € 1,4 million. In 2016, the Bank financed sustainable projects in the amount of over € 5.1 million. Some of these are: ECO Waste Arad, ECO Landfill in Cluj-Napoca, both investment in the landfill construction and closure of various ecological cells, both projects had been implemented by A.S.A. Ecological Services S.R.L (Raiffeisen Bank Romania, 2016).

## 5. Conclusions

Although CSR requirements and principle of sustainable banking have been around for two decades, banking groups have gradually approached and implemented these requirements. In the present case, although the analysis has been carried out over the last 5 years, information is quantitative relevant in the past two years of research. The rest of the information is either general or without a clear indication of the bank's activity for funding projects with added value for the economic and social environment. However, unlike other banking groups, Raiffeisen Group International has provided more complex information than other banking groups. This should be a question mark for the management of the other banking groups, because any involvement in such projects should be highly appreciated in the line of their clients and investors, giving them information about the projects in which the bank is involved, projects that brings extra value in the market in which they activates.

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## **SOCIAL SERVICES AS AN INTEGRATIVE PART OF THE SOCIAL ECONOMY**

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**Abstract:** *In Europe, the concept of social services is more like an umbrella-concept because it refers to terms that have similar meaning, as we can see further: well-being, social assistance, social protections, social insurances. Despite the fact that there are some historical, cultural, political and economical differences between these terms, in Europe, we can see that there are many resemblances, also. However, an important issue which is debated and probably will be debated in the future is represented by the further idea: who should be responsible for providing social assistance and also, how high should be the level of implication in the future of public politics; both in Europe and on the other continents.*

**Keywords:** social economy; public politics; European Commission.

**JEL classification:** A14

### **1. Introduction**

In Europe, the concept of social services is more like an umbrella-concept because it refers to terms that have similar meaning, as we can see further: well-being, social assistance, social protections, social insurances. Despite the fact that there are some historical, cultural, political and economical differences between these terms, in Europe, we can see that there are many resemblances, also.

However, an important issue which is debated and probably will be debated in the future is represented by the further idea: who should be responsible for providing social assistance and also, how high should be the level of implication in the future of public politics; both in Europe and on the other continents.

### **2. Evolution of social services to the statute of public policy**

Social services have a long history. Social problems as: poverty, orphans, disabilities and elderly had existed from the beginnings of civilization and so, humankind tried to solve those issues by different mechanisms and structures. The Church focused very much on these issues, from the beginning of Christianity until the XIXth century because the concepts of politics and social relationships were seen as being apart one from another; so, the state had nothing to be blamed or judged for, in this particular situation. Therefore, at the beginning of the Contemporary Age, the state began to take measures for the poor, in order to solve the issue represented by the explosion of the number of the poor in cities; these people being concerned about finding a way of living. As a result, the state took some actions through which it could punish begging and vagabondaging; these issues being perceived as an assault to social stability. However, the state and the church see poverty as a threat to the order of a civilized world, all this because there was a weak efficiency at the level of mutual assistance. Furthermore, the state and the Church concluded that they must take the actions (the first actions of these kind) in order to help the ones in need; so, they build public hospitals and places where elderly could be taken care of, properly.

At the beginning of the XXth century, in many European countries, come out the first laws concerning elderly and concerning people who could no longer work because of some health problems. First of all, in 1883, Germany is the first country where is delivered a law for social insurance. After that, in 1911, the law for social insurance, for health and for unemployment came into sight in UK. In 1912, in Romania, the legislation concerning: health insurance, elderly, accidents, the disability state, funerals. All these countries are well-known as being the pioneer countries where is given a law concerning social assistance.

At the beginning of the '90s, the role of the state in social politics was reconsidered. The capitalist states used 3 types of roles in order to get out of the crisis:

-The Type **A** role is represented by USA. There, Carter tried to combine the adjustment of the market with the very moment of political cycle; so he tried to assure some favourable indices during the electoral time. Anyway, these measures were unfavourable for Carter.

-The Type **B** role is pointed out by Sweden. This country managed to maintain the level of unemployment close to the surplus level of work force that existed in: industry, commerce, administration and social services.

-The Type **C** role is represented by Germany, where were took conservative politics of austerity by encouraging: women to remain outside work force, the anticipated retirement for elderly and some measures that generated efficiency inside enterprises and balancing on the work market.

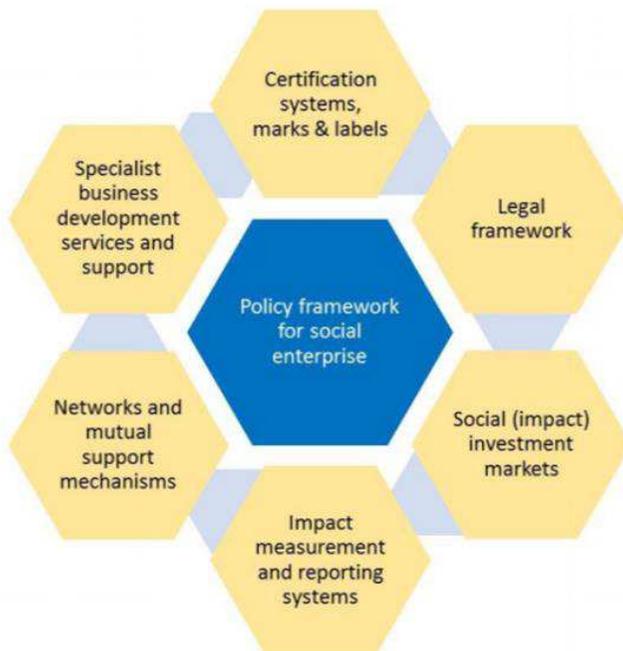
During the period of the economical crisis, there was criticism at the address of the capitalist state through which both the citizens and the governments were accused of taking irresponsible decisions. This criticism generated the lack of credibility in social-democracy and changed the perception of the public opinion on the principles of social politics.

Even if the evidences and the empirical evaluations are limited concerning social cooperatives and social enterprises, studies have shown that the guvernamental politics can help or cannot help through the development of the independent cooperation (Hoyt, 1989 , Poppe, Bijman și colaboratorii din 2013). This development could be sustained by creating adequate laws and regulations or by taking some measures that support social politics.

To sum up, we can observe and make the following assumption: there is a positive relation between the general estate of democracy and the performance in cooperation, inside some countries from the European Union.

Inside the report of European Commission that was made in 2015, it is shown that countries need to put more effort in order to create an adequate political environment for the social enterprises. In this particular situation, Italy seems to be the country which adapted very well to these demandings.

Inside the following figure there are some suggestions of the European Commission concerning an ideal political frame.



**Figure 1.** Select features of an eco-system for social enterprises (European Commission, 2015).

Source: " *Farmers' coops and social enterprises, key actors in combating rural poverty in EU - policy frameworks and capacity building needs*"2017, Cynthia Giagnocavo, Elena Badeanschi, Kristina Berneholm, Maria Henriksson, Ancuța Vameșu, Irina Opincaru, Ștefania Andersen.

### 3. Conclusions

The corporate sector is, in general, a small sector inside a society and it is characterised through big inequalities and the power is concentrated in the hands of few people.

However, inside EU countries there is a tight bond between the performance of cooperation and the general estate of democracy.

Therefore, we may assume that the succes of the social economy is based both on an efficient governing and on a healthy politic which is focused on a civil society.

Although there are differences between the types of cooperatives existing on the market, basically their basic principle is the same: the members and cooperative owners work together to get the best economic position.

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## CORPORATE SOCIAL RESPONSIBILITY: THEN AND NOW

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**Abstract:** Nowadays, societies have made it clear that organizations ought to be more transparent, ethical and responsible. Corporate Social Responsibility (CSR) comes in response to this increasing demand of societies by being a pivotal tool in the business area. Organizations of the 21<sup>st</sup> century can no longer ignore CSR and should follow the steps of integrating it across all departments as part of their strategic policy. Sustainable organizations are required to direct their interest beyond the economical factor and extend their goals towards environmental and social aspects. By integrating environmental and social concerns in the daily operations of a company, new models of doing business emerge and a synergy with various stakeholder groups takes place. Although a significant amount of attention has been headed towards the definition of CSR, the research on it has remained erratic. The present paper depicts the effort to follow the conceptualization of CSR from its origins together with the evolution of the discipline as a research field through literature review.

**Keywords:** Corporate Social Responsibility, CSR, Stakeholders, Theoretical Framework

**JEL classification:** M14

### **1. Corporate Social Responsibility - Emergence and early development**

Although Corporate Social Responsibility (CSR) has gained more attention from academics and practitioners in the last decades, it is not a new field of study. The origins of CSR date back to the early twentieth century, when capitalism consolidation occurred. Whether a company should undertake both economic and social functions sparked interest at the time to Weber (1922) and Clark (1939). They are considered to be the initial contributors in the field and began the search of denoting the possibility of company executives to achieve a management model that is competitive though responsible economic actions.

Still, the first work about social responsibility belongs to Bowen (1953), considered the founder of the concept, who defined social responsibility as 'the set of moral and personal obligations that the employer must follow, considering the exercise of policies and values desired by society'. Since the fifties, there has been consciousness that companies can impact the lives of citizens and that firms should positively act upon their main social and economical imbalances. Thus, considering the social function together with the economic function in a firm has been underlined.

Social responsibility as a research topic began to gain interest from others since Bowen's work. Drucker (1954) acknowledged the need to consider public opinion in the decision making process of an organization, especially in the case of large companies which are operating in scenarios of social pressure.

Davis (1960) noted that the interests of those parties affected by organizational actions need firm's attention in order to gain support from them. He considered that the organizations that do not worry about the impact of their actions upon the environment

might cease to benefit of their stakeholders' trust, which eventually causes the success of a business.

Walton (1967) introduces the idea that social responsibility is voluntary for a business and that its implementation involves relationship improvement with the stakeholders, but also an acceptance of a cost and risk. Other researchers (Wallich and McGowan, 1970) stated that the economic and social interests of stakeholders must be balanced by companies.

During the fifties, sixties and seventies social responsibility was referred to as an adjustment process among the business operating environment and the stakeholders, while in the eighties the theoretical dispersion of the concept began to emerge.

A significant amount of work in the field of social responsibility was done by authors who reacted in response to the players that have a stake in the business performance, and led to what is known as stakeholders theory. Freeman (1984) introduced the stakeholder concept, while the power and claims that each party has on the company have been later investigated (Mitchell et al., 1997). The stakeholder concept involves that the firm establishes relationships both with relevant groups, such as owners and shareholders, and alternative parties (suppliers, government, customers, employees, investors, local community, unions, competitors, media) (Argandoña, 1998; Bridoux and Stoelhorst, 2014).

## **2.CSR in contemporary business environment**

The CSR concept is diversified and has been changing over time until today. According to Carroll (1991), CSR theory takes into account four levels built up on a pyramid: economic responsibility, such as being profitable; duty to obey the law; responsibility to be ethical and philanthropic responsibility. The model is still widely discussed today. More recently, Epstein (2008) identified nine areas in which CSR operates: ethics, governance, employment practices, transparency, business relationships, environmental protection, financial return, product value and community involvement.

CSR has also received attention from institutions, initiatives and bodies such as the European Commission (2001) which published the Green Book of CSR, World Business Council For Sustainable Development or Global Reporting Initiative.

There are numerous definitions in the literature regarding CSR which range from business strategic repositioning to corporate philanthropic activities (Nijof and Jurissen, 2010). CSR designates the way businesses implement social responsibilities by going beyond the economic factor (Khojastehpour and Johns, 2014) and involves a series of corporate activities that aim to ensure stakeholders welfare (Spinkle and Maines, 2010). Benoit-Moreau and Parguel (2011) defined CSR as a voluntary integration of aspects of social and environmental nature into daily business operations and stakeholder interaction.

Monetary together with non-monetary benefits of CSR initiatives have been determined by scholars. A well built CSR strategy leads to a strong position in the market (Smith, 2003), which further enables companies to gain competitive advantage (Carroll et al., 2010).

CSR acts in favour of an augmented customer relationship, increases customers loyalty (Pivatoet et al., 2008) and attracts external investments, as investors seek companies that have not damaged their company ethics (Smith, 2005). CSR is considered a proactive process which enables an organization to exercise more leverage over other organizations (Carroll et al., 2009) and its initiatives may determine a business' image and reputation, increase its sales revenue and improve employee engagement (Radhakrishnan et al., 2014).

On the other hand, since modern businesses operate in a competitive environment, their stakeholders have expectations of them performing with minimal financial contraction, which is why CSR has also attracted averse opinions. Thus, the earliest resistant argument includes the co-existence of business and CSR in the context of profit maximization (Friedman, 1970) further discussed as the business not focusing on its core functions, but on non-core functions (Radhakrishnan et al., 2014). Moreover, Visser (2011) criticizes the

success of CSR, primarily at the macro level, since environmental and social indicators are declining (biodiversity loss, gap between rich and poor), although there have been improvements at the micro level.

cholars have also identified the reasons why CSR is implemented in daily business operations and these include customer-related motivations; altruistic intentions; firm's appearance improvement in order to acceding to various stakeholders demands or obtaining employee recruitment and retention benefits (Sprinkle and Maines, 2010). These reasons emerge into a rationale why CSR exists, which is that organizations need to be managed in order to create values and to satisfy the interests of its main stakeholders (Freeman et al., 2010).

### **3.CSR perspectives**

In a survey led by Economist Intelligence Unit (2008), 1,254 executives around the world participated, with 53% from firms having at least US\$500m in revenue. The results showed that 53.5 percent of respondents said that CSR is 'a necessary cost of doing business'; 53.3 percent agreed that it 'gives a distinctive position in the market' and 3.8 percent thought that CSR was 'a waste of time and money'.

MacGregor et al. (2008) outline that CSR implementation can be a starting point in the field of proactive innovation and that it constitutes a guide mark for companies that wish to improve their position in the market, but are typically risk-averse.

The new tendencies on ethical consumption indicate that individuals are more than only consumers, being responsible for the choices they make when purchasing (Vitell, 2015). These led to the new construct of Personal Social Responsibility (PSR), as a key element to upgrade CSR, that integrates ethical/responsible consumption (Lopez Davis et al., 2017). So far, it has been established that CSR focuses on the relationship between business and the general public. In addition, PSR focuses on the behaviour of the individual, stressing the effects its daily decisions have on its social and ecological environment (Lopez Davis et al., 2017). Not only companies will aim for better relationships with their stakeholders through responsible behaviours, but also individuals, who will make decisions based on pursuing greater relationships with their stakeholders (families, community).

Visser (2011) notes that the *raison d'être* of business is to be in the service of society, in a positive way. This conception unfolds Corporate Social Responsibility, or CSR 1.0 to the new, diversified and integrated Corporate Sustainability and Responsibility, or CSR 2.0.

Nowadays, various international organizations, such as European Union, Organisation for Economic Co-operation and Development and International Labour Organization have emphasized the importance of CSR adoption and exhibited a series of ethical and social guidelines. Consequently, organizations that aim to be sustainable cannot ignore CSR any more.

### **4. Conclusion**

CSR is a multifaceted concept with its initiatives being oriented towards a wide range of stakeholders and doing business in a responsible manner in a dynamic market offers opportunities but also conveys challenges. Over time, there has been a dynamic relationship between companies and society, with CSR providing an ethical framework that benefits corporations in the long term also enabling them to create value and share it. Even so, after more than sixty years of debate, CSR is still a contested concept that needs a common basis.

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## THE SIGNIFICANCE OF THE PROFESSIONAL TRAINING IN ECONOMICS – THE STUDENTS PERCEPTION

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**Abstract:** *The new Romanian direction regarding the professional education and practical training in schools has the purpose of covering the shortage of skilled workers and the easier integration of future graduates into a continuously changing labour market. In Romania, every high school specialized on an economic qualification includes practical classes and entrepreneurship training aiming to acquire the knowledge, abilities and formation of students' attitudes for their professional future. This paper aims to reveal how the Romanian high school students appreciate the importance of the practical classes conducted by companies and if their professional future could be influenced by the qualification obtained through high school. The study could help education's stakeholders to understand how young students perceive the actual educational system and to aid to rebuild a new one, more suitable to the modern society needs.*

**Key words:** High school, economic, student, practical classes, qualification

**JEL classification:** A210; I210

### 1.Introduction

Following a report made in 2014 at the gates of an Economic Faculty, where the fresh high school graduates were questioned about the choice of the field of university studies that stated the following: "because in the family is a tradition", "I apply because I did not take the English exam to go to England and I want a backup faculty so I will not stay for a year. I finished my baccalaureate with 9.20 and I enrolled at the International Business School because it is the only one that has to do with what I want to follow me. I want business with economy in London. "Others say that, following college, they will have a stable job, or simply did not attract anything else.

Following a research conducted in 2013 with the title "School and School Option for High School Students", the following conclusions were identified:

The growing number of graduates intending to engage at the end of high school correlates with the socio-economic situation at the national level, which has a negative impact on the family budget.

Starting from graduate aspirations and parent expectations, it can be explained why a larger number of graduates from the urban area wants to continue their studies and education is more valuable in this environment.

Enhancing information on opportunities to study abroad determines the targeting of increased numbers to universities outside the country. Higher education institutions in other countries are increasingly promoting their schooling offer among Romanian pupils

by: attending educational fairs, well-organized websites, and maintaining an e-mail relationship with interested students (Hatos, 2006).

In general, there is a continuity between the specialization in the faculty for which the students choose and the profile graduated by them. However, the existence of options towards a completely different field of study entitles us to consider that either the initial orientation of the students was not appropriate to their interests and competences, or their current choice is not well founded.

Own aspirations and material gain are aspects that are found in the first two positions in the hierarchy of criteria according to which graduates choose both their faculty and their profession. This reflects, on the one hand, the stability of their motivational system and, on the other hand, the modality of adapting the graduates to the current socio-economic context (Stoian, 2016; Cucuș 2013)

In large cities there are many variants in terms of continuing university studies. Studying economic disciplines in the pre-university environment is an advantage for the student because he offers them a longer period of time in which they can assimilate numerous information for a future successful career (Apostu, 2015).

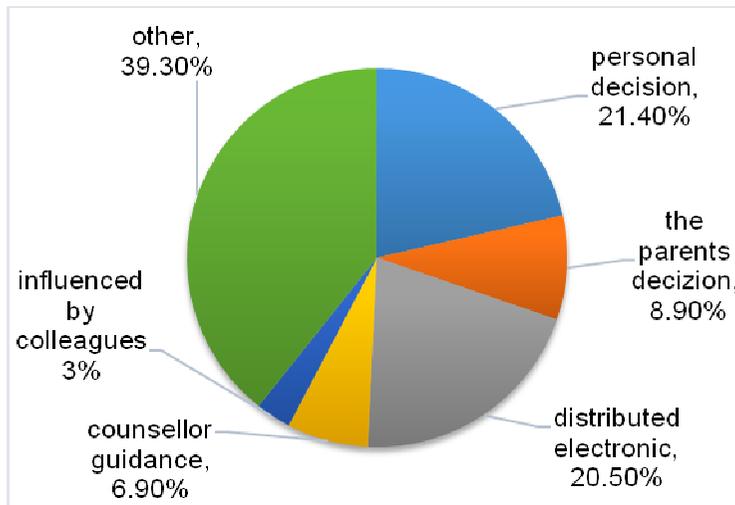
A successful career is based on accumulation of theoretical and practical information. The high schools deal with both the theoretical and the practical part by co-opting companies. Firms develop a partnership with the educational unit to program student activities by combining theory with practice. The internships programmed during pre-university studies help students to relate to the labour market. Students adapt to work schedules, employer requirements, team work and face deadlines. Practice training courses help students to develop their creativity and to decide the field or department they want to join in the future career. On the other hand, practical training stages help students to continue their university studies (Butnaru et al., 2013; Staiculescu 2012).

## **2. Quantitative study on the perception of the pre-college economic qualification**

Our study is based on a survey aiming to reveal the influence of the practical study of economics in pre-college and the importance of economic qualification for the decision to extend studies in the university environment. There were questioned a limited number of respondents by the "simple random" method. The research community is represented by the students of the final classes of an economic high school from Bucharest, the sample consisting of 113 people.

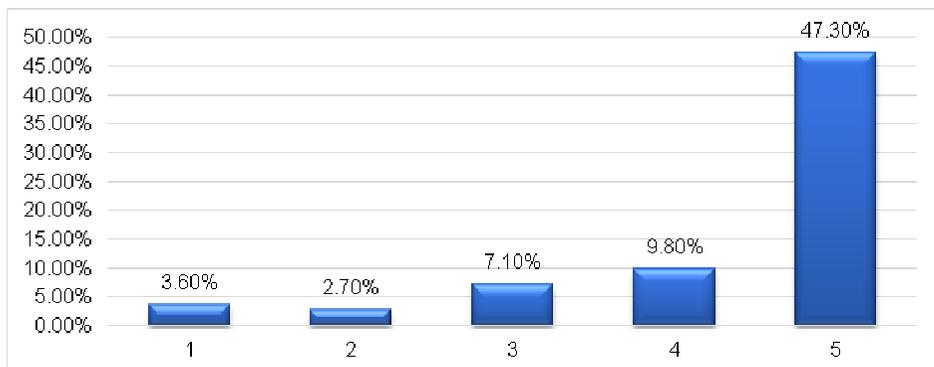
Conducting our research, we have obtained results reachable in the following short description.

From the total of 113 respondents, 26.5% are younger than 17 years old and 73.5% are between 17 and 20 years old. This is the corresponding of the final high school levels. From the total respondents, 59.3% are the female gender, and 40.7% are the male gender. 51.3% of the respondents have the specialization "Technician in economic activities", 37.2% "Technician in tourism" and 11.5% "Merchant vendor ". Considering the question „Who decided your high school qualification?", 21,4% of respondents declare there was a personal decision, for 8,9% decided the parents, 20.5% was distributed electronic, 6,9% were in the guidance of a counsellor, 3% were influenced by colleagues and 39,3% are in other situations. The choice of specialization for pre-university students is necessary to be correlated with their skills. Concerning the option of changing the qualification during the studies, 13.3% changed their profile during pre-university studies, and 86.7% did not consider it a necessity.



**Figure 1:** The influence of choosing the specialization  
Source: The authors' own design

From the surveyed students who changed their profile during their pre-university studies, more than a half had the "economic" specialization as new option. 74.3% of the parents of students questioned do not work in the areas in which their children study, indicating that students were not influenced by this. The practical classes are considered by 47.3% of students very important for their qualification and only 3.6% of them do not appreciate this form of education.



**Figure 2:** The importance of practical classes (1 less important... 5 most important)  
Source: The authors' own design

The survey includes also a question related to the professional future of the respondent with the purpose of revealing the capability of a pre-college qualification to insert high school graduates on the labour market. In fact, 84.7% of the students surveyed intend to continue their studies at university and 17.1% are not interested to continue the school.

The problem which we consider is worth to be further studied is the small percentage of these none interested in university option because just a few of them are interested in getting a job.

### **3. In conclusion**

Practical training sessions help to disseminate and to experiment the theoretical notions, being considerate as well an interactive learning method for most students. The high school economic qualification is training many students, but most of them were not informed before about some skills required and what this type of education means (long practical trainings that cut the school holiday, a number of requested typical aptitudes and abilities, etc). A better informing before the access to the economic high school could redistribute students in accordance with the skills and abilities of each student. The economic high school qualification is considered to be insufficient for the insertion on the labour market by the majority of students who like better to extend their studies at the university level in the detriment of the employment. This behaviour is creating a serious gap in the national economy and should be taken into consideration by the education stakeholders that must understand the importance of unifying their efforts towards a better curriculum, the encouragement for the professional school, or the improving of criteria for high school and university acceptance.

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## DEFINING ELEMENTS OF RURAL TOURISM

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**Abstract:** *This article explores the concept of rural tourism and its importance in the development of rural areas. The concepts "tourism" and "rural" are analyzed, as well as the main advantages of the development of rural tourism. Tourism raises a possibility to develop poorly developed rural areas that face serious problems such as depopulation, disproportionate aging of the rural population, reduced workforce, etc. These problems have caused the stagnation of the rural economy in these areas, as well as the deterioration of the quality of rural life. Rural tourism contributes to creating and maintaining jobs, increasing the incomes of the local population, promoting and developing the agricultural sector, contributing to the accumulation of resources for social infrastructure and contributing to the protection of the environment. For this reason, we consider it is important to study the concept of rural tourism. The article represents a review of the literature defining the concept.*

**Key words:** rural tourism, agricultural tourism, development, rural area, recreation.

**JEL classification:** L83, Q26, R29, Z32

### 1. Introduction

In the context of current phenomena of the modern economy, rural tourism is in the area of interest when discussing issues of economic growth and social development, as it is a profitable activity for the tourism economy, if it meets the requirements of sustainable development.

In general, rural tourism includes a wide range of activities, such as celebrations, sporting events, other entertainment events, that take place in typical rural areas.

### 2. The concepts of rural area and rural tourism

The definition of rural tourism still does not exist, so the concept is formulated in different sources by different authors in various ways. We intend to clarify the terms "tourism" and "rural" for a better understanding of the concept.

Rural refers to the village, rural area, countryside. In most European countries (Belgium, France, Germany, the Netherlands) this term indicates areas that are different from urban, coastal or mountainous. In Ireland and England, the term analyzed is basically synonymous with the notion of "countryside". Spain, Portugal and Greece tend to use the term rural environment with agricultural production areas.

However, rural areas are perceived differently in various countries. The statistical criteria used in European countries for defining rural area is different, for example in the case of Austria the rural is area with less than 5,000 inhabitants, fewer than 200 inhabitants for Denmark and Norway, less than 2,000 inhabitants and households in the case of France; from 500 to 4000-5000 inhabitants in the case of very large villages in Romania (Nistoreanu & Ghereș, 2010).

The general definition of rural space can be found in Recommendation no. 1296/1996 of the Parliamentary Assembly of the Council of Europe on the European Charter for Rural Areas: "a stretch of inland or coastal countryside, including small towns and villages, where the main part of the area is used for: agriculture, forestry, aquaculture and fisheries; economic and cultural activities of country-dwellers; non-urban recreation and leisure areas or natural reserves, other purposes, such as for housing.

The agricultural (including forestry, aquaculture and fisheries) and non-agricultural parts of a rural area is different from an urban area, which is characterised by a high concentration of inhabitants and various types of urban structure" (PACE, 1996).

The term tourism was used for the first time in the "English Sporting magazine" in 1811, to define the action of moving people to another locality for recreational, cultural, economic and other purposes.

Concerning rural tourism, its content is well described in many sources of literature. However, there is no general definition for the notion.

A large number of researchers have examined the essence of rural tourism: Butler (1998), Bramwell (1994), Hall and Jenkins (1998), Cloke (1990), Sharpley (1997), Busby and Randle (2000), defined it as the time spent in rural areas and focused on such characteristics of this socio-economic phenomenon, as the geographic (territorial) aspect - residence in a typical rural environment. The objectives of the trip can be diversified. There is a relationship between the tourists, the locals and the landscapes during the voyage. Broadly, rural tourism includes a whole range of activities and experiences.

In defining the concept of rural tourism, Robert and Hall (2001) focus on the content and the purpose of the journey. Butler (1998), Hall and Jenkins (1998) and Lane (1994) draw attention to the economic component of this type of business. According to them, rural tourism contributes to creating and maintaining jobs, increasing the incomes of the local population as well as promoting and developing other agricultural and industrial sectors, contributing to the accumulation of funds for social infrastructure, contributing to the protection of the environment.

The basic characteristics of the specificity of rural tourism are the following: it is developed in a rural area; it is a functional rural activity based on traditional small-scale activities and natural resources; the activity is carried out in small buildings and dwellings; it develops under the control of the local population; it is not a homogeneous activity.

Page and Getz (1997) consider that the tourist in his choice is driven by the desire to escape the dynamics and stress of modern urban life. According to Gilbert (1989) rural tourism is intended to use the resources of the rural environment, which leads to the welfare of local residents and the general environment. The author points out the benefits for those who offer a rural tourism product and distinguishes rural tourism from agricultural tourism, according to the additional services offered. The service is provided by the farmer and his family, not by a tourism services company with specialized personnel which offer and realize the travel service. Rural tourism is a typical family tourism, and in many countries it is one of the main forms of small business.

The development of rural tourism in rural areas makes possible to develop not only local crafts such as ceramics, wood sculpture, weaving, etc. but also folk art through the organization of exhibitions, folk games and parades, weddings, etc. Rural tourism contributes to the development of viticulture, horticulture, animal husbandry, beekeeping, fishing, forestry, biofuels and others. In addition, foods with specific qualities of original flavors in the region are produced; small processing installations are being developed, vegetal and animal products are processed for rural kitchens.

This way the emergence of forgotten activities, for example growth of horses. It found its place in the economic life of rural areas again. The cultivation of elite breeds of horses is developed as well. Other activities such as aquaculture, the cultivation of mushrooms, herbs, the processing of essential oil plants, the creation of public services, parks,

gardens, etc. are not directly related to agriculture, but are the alternatives for income generation by the rural population.

Romanian authors highlight some aspects of rural tourism over which foreign researchers have not focused. According to Glăvan (2003), rural tourism includes a wide range of accommodations, activities, events, celebrations, sports and entertainment, all taking place in a typical rural environment, thus emphasizing the wide range of accommodation options that rural tourism offers as opposed to other types of tourism.

Nistoreanu considers rural tourism "as a concept that includes the touristic activity organized and led by the local population and which is based on a close connection with the natural, human environment". (Nistoreanu, 2003, p. 189). He approached a specific element of rural tourism: the close link between natural and human environment.

It should be noted, that in all mentioned definitions there is a common point is the importance of rural tourism in the development of the local community.

According to World Tourism Organization and many European rural tourism organizations, this term means "a form of tourism that includes any touristic activity organized and conducted in the rural area by the local population, by using of local tourist resources (natural, cultural-historical, human) such as facilities, tourist structures, including boarding houses and agro-tourism farms" (Nistoreanu, 2003, p. 190).

When defining this socio-economic phenomenon, most researchers highlight the mandatory requirement for rural tourism as taking place in a rural environment, in a rural area. Therefore a characteristic of rural tourism that is built and practiced in rural areas and it may include offering a variety of products and services that are related to the specificity of the site visited and are organized and provided by the local community.

For the time being, there is no common definition of rural tourism. The name "rural" is predetermined by the fact that this type of tourism is provided exclusively in rural areas. The lack of a clear definition of nature and content of rural tourism creates difficulties in determining the content of the offered tourism product and therefore affects the degree of satisfaction of its users' needs. Due to the many definitions of nature and content of the term "rural tourism", it is interpreted differently and includes a different set of tourist activities. This creates the premises for difficulties in the statistical reporting of rural tourism products users.

### **3. The opportunities of the rural tourism activity**

The content of the leisure element of rural tourism is underlined by Page and Getz (1997). Rural tourism is seen as an expression of the need felt by the inhabitants of large cities to return to a simple, peaceful life in the countryside. Authentic rural idyll offers a different experience and is idiosyncratic for a fusion of man and nature into a harmonious whole, flowing out of nature, culture and silence (Butler, 1998). Economically, the disadvantaged areas have opportunities for recreational activities and can develop rural tourism.

Curry (1994) considers that the impact of these factors on tourism multiplies, destroys certain values and permanently creates a new life for the people involved. The author assumes that tourism, including rural tourism, has developed from the outset as a consequence of the industrial revolution, which has created a high economic growth; developing a socially oriented state policy that results in increased people's disposable income, increases living standards, increases leisure time, and provides paid annual leave. More and more people can afford recreation, travel and entertainment. At the time of the postmodern society and multilateral employment of people, a new type of user in tourism has formed. It establishes the proportional relationship between the quality of life and the necessity of the tourism product.

Economically underdeveloped areas of Eastern European countries, such as the Republic of Moldova, are less known, but have the necessary recreational potential: natural resources, fresh air, archeology and culture. In developed and urbanized countries, the

market segment of those looking for these is growing. This circumstance can be exploited by developing rural tourism in economically disadvantaged countries and regions. The number of farmers who have to seek alternative sources of income, as well as alternative ways of employing family members, is very high. Rural tourism is an economic alternative for the farmer, a form of diversification of his work. Through rural tourism, human resources can find the specific role of the owner, entrepreneur, employee, and can contribute to the improvement of their education and qualification.

#### 4. Conclusions

Rural tourism is a complex concept that necessarily has the following characteristics: it includes a whole range of activities and experiences, it is carried out in a typical rural environment, it offers a wide range of accommodation options, it creates relations between tourists, locals and the natural environment.

Rural tourism creates jobs, diversifies farmers' activities and gives them more stable income, determines the development of other sectors, contributes to the accumulation of infrastructure funds and contributes to the sustainable development of the regions.

Rural tourism is a product of modern economic and social transformations, decline in rural population incomes as a result of a slower agricultural development, compared to the development of urban areas, which amplifies the dynamics and stress of city life. Rural tourism is mostly welcomed by city residents, as it is a way of relaxing physically and mentally from high urban voltage.

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## THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES – ESTABLISHMENT, ROLE AND IMPACT ON FOREIGN DIRECT INVESTMENT

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**Abstract:** *Established at 14 October 1966, the International Centre for Settlement of Investment Disputes (ICSID) is the most acknowledge world leader in investment disputes settlement. Over 70% of these disputes were settled under the ICSID proceedings. Last year, when ICSID had its 50<sup>th</sup> anniversary came as a recognition of its activity, establishing a new record, 258 of new cases being administered at ICSID, in that single year. The foreign direct investment discipline had known a fast evolution. These investments needed some kind of protection, so the first Bilateral Investment Treaty (BIT) was sign in 1959 between Pakistan and Germany. A few years after that, there was established the arbitration of disputes as a resolution for the investment disputes, and in 1966 the Convention from Paris was sign, establishing the ICSID. During its activity, ICSID had developed an unparallel set of rules for investment disputes settlement and gained experience so that in present it is the world leader in this area.*

**Keywords:** ICSID; FDI; BIT; investment law

**JEL classification:** F510, F370, K220.

### 1. General Introduction

The need of investment protection appeared in early 1950 because of the fast development of investments between different countries. One of the main concerns of the investors was the fact that they will not be able to recover the money they invest in a foreign economy.

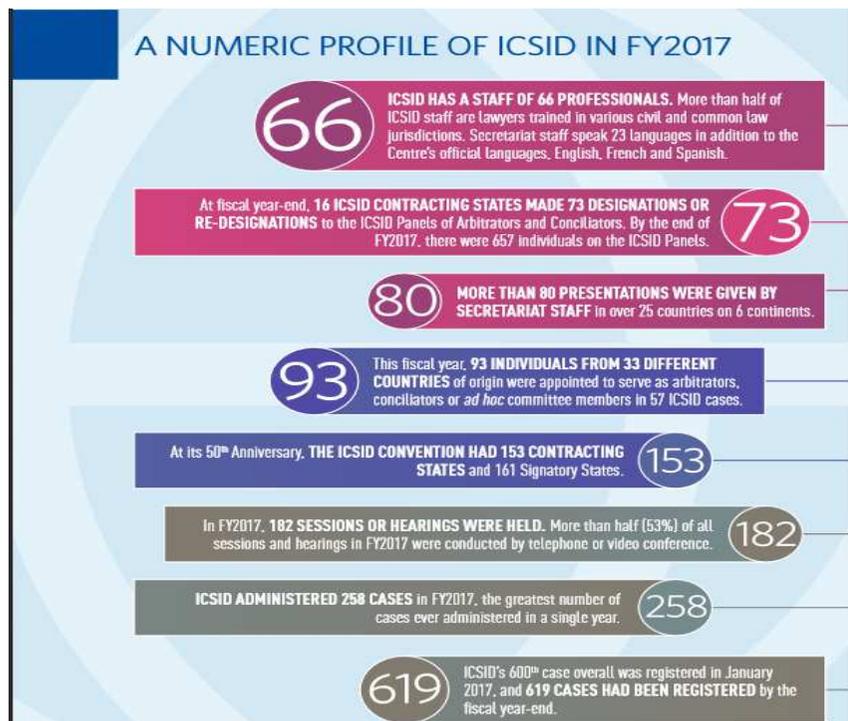
The impact of the foreign investment being recognize, especially the foreign direct investments (FDI) being recognize as the engine of the economical development and the driver of the development and spread of innovation, the host governments were interested in assuring the foreign investors their money will be safe, so there was a good background for the development of instruments protecting foreign investment.

Based on these needs, in 14 October 1966 had entered in force the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention or the Convention), establishing the ICSID. At that date the Convention was ratified by 20 states, but until 2006 there were 143 countries that had signed it, becoming Contracting States. Between these countries was also Romania. The Convention was formulated by the Executive Directors of the International Bank for Reconstruction and Development. In present ICSID has 161 members that signed the Convention.

Facts supporting the ICSID evolution

Besides the increasing number of members, and the increasing number of cases registered at ICSID, in January 2017 there was made the registration of case number 600, there are also other aspects that prove the capability of the centre to settle investment disputes.

The most expressive way to show the supporting numbers of the ICSID evolution during the past year, is the following image from the Annual ICSID Report.



**Figure 1:** A numerical profile of ICSID during FY2017  
Source: Annual ICSID Report

## 2. Rules for register a case at ICSID

There are specific rules that must be followed in order to have the proceeding began under the Convention of Paris at ICSID.

The ICSID process is specifically designed to maintain a balance the interests of investors and host States by its unique characteristics of international investment disputes.

ICSID's facilities provide for settlement of disputes by conciliation, arbitration or factfinding. Detailed regulations and rules apply to each type of case to ensure procedural fairness and enhance efficiency.

Each case is considered by an independent conciliation commission or arbitral tribunal, which can rule on procedural issues and resolve the parties' dispute.

An award rendered under the ICSID Convention is enforceable as a final judgment of courts in every ICSID Member State. Awards rendered in other ICSID administered cases are enforceable under the New York Convention.

In arbitration proceedings, there must be one or three independent arbitrators. If the parties choose to have three arbitrators, each party will nominate one arbitrator from the panel of arbitrators recognized by ICSID, and the third arbitrator will be nominated by the Secretariat of the centre. If the parties agree to have the proceedings ruled by a single arbitrator, he or she will be appointed by the centre. In both cases the Secretariat of the ICSID will carefully check the independency of the arbitrators.

After the tribunal being appointed, one or three arbitrators, the time table of important date will be established and each party will have to submit its reports sustaining its cause. There will be more rounds of submissions and also hearings, if so were agreed from the

beginning. The parties have to agree on proceedings taking in consideration the facts that they want to present and also the costs.

There are cases in which the parties came to an agreement during these proceedings, so they decide to interrupt the process, or after all the documents had been submitted and the hearings are closed, the tribunal will present an award, establishing the damages that had to be paid by the party that breached the law or other agreements, if there is the case.

The awards rendered by ICSID are enforceable in all the state members.

There is one way of attacking the award, called the annulment proceeding, so the party that is not satisfied with the conclusion of the arbitration tribunal, can begin the annulment proceedings. These will be registered as a different case, and will have different tribunal members. Usually it has a shorten period of time by which they reach to a conclusion, and in more than 80% of the cases the award rendered in first cases remained in force, in totally or in part.

### **3. The impact of ICSID in the FDI evolution**

The main concern of investors, when considering placing their money outside their economy, is the protection of their investment and the possibility to recover their initial investment plus the profits.

After the ICSID establishment mostly of the BITs concluded had an article providing that in case of any investment dispute, this will be settle by arbitration under ICSID. By concluding these BITs, the foreign investor felt safe, so a direct effect of it was the boost on FDI flows. This topic must be discussed in direct link to the FDI impact on the economical development. Only after recognising the role of FDI in the economy of a host country, we can understand the willingness of governments to protect foreign investors, in order to attract them to their economy.

The roles of FDI were many times analysed, and even if there are some negative aspects that are mentioned in relation with them, all the analysts recognize their impact in developing the host countries economies.

After mentioning the good and the bad part about FDI, there will be appropriate to detailed them a little bit.

So, as a quick overview for the negative aspects we can mention the fact that finally the profits and initial investment will return in the foreign investor country. Another negative impact is felt by the national investors because they might feel discrimination, and even if this will not be the case, they will still have to suffer because they do not have the same financial straight as the foreign investors, the nationals have more restrictive and more expensive money source, and this is affecting directly their profitability. The foreign investors will pay higher salaries, so they will tack the best work force. Usually, the foreign investments are concentrated in the same geographical area of a country, this driving to the big differences in the development of different zones of the same country, because the governments will spend money to develop infrastructures of the same areas.

BUT, after presenting these negative aspects about FDI, we still have to recognize that they are bringing with them many positive aspects, which still justify the governments' position when trying to attract FDI to their countries. First of all, the foreign investment will create jobs that will reduce the unemployment rate and increase the level of wellbeing of the nationals. The higher salaries paid by foreign investors means also higher budget income. The FDI will incorporate new technologies and innovation; they are the promoters of development. When negotiating the facility to be awarded to foreign investors, governments have the possibility to impose a rate of reinvesting profits in their country.

#### **4. Conclusion**

As repeatedly mentioned in this paper, the foreign direct investment needed protection, and the form of establishing this protection was through the International Centre for Settlement of Investment Disputes. In 1966 when the Convention was signed, there were 20 interested members, but in relatively short period of time, by 2006, there were 153 countries that had become members of the centre. The number of cases registered at ICSID had also known a quick increase, in January 2017 the case number 600 being registered. On the other hand, if we think about the FDI role in economical development, we must recognize that FDI are promoters of innovation. This is the most common way by which the new technologies from the investor country is incorporated in the economy of the host country. All these facts are telling the same thing, more precisely that the ICSID is one of the drivers of the economical development through the world.

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## DO EUROPEAN FUNDS CONSULTANCY MARKET' EXTENSIONS DETERMINE ROMANIAN ECONOMIC GROWTH OR VICE VERSA?

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**Abstract:** *There are tested two hypotheses which are presented right in the title's text, in order to determine if the main drivers of economic growth can determine the extension of European Funds consulting services on the Romanian market or vice versa; the conclusions are quite contradictory, resulting a conflict between microeconomic and macroeconomic points of view. This does not mean that European Funds consulting businesses enjoy the extremely favorable context; in fact, the 2010 - 2016 period has witnessed business' return and recalibration to market peculiarities. The European Funds consulting services on the Romanian market are generally speaking quite atypical, because there is a quite big number of small players, facing a small number of big players. In the same time, this market is – because of its nature – in a perpetual movement and change.*

**Keywords:** European Funds; consulting; services; Romania, economic, growth.

**JEL Classification:** M21.

### 1. Introduction

European Funds consulting businesses, along multinational companies covering the same field of activity, are facing a positive change in the equilibrium between public and private clients on the Romanian market, which means an increased access to projects implemented in the Romanian public administration, coupled with the multiplication of project proposals requested by the private sector. Face-to-face with the steady opening of new financing lines through the 2014-2020 programming period, the European Funds consulting market in Romania has registered an evolution, but it is triggering a wider gap between the perspective of generating relative good European funded project with long-term economic impact and the tendency of implementing projects just for spending allocated funds.

A vision of the European Federation of Management Consultancies Associations (2015) defines the consultancy's general concept as being "an added value input, an optimizing element for organizations' resources both from public and private spheres, an instrument aimed at human and material resources' rising efficiency and of adaptation to technological processes to market needs and conditions".

A confirmation of this definition, connected to the international economy, points to the fact that although consulting in management had developed between 1910-1940, as indicated by Mihai (2007: 4) these services really started to develop only in connection with international trade development, especially during the decade 1980-1990 (Ambruster, 2006; Toppin et al., 2005), while during 2001-2003, 2009-2010, they registered contractions, due to economic recession (Danciu, 2012).

## 2. Methodology

The main methodological difficulty is that the Romanian CAEN rev. 2 nomenclature does not provide a single code for European Funds consultancy activities, they could be regarded as part of the Management consultancy activities or Other consultancy activities. As a consequence, there cannot be established a separation of consultancy firms by sector of activity (most of them provide all sort of consultancy sectors: IT&C, human resources, fiscal, accountancy etc.)

Since explicit numbers could not be provided on primary data sources, there were developed two research hypotheses, the first one: *European Funds consultancy market' extensions determine Romanian economic growth*, using an adaptation of the Donabedian model (structure, process, outcome) (ADR Nord-Est, 2013:74) for the quality evaluation of consultancy services following an inductive-deductive analysis of secondary data sources and, respectively, the second one: *Romanian economic growth determines European Funds consultancy market' extensions*, using own estimations following the Porter's model (Table 2) in order to evaluate what form of operating strategy is most suitable for the European Funds consulting services on the Romanian market. In the results and discussions section, there are presented own reflections, in order to determine if the market extension can be influenced by economic growth factors or vice versa. The reference period covers 2008-2011 years (ADR Nord-Est, 2013) and 2011-2015 years (AMCOR, 2016).

**Table 1. The Donabedian model (evaluation of quality of European Funds consultancy services on the Romanian market)**

|                                | <b>Structure</b>                     | <b>Process</b>                       | <b>Outcome</b>             |
|--------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| <b>Accessibility</b>           | Hours of consultancy                 | Waiting time                         | Project approval           |
| <b>Technical management</b>    | Consultants' certification           | Fulfilling conditions / requirements | Project survival           |
| <b>Interpersonal relations</b> | Consultant–Beneficiary communication | Involving beneficiary in decisions   | Beneficiary's satisfaction |
| <b>Continuity</b>              | Presence of trained consultants      | No. of consultancy contracts         | Project replication        |

Source: Own representation based on ADR Nord-Est (2013) and AMCOR (2016)

**Table 2. The Porter's model (settlement of companies on the Romanian market of European Funds consultancy services)**

| <b>Operating mode</b>   | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>H</b> | <b>I</b> | <b>J</b> | <b>Total</b> |
|-------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|--------------|
| Company network         | 5        | 5        | 2        | 1        | 5        | 5        | 5        | 4        | 5        | 4        | 41           |
| Indirect export         | 2        | 4        | 2        | 1        | 3        | 4        | 4        | 3        | 5        | 4        | 32           |
| Direct export           | 5        | 4        | 5        | 5        | 4        | 5        | 4        | 5        | 4        | 4        | 45           |
| Commercial office       | 5        | 5        | 5        | 4        | 5        | 5        | 5        | 5        | 5        | 5        | 49           |
| Association/Partnership | 2        | 4        | 2        | 1        | 3        | 4        | 4        | 3        | 5        | 4        | 32           |
| Franchising             | 1        | 4        | 1        | 1        | 3        | 4        | 3        | 2        | 3        | 3        | 25           |
| Licensing               | 1        | 2        | 1        | 1        | 3        | 3        | 3        | 1        | 1        | 1        | 17           |
| Management contract     | 1        | 1        | 1        | 1        | 2        | 4        | 3        | 5        | 1        | 1        | 20           |

Columns: A. Objectives; B. Control; C. Resources; D. Experience; E. Competition; F. Legislation; G. Market dimension; H. Risk; I. Flexibility; J. Feed-back. Evaluation marks: 5 (the most efficient); 1 (the most inefficient).

Source: Own representation based on ADR Nord-Est (2013) and AMCOR (2016)

### 3. Results and discussion

#### 3.1. *The Donabedian model*

*Structure.* From a scale from 1 (the most inefficient) to 5 (the most efficient), ADR Nord-Est (2013:89) reveals that four dimensions of consultancy quality are mostly assessed with values of 3 or 4: the quality of information from financing institutions / beneficiaries, the collaboration with financing institutions / beneficiaries; also, approximately 70% of consultancy firms have a quality management system.

*Process.* ADR Nord-Est (2013:95-101) also show that one consultancy firm has an average of 20 contracted projects, from which almost 95% represents the number of implemented projects (the other 5% are canceled projects). Obviously, the number can be greater in the case of counties with growth poles. Most of the beneficiaries are public institutions (35%), private companies (30%), NGOs (15%).

*Outcome.* There is a tendency of Romanian counties with growth poles having the highest efficiency per consultant in obtaining financing (1 financed project at 1 written project), whilst counties with urban development poles have also a great success rate (1 financed project at 1-3 written projects) (ADR Nord-Est, 2013:87); the experience of consultants in writing or implementing projects is not problematic.

#### 3.2. *The Porter's model*

*The menace from newcomers.* Generally, on the Romanian market of European Funds consulting services, the new entered companies have a relatively high competitiveness degree if they are branches of international consulting companies, if they possess a big portfolio of foreign clients, and if their employees have experience in the consultancy field.

*The menace coming from substitution.* A menace from substitution would have to do with the possibility that some companies could create their own internal consulting departments or their own employees becoming consulting specialists, internalizing in this way the consulting services which had been the field of external consulting companies before. Another menace is represented by the consulting offices belonging to public institutions or by banking / fiscal / accountancy / legal consultants from private sector, which compete in terms of price, time and quality.

*Determinants of providers' power.* Consulting companies in European Funds could collaborate with providers from IT&C, education (programs for professional development), public administration (financial, law enforcement or fiscal institutions), or other important domains (economy, politics, health care, statistics, social services, technology), depending on the typology and field of activity of the company in search of consulting services.

*Determinants of clients' power.* Regarding the European Funds consulting services on the Romanian market, the purchasing power of private companies is again on the rising, after it was negatively affected by the major decline in 2009. In the same time, on the Romanian market there is manifested a stable buyers' category, representing the state decentralized agencies / institutions.

*Determinants of competition's rivalry.* Competition rivalry in consulting services in European Funds field should not be regarded as a hindrance or as a brake acting upon this economic activity development. Contrary: as more and more foreign consulting companies decide to open offices / branches or consulting agencies on the Romanian market, the quality of provided services would augment significantly, because these services involve updating knowledge in management area, a great experience and a sustained upgrading of management services.

#### 4. Conclusions

The Romanian market of European Funds consulting services is in a stabilizing area. Among the factors which have determined Romanian companies' incomes rising are services diversification / adaptation, coupled with the involvement in programs funded by European Union. In comparison with 2009, the element which determined income's stagnation (Ciumara, 2009), the consulting activities during the following years have changed dramatically: economic crisis, although present, was overcome by political and administrative instability impact. Anyway, a consultancy industry re-launching at European level (Bârgouanu, 2009) contributed positively to national economies, including Romania.

The affiliation to a regional network formed by consulting companies or to an international professional association could augment the chances for identifying new opportunities for consultancy projects. As a matter of fact, this could constitute the cheapest and probably the best alternative to classical penetration channels on the Romanian market (franchising, licensing, commercial office, sales division).

The answer to the generic question - do European Funds consultancy services determine economic growth or vice versa? – is that it is certainly difficult to make it clear on a macroeconomic scale that the advantage of having qualitative consultancy support (not quantitative) can shape the turn of visible economic decline; on a microeconomic scale, the results can be obviously greater given the tendency of Romanian authorities of sustaining not only large European funded projects, but also the development of new start-ups (micro and small-medium sized enterprises) through European Funds. To conclude, it is noteworthy to summarize it this way: from a macroeconomic point of view, the balance rises in favor of the positive effects of economic growth on the development of European Funds consultancy services in national or international context, but from a microeconomic point of view, the balance rises in favor of the added value that European Funds consultancy services bring on local / regional economic growth.

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# LEAN THINKING AND ITS CONTRIBUTIONS TO CORPORATE SUSTAINABILITY. A THEORETICAL APPROACH

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**Abstract:** *Nowadays, the companies are becoming customer centric by understanding the customer value and focusing more and more on the key processes to continuously increase it. In the meantime, all the companies should strive to transform their business into a sustainable one as an awareness of the impact of their activity on the natural environment and society. Now, the questions raised are: “Can lean serve both economic and sustainability purposes?”, “Is there a connection between lean practices and the environmental performance results of a company?”, “Are lean practices capable of creating a significant impact, from a sustainable development perspective?”. Along with identifying the benefits, the tools and principles of lean, this paper aims to answer the questions raised above, at least from a theoretical perspective.*

**Keywords:** lean; sustainability; manufacturing; waste elimination; efficiency.

**JEL classification:** Q01, Q55, M11, M14

## 1. Introduction to Lean: definition, origins and evolution

### 1.1 Definition of “lean” concept

In manufacturing but not only, lean is considered a system that has a focus on inventory control to reduce costs through waste elimination and which is built on a foundation of product and process quality. Lean is a concept used by more and more companies being defined as “a- way to specify value, line up value-creating actions in the best sequence, conduct these activities without interruption whenever someone requests them, and perform them more and more effectively”. (Wilson, 2010). Lean practices provide solutions and ways to do more with less (less human effort, equipment, time, and space) while creating value for the customers, providing them with exactly what they want. Lean thinking is the opposite of waste (in Japanese ,muda’), providing ways for turning it into value (Womack and Jones, 2003).

### 1.2. The origins and the evolution of lean thinking

The roots of Lean can be found in the Toyota Company. It was developed by Taiichi Ohno in the 1950’s as “an innovative technique based on the mind and hand philosophy of the craftsmen era, merging it with the work standardization and assembly line of the Fordism, and adding the glue of teamwork for good measure” (Fricke, 2010). According to Morgan and Brenig-Jones (2012), Toyota built on Ford’s production ideas, moving from high volume, low variety, to high variety, low volume. Although it was first applied to manufacturing companies, the lean thinking has spread significantly, moving to new areas such as services, trade and the public sector (Leite and Vieira, 2013).

## 2. Lean principles, benefits and tools

Lean philosophy identifies and removes inefficiencies like the nonvalue-added activities or unneeded wait time within the process caused by defects or excess production being associated with speed, efficiency, and acceleration of the process (Taghizadegan, 2006). According to Morgan and Brenig-Jones (2012), lean thinking is based on the following five principles:

- Understand the customer and their perception of value;
- Identify the value stream for each process and the waste within it;
- Enable the value to flow;
- Let the customer pull the value through the processes, according to their needs;
- Continuously pursue perfection (continuous improvement).

The table below presents some of the lean tools and techniques along with a short description of each one of them.

**Table 1: Lean Tools and Techniques**

| S.NO | Tools/Techniques                    | Short description  |
|------|-------------------------------------|--|
| 1.   | 5S                                  | Workplace organization and management                                |
| 2.   | Andon                               | Warn of pending problems in the system                               |
| 3.   | Kaizen                              | Continuous improvement   |
| 4.   | Takt Time                           | Rate of customer demand  |
| 5.   | Value Stream Mapping                | Optimizing Value added works   |
| 6.   | Poka Yoke                           | Mistake proofing   |
| 7.   | Heijunka                            | Workflow levelling by volume and variety                             |
| 8.   | Team Work and Workforce Empowerment | Working together as team and using their knowledge to solve problems |
| 9.   | Problem Solving Techniques          | Root cause analysis (5 whys)   |
| 10.  | Standard Operating Procedure (SOP)  | Use of stable, repeatable methods                                    |
| 11.  | Jidoka                              | Problems identified and eliminated at the source.                    |

Source: adapted from Bannari, T.V., Dhanakodi, A.K.P. (2010), Lean manufacturing how lean it is?, Textile Review, [online] <http://www.fibre2fashion.com/industry-article/26/2572.asp>

Regarding its benefits, Tecknopak (2011) underlines the following as being the most important: floor space utilization, cost reduction (e.g. inventory), increased quality and productivity, pleasant working conditions, improved flexibility and customer satisfaction, employees' involvement, standardized procedures and systematic approach to work and not the last, environmental friendly results.

## 3. The link between lean practices and corporate sustainability

The possibility of a connection between lean and sustainability was studied during the time by several authors who have made researches in order to identify if and how can lean affect the sustainable performance of a company or if exists evidence of synergy between these two concepts.

According to Kim and Bae (in Khodeir, Othman, 2016), a company can achieve sustainability, through lean, in all three pillars: economic, social and environmental. From an economic perspective, lean practices contribute to the reducing of resources and costs and the results are consisting of quality, cost reduction, customer satisfaction and profitability (Hartinia and Ciptomulyonob, 2015). Lean methods focus on continually

improving the resources, productivity and production efficiency, which gets translated into less material, less capital, less energy, and less waste per unit of production (EPA, 2017). Regarding its social aspects, lean impacts corporate sustainability by allowing health, safety and pleasant working environment (Khodeir, Othman, 2016). In lean philosophy, the employees are a key factor. They should be trained and evaluated so the management knows their skills, knowledge and their potential. (Małgorzata and Malinowska, 2017). It has been recognized that the way that people are treated, the efforts to incorporate their suggestions, respect for the employees and their acknowledgement are the connection to the rest of the lean aspects. However, Hines (in Ulas, 2016) presents one of the most common criticism of lean management: it is exploitative and puts excessive pressure on people.

From an environmental perspective, lean practices have been proven effective in improving sustainability by eliminating waste, reducing pollution and resource preservation (Khodeir, Othman, 2016). Environmental concerns are a part of the lean concept and it can be used to support and maintain sustainable production. The lean philosophy is to target waste reduction in every aspect of the manufacturing business, while sustainable production seeks to manufacture products in a way that uses minimum energy, releases minimum emissions, and eliminates other environmental wastes. Also, lean metrics should be combined with green metrics to form a lean sustainable production metrics and should be implemented within a company to evaluate its effectiveness (Kuriger et. al. 2011).

Also, if we focus on the relationship between sustainable development principles and lean values we can conclude that there are several interactions. For example, according to Lindsey (2011), one sustainable principle is that "improved sustainability is achieved through reducing wastefulness" which is also the core of lean foundation and which interacts with lean values as eliminating waste, continuous improvement etc. However, there other opinions which claim that implementing lean practices has a very low effect on the environmental performance of a company (Golzarpoor, González, 2013) and that lean practices coincidentally benefit the environment. Lean implementation has resulted in cost reduction as well as unconsciously providing benefit to the environment (Kidwell, 2007). The research firm Corporate Knights conducted in 2017 a study in order to reveal which are the most sustainable 100 companies in the world. They took into consideration 14 key measures, evaluating their finances, management of resources and employees. We have selected from the top 20 companies, 5 manufacturers and evaluated their performances (Siemens, Cisco, Philips, BMW, Nokia). We concluded that their greater achievements are related to energy, water, waste productivity and innovation capacities. Going further, we identified that all 5 manufacturers are implementing lean strategies in their plants but what we don't know is how much of their achievements can be attributed to lean.

#### **4. Conclusion**

Maybe lean practices alone won't be enough to solve all environmental issues and clearly, not all lean processes, practices and waste reduction efforts are related to a good environmental performance but can act as a tool to attain long term corporate sustainability. Lean is not only helping companies to avoid waste and to be more efficient in terms of costs but it also helps them to minimize the negative effect toward environment and create pleasant working conditions along with the employees' involvement.

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## THE FESTIVALS – THE EXPLOITATION OF THE CREATIVE ECONOMY THROUGH CULTURAL ACTIVITIES

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**Abstract:** *Culture could be considered the long rider for development because it appears as the “recognition of diversity, the respect for otherness and the values of others are essential coordinates of the culture and they can beneficially propagate to other domains” (Croitoru et al., 2016:8). Through culture, the values of the commercialised goods and services are given by tradition, symbolism and artistic expression. Such markets are represented by the Christmas fairs, fairs of other celebrations, events or occasions, as specific festivals or local events. The Romanian culture is transmitted and exploited in various ways, starting with the commercialisation of handicrafts and ending with the organisation of events with artistic or symbolic expression. The festivals attract people for different reasons; some of them are looking for an environment where to socialise, others come being interested exactly in enjoying the event or the specific goods and services which are offered there. Another type of the festival consumers is represented by the ones who only look for something new to experiment, exploring the unknown, this segment not representing loyal customers, but whatever the reason are, each participant comes for the emotional stimulation offered by the enjoyment of the festival.*

**Keywords:** festivals; creative economy; cultural economy.

**JEL classification:** D12; H42; J24.

### 1. Creative and cultural economy

In the latest years, academics have talked more and more about the creative economy, as a cause of a different classification and division of the economic activities, including in its area all those activities which are based on the human resource, its talent and intellectual capital. The creativity seems to be a too special feature, having its own ways to flourish and to be exploited, so it has to be treated separately from the sectors of manufacture, industry or services.

A clearly definition is given by UNCTAD considering the creative economy “an evolving concept based on creative assets potentially generating economic growth and development” (UNCTAD, 2010:10). Also, UNCTAD admits that the creative economy brings some positive aspects, such as (UNCTAD, 2010:10):

- Generates incomes, jobs and exports;
- Promotes social inclusion and cultural development;
- The human resources aim;
- Embraces a mix of economic, social and cultural aspects;
- Its specific activities are based on talent and intellect;
- Represents a feasible option for development.

Despite the great literature treating the subject of the creative and cultural economy, the most of the related concepts are not exactly precise, clarity in definition missing.

Many times when the concept of the creative economy is discussed, there comes to light also the concept of cultural economy. The area of the cultural economy is smaller because it is part of the creative economy and what exactly we can say about it is that the “cultural economy comprises all those sectors in modern capitalism that cater to consumer demands for amusement, ornamentation, self-affirmation, social display and so on” (Scott Allen in Creative Economy Report, 2013: 24).

## **2. Culture**

Culture is part of the creative economy, and economy is in culture, culture being the drive of the ancient and the new, all in one, for development. Clyde Kluckhohn sees the culture as “a nation’s complete way of life; the social inheritance that the individual acquires from his group; a way of thinking, feeling and believing; an abstraction of the behaviour; a shared learning deposit; a set of standardized guidelines towards some recurring problems; educated behaviour; a regulatory normative mechanism of behaviour; a set of adaptation techniques both, to the outside environment, and to other people, as well” (Croitoru et al., 2016:9)

Culture dictates numerous social practices and traditions of a group and it „represents the values of individuals, their own aesthetic and philosophical representations and, at a more collective level, all the way of understanding a people’s identity” (ESSnet Report, 2012: 41).

In our research we are interested approaching the culture economically because culture is considered “a strong engine for creating new jobs, economic growth, export’s stimulation, social inclusion and it has the capacity to sustain the innovation of other sectors” (ARCUB, 2015:22) thus it can enhance the creative economy.

Also culture is considered both cause and effect of the economic development; as a cause of the economic development, the culture creates new jobs and generates incomes. On the other hand, as an effect, culture enhances people’s expenditure on culture when the revenues are higher.

On the other hand, not everyone is so fascinated or optimistic about the creative and cultural economy, the more conservatives seeing the creative economy as transforming culture „into an overwhelmingly economic subject“ (Schlesinger:2016).

## **3. Exploiting the Romania’s culture through festivals**

The culture of Romania is vast and strongly rooted in some areas of the country, which implies the respect for a multitude of traditions that also have an economic approach. A good example is the organisation of weddings, private events where artists are hired in order to provide various services – performing, interpreting, dancing, etc.. Thus artists have access to another market, a private one, in addition to the public performances and events, and so, they have access to additional sources of income.

Artists are promoted generally by performing at important events such local celebrations, festivals, TV and outdoor shows, all of them representing a form or another of cultural event.

A specific form of the cultural events, comes as leisure activities, are also the cultural events organised as festivals, events which enjoy a higher importance day by day, because of the great impacts on the local area where these are placed, being related to the cultural marketing and management.

Donald Getz considers that the festivals are events of “public celebration, with a symbolic theme which brings to the participants emotional stimulation” (Croitoru et al., 2016:252).

Through them, communities and human behaviours can be known and so, social inclusion can be promoted. Festivals are cultural celebration events that differ according to their purpose, consumers, their number, the period of time, the place where the festivals take

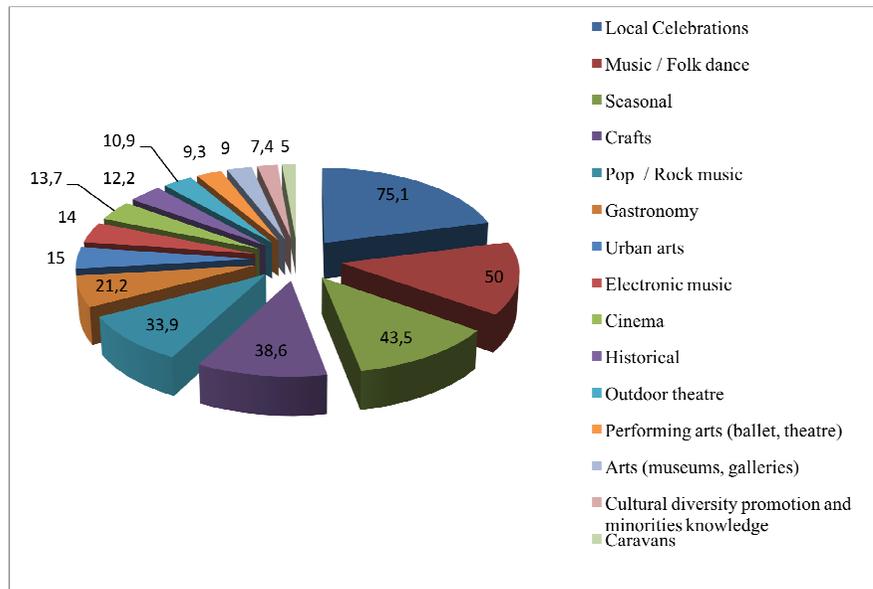
place, but all of them meet the following criteria (Croitoru et al., 2016:252) in order to be called festivals:

The main objective is to develop, expose and participate in artistic content activities;

To be conducted according to a well-planned and promoted program;

To take place in a well-defined and delimited location and time.

A study conducted in Romania regarding the cultural consumption of the population in 2015, highlighted some preferences in the matter of festivals. The conclusion was that the most attractive festivals were those with free access, organised as local celebrations. The results of the study are presented in the following figure:



**Figure 1: Festival attendance of the population of Romania in 2015**

Source: realised by the author based on information from (Croitoru et al., 2016:271)

Analysing the values, we can notice that after the price level to access these activities, there comes the idea of regularity of the event and the people's habits. So the festivals of local celebrations, such as beer's festival or wine's festival, brought the most of the participants, being followed by the folk music / dance festivals, and very closely by seasonal festivals. These are pretty general festivals even if there is a particular theme, and that's another reason of their attractiveness.

#### 4. Conclusions

Long time ago, the culture framed the high society, and nowadays, the social and economic developed countries. Apart of all these social aspects of the culture, culture through its specific activities, carrying artistic and symbolic expressiveness, produces some important economic effects, such as creating new jobs and generating incomes.

Considering the festivals, as opportunities to promote artists, also as a market for various cultural goods and services, and not only cultural, festivals are nevertheless created to bring a benefit to society, being a leisure activity. On the other hand, festivals offer rare, perhaps even unique experiences, and also they make accessible different goods and services that would not normally be available at prices that are too high, this being possible because of the joint efforts of various public and private entities.

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## SOCIAL RESPONSIBILITY OF ENTERPRISES. REVIEW OF ROMANIAN LITERATURE

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**Abstract:** *Concerns about social involvement of organizations have become a growing concern for both practitioners and academics in Romania. It is largely an effect of the implementation of social responsibility policies by multinational companies. Practitioner's concerns can be considered as the engine of such actions in our country, materialized in efforts such as the online resources platforms "responsabilitate sociala" or "CSR media". From an academic point of view, with all the recent interest in this research direction, we are far from having a tradition. A notable exception is represented by the special issue of the Amfiteatru Economic (2011). However, the Romanian studies on this theme have multiplied in recent years. Most postulate only progress in terms of interest in social involvement. Romanian companies are only in an early form socially involved, with visible surface actions and less with long-term strategic orientations towards social responsibilities. In the concluding section we will develop an outline for future meta-analysis of social responsibility literature on CSR in Romania.*

**Keywords:** corporate social responsibility, Romania, SMEs.

**JEL codes:** M14.

### 1. Introduction

Romanian studies on corporate responsibility increased in the last years, however little systematic analyses on representative samples were conducted. The theoretical syntheses emphasize either the competitive advantages resulting from investments in CSR (Cizmaş and Stan, 2010), as well as a systematization of the CSR forms; how to manage relations with stakeholders (Miron et al., 2011) or its contribution to sustainable development (Gănescu, 2012). Most of them focus on managers' opinions on CSR (Bibu et al., 2010; Rosca, 2010, Obrad et.al. 2011). Also some investigation was dedicated to the analysis at the level of achievement of European standards by Romanian companies (Olaru et. al., 2011). Only a few published studies focus on explanations regarding these processes in Romanian firms, focusing on factors that stimulate social responsibility (Badulescu et. al., 2016; Saveanu et al 2015, Saveanu et al, 2014). Most of these analyses prove that Romanian companies are still at an incremental stage of social responsibility involvement (Olaru et. al., 2011), with actions visible at the surface yet with few strategic orientations (Băleanu et al, 2011).

In this paper we will review some of the studies published regarding CSR in Romania, and synthesize the main conclusions. In the final section we will investigate some of the identified limits along with plans to fill the gaps identified in the literature.

### 2. CSR in Romanian literature

An extended study, carried out on a sample of 918 SMEs in Romania, also demonstrated the openness of Romanian companies on social responsibility (Olaru et al, 2011). This research aimed at highlighting the degree of adherence to the principles of the European

Quality Management Model (EFQM) and the application of the ISO standard on social responsibility. The following subdomains were considered: 1) monitoring and assessing the impact of processes on the environment; 2) reducing and preventing the impact of processes on the environment; 3) reduce and prevent risks to health and safety at work; 4) assessing the perception of the community, local and central authorities, regulatory bodies on the social impact of the organization; 5) active involvement in community life; 6) the use of performance indicators related to the organization's social impact (op. cit. pp. 64). In most of them the analyses proved openness and the existence of fragmented practices. The most prominent areas were those related to employees and environmental protection. Băleanu and colleagues (2011), investigating the CSR practices as presented on their own sites of the top 100 companies in Romania, postulate the same lack of coherence and the mimetism that characterizes this area of activity. The information on social involvement is presented in a fragmentary way, independent of the strategic documents of the companies. In a survey based on a sample of 15 representatives of socially responsible companies, Obrad and colleagues (2011) also highlighted the openness of Romanian managers to social involvement of companies. The areas of action considered to be the most important remain social protection, environmental protection and culture. The research reiterated the conclusion of other similar studies showing the lack of maturity of CSR in Romania - CSR actions are sporadic, less integrated into company strategies. These actions are most often attributable to marketing or PR departments, and there is rarely staff who only manage the company's social involvement. Moreover, although managers consider it important, they rarely rely on studies or diagnoses in the decision to engage in certain areas. The most important functions of CSR in the respondents' opinion are: (1) to promote ethical values of the company, (2) to anticipate and prevent conflicts between the company and the community, and (3) a way in which part of the company's profits can return to the community. The main benefits of this involvement are related to the image of the firm, although the benefits of good reputation in the community are not clearly demonstrated in literature. Appropriate theoretical training is considered important for those working in this field both to promote CSR in companies and society, which could put more pressure on companies to social engagement.

The CSR Media Report "Realities and Trends in CSR Romania 2014" (Botezatu, 2014) makes a rather positive portrait of this phenomenon. The study was based on the responses from 113 executives from firms in different fields of activity, 96% of whom are involved in social responsibility actions. Within these companies, there is an increase in interest and investment in this area - the number of employees in departments managing CSR has grown slightly from 2.6 to 2.8 between 2013 and 2014, the number of companies with CSR budgets has increased by 9% that the budgets themselves are rather stagnant. Of the respondents, only 37% indicate as the source of the CSR budget deductible expenses of the type of 20% of the tax. In most cases, social involvement is achieved because it is part of the company's strategy, which makes it possible to see that representatives of CSR-mature companies participated in this study. Most (92%) report these actions publicly. Most actions are done in the field of education, followed by the social and then environmental, most often projects with national impact. These actions are carried out in partnerships mostly with NGOs and with public institutions, most often involving donations and / or volunteering.

Bibu, Năstase and Gligor (2010) present the views of 21 managers from non-profit and profit organizations. The study reveals interest in corporate social actions, although the main motivation is to create a positive image or as a PR tool. However, desirably we may note, 84% of respondents considered that the social involvement of companies could help revitalize Romania. Collaboration with NGOs is seen as a way to improve these actions. Also, most of the respondents were in favor of employee volunteering as a form of CSR, considering that it has both employee and community benefits. Although this research was conducted on an opportunistic small sample (42% of NGOs, 29% in the public sector and

only 14% in the private sector, out of the 21 responses), the results indicate that social actions of companies are seen as possible mechanisms to improve the situation in the country. Also volunteering is seen as a form with a great potential but for the time being little used and studied in the case of Romania.

Ciupercă (2011) also signals the large discrepancy between the statements of the Romanian managers regarding the social involvement and the actual practices. This state of affairs is explained largely by the author because of the post-communist inheritance in which this type of involvement was practically dictated by leadership. Different forms of CSR are considered desirable without counting the contribution to welfare. The effect of post-communist tradition is evoked also by Hatos and Stefanescu (2017) as explanations for low social involvement on behalf of East European countries.

The discrepancy between declarations and practices is also demonstrated in the attitude and actions of Romanian managers towards environmental issues. Rosca (2011) in an exploratory study of 50 Romanian companies reveals that managers consider environmental issues to be a priority. However, the study of the environmental impact of these companies reveals rather the lack of positive actions (packaging, waste management, etc.). Nonetheless, we have to note that the answers to practical questions have been succinct, and there may be practices that were reported.

Concerning the impact of some CSR actions in Romania, a study evaluates the impact of media campaigns by companies on students (Petrovici and Dobrescu, 2013). The authors demonstrate that the public retains them and is influenced by them at the cognitive level. However, behavior and attitude towards the companies that promote them was not measured. An expanded study on the attitudes of Romanian consumers on social responsibility has shown that a mediating effect of the way in which CSR perceptual items are grouped is the field of activity or industry (Moiescu and Gică, 2015). The way in which the 28 items of the scale for measuring the attitude towards CSR are grouped by types of stakeholders is different depending on the industry to which it refers.

### **3. Conclusion**

As presented in this review most Romanian studies postulate the discrepancies between practices and what managers state regarding the importance of CSR. In this regard in further research we intend to focus on practices, with the component of attitudes of managers. More, further research will investigate practices at the level of SMEs in Romania, an understudied area of CSR. As shown there is a lack in the literature, not only the Romanian one, in investigating the effects different factors have on practices of CSR.

The main limit of this paper is related to the selection of articles reviewed. This was conducted on simple searches on google scholar of the concepts "CSR" "Romania" and "measurement of CSR". Nevertheless this is far from providing a general, if not a exhaustive, view on the Romanian literature on CSR. Consequently for the next step of our approach we intend to analyze most of the literature, starting with the most relevant papers, published in prestigious Journals.

There are over 103 entries in Web-of-Knowledge on CSR and Romania: 71 Proceedings papers, 32 articles, 3 book chapters and 2 reviews. Nevertheless the impact and / or visibility of these is yet rather small: 30 of the papers were cited, the average citation being 0.9 (total of 94 quotation on the whole 103 papers indexed).

We will analyze these papers on the following structure: type of paper: theoretical / research/ comparative; focus: SMEs / MNEs; conceptualization; measures used (where the case); hypotheses and their conclusions. Such an endeavor would be a first in the literature, with one exception making more of a complex inventory of articles (Lungu et al., 2016). An meta-analysis of Romanian literature on CSR would offer the ground for both revealing limits of current research and identification of national characteristics of CSR.

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## ASPECTS OF THE INFORMAL ECONOMY

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**Abstract:** *The informal economy is a phenomenon that has taken major proportions in the world. The term "informal economy" is used to include all workers and businesses in rural or urban areas working in the informal environment. These informal groups are not recognized or protected by legal regulations. Under the conditions of global competition and unprecedented development of information and communication technologies, the emergence of ongoing flexibility and continuity of existing relationships between employers and employees is noticed. Thus, instead of employing full-time workers in a single factory, most companies choose to decentralize production, employing a flexible and specialized workforce that ultimately becomes unregistered and informal. This article encompasses a theoretical approach to the informal economy, describing areas where it is highlighted, the factors that generate it, its dimensions, the theories put forward by the various economically-specific schools describing this concept. Knowing these aspects can be a source of effective measures aimed at counteracting the negative effects that such activities may have.*

**Keywords:** informal economy, informal workers, informal enterprises, formal economy.

**JEL classification:**J46,J80

### 1.Introduction

There have been many attempts to define the concept of informal economy. However, a unanimously accepted definition has not yet been established. Smith (1994: 18) defines the informal economy as "market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP". Other definitions given to the informal economy argue that "informal economy includes unreported income from the production of legal goods and services, either from monetary or barter transactions - all economic activities that would generally be taxable, if they were reported to the state tax authorities" (Schneider, 2002) , "the informal economy comprises legal economic activities undertaken by small units (individual or family) both in the production of goods and in trade, transport, the provision of services that generate a production provided in the System of National Accounts and which are practiced at the limit of socio-fiscal systems and regulations imposed by the state" (Craiu, 2004). Thus there is a gap between the different definitions assigned to the informal economy.

Most often in periods of economic crisis and transition there is an increase in employment in the informal field. This is due to the closure of certain businesses, the reduction of the number of employees through mass layoffs, so those who do not have the opportunity to engage in the formal economy or to set up their own business, choose to work in the informal economy. However, employment growth in the informal economy appears in developing countries, both in times of economic development. This is caused by the imbalance between labor and, implicitly, population growth, given the limited number of new jobs created. Most of those working in the informal field have never been able to work in the formal field, continuing to perform traditional activities that ensure their survival.

## **2.Differentiation between the formal economy and the informal economy**

The formal economy can be characterized by the following:

- It assumes compliance with the legal framework that governs the existence of an official relationship between the employer and the employee.
- Establish a fixed salary that the employee receives for the fixed number of hours worked, in addition to the incentives.
- Working conditions are appropriate to the activity carried out, the employee being entitled to receive holidays, credits etc.
- Employees are represented by trade unions or other collective associations, through which they have the opportunity to verbalize their dissatisfaction.
- Those working in the field of formal economy enjoy social protection by applying life and health insurance, pensions etc.
- The informal economy implies the existence of other conditions:
- Lack of legal and social protection of employees.
- Salaries are not set by a labor contract, usually the hourly payment is made.
- Working conditions are unfit for the activities carried out.
- Employees in the informal economy are not represented by trade unions or other collective associations, being the target of excessive corruption and bureaucracy.
- They can not benefit from life and health insurance, pensions etc.

## **3.Domains of the informal economy**

The informal economy is found in various areas of activity: agriculture, commerce, industry, tourism, various services, other areas where micro-enterprises operate, where homeworking is viable etc. The socio-professional categories specific to the informal economy are : street vendors, garbage collectors, housekeeping workers, houseworkers, factory workers, micro-enterprise owners, self-employed or employers family, apprentices. Martha Alter Chen (2012) points out that there are notable differences in gains in the informal economy. Thus, informal employers benefit from the highest earnings, while industrial and home workers have the lowest income.Young people between the ages of 15 and 24, as well as the elderly over 55, are more likely to work in the informal field compared to the average age. Young people choose to emigrate most of the time, but elderly people are more stable in opting for jobs in the informal economy (Voinea, 2011).

## **4. Factors that generate the emergence of the informal economy**

The informal economy has its origins in a variety of factors: policies adopted by national governments, rigid legal and institutional regulations inappropriate to changes in the labor market, hindering access for employers and employees to the formal framework, the closure or privatization of enterprises, rural migration to the urban environment, the arrival of migrants in developing countries, marginalization of HIV / AIDS sufferers, discrimination against disadvantaged groups, the impossibility of being represented through trade unions, various collective associations, increasing competitiveness on market, which influences firms decision to use undeclared workforce, in order to reduce costs in certain sectors.

## **5.Dimensions of the informal economy**

The assessment of the dimensions of the informal economy at the planetary level is a difficult process, because states have attributed various interpretations to this concept."The contribution that developing countries make to the world's gross product is low, although the largest share of the world's population is concentrated in these areas, and there are

also raw materials that can be used in industry. In terms of GNP per capita, developing countries and territories are mostly in low-income groups " (Florea, 2006: 31).

**Table 1:** The size of informal economy of 11 OECD countries and nations

|    | EUROPE - OECD-WEST EUROPEAN COUNTRIES | Informal Economy in % of GNP 1999/2000 | Informal Economy (current USD in billion) 2000 | Informal Economy GNP per capita |
|----|---------------------------------------|--|--|---------------------------------|
| 1  | Austria                               | 10,2                                   | 189,7  | 2572,4                          |
| 2  | Belgium                               | 23,2                                   | 531,4  | 5693,3                          |
| 3  | France                                | 15,3                                   | 1996,1   | 3736,3                          |
| 4  | Germany                               | 16,3                                   | 3030,6   | 4094,6                          |
| 5  | Greece                                | 28,6                                   | 329,2  | 3420,6                          |
| 6  | Italy                                 | 27,0                                   | 2880,1   | 5443,2                          |
| 7  | Netherlands                           | 13,0                                   | 477,8  | 3246,1                          |
| 8  | Norway                                | 19,1                                   | 306,0  | 6595,2                          |
| 9  | Portugal                              | 22,6                                   | 233,3  | 2513,1                          |
| 10 | Canada                                | 16,4                                   | 1101,1   | 3465,3                          |
| 11 | United States                         | 8,8                                    | 8646,3   | 3000,8                          |

Source : (Schneider, 2002)

**Table 2:** The size of informal economy of 5 African Nations

|   |              | Informal Economy in % of GNP 1999/2000 | Informal Economy (current USD in billion) 2000 | Informal Economy GNP per capita |
|---|--------------|--|--|---------------------------------|
| 1 | Algeria      | 34,1                                   | 172,6  | 538,8                           |
| 2 | Benin        | 45,2                                   | 9,7  | 167,2                           |
| 3 | Botswana     | 33,4                                   | 17,6   | 1102,2                          |
| 4 | Burkina Faso | 38,4                                   | 8,3  | 80,6                            |
| 5 | Cameroon     | 32,8                                   | 27,2   | 190,2                           |

Source : (Schneider, 2002).

As can be seen, the share of the informal economy in GNP is higher in African countries, such as: Botswana 33,4%, Algeria 34,1%, Burkina Faso 38,4%, Benin with a maximum of 45,2%, unlike of the European countries with lower percentages of the informal economy in GNP, such as Germany 16,3%, the Netherlands 13,0%, France 15,3%, Austria with a minimum of 10,2%. The United States has one of the lowest weights of the informal economy of 8,8%. African countries have a share of the informal economy so high because: the vast majority of people in these regions live from informal activities such as selling various products on the market, processing food, carrying out activities across borders, the degree of economic regulation, lack of education, the HIV/AIDS pandemic.

## 6. Theories on the informal economy

Martha Alter Chen (2012) lists four schools of thought who have formulated various theories about the informal economy, describing the specific aspects that define it:

- The Dualist school
- The Structuralist school
- The Legalist school
- The Voluntarist

### **6.1. The Dualist school**

Dualists perceive the informal economy as a way of survival in the times of recession of those who live in very low incomes. They believe that the source of the phenomenon of the informal economy is the discord between the number of those who want to engage and the changes in the industrial, as well as the existence of a shortage of skills, making them difficult to adapt to the modernization of society.

### **6.2. The Structuralist school**

Structuralists adopt the vision that capitalist firms manage to remain in the global competition due to micro-enterprises, where employees work to reduce costs. Unlike dualists, structuralists support the existence of strong connections between the two economies, both formal and informal. Employers and enterprises in the informal field have the role of providing goods and services at low cost to those in the formal field. Therefore, it is necessary to balance existing links between micro-enterprises and large-scale firms.

### **6.3 The Legalist school**

It focuses on decisions taken by informal micro-enterprises to reduce costs, avoid the loss of time resources, generated by the recording process. Thus, without property rights, they are unable to turn their assets into capital that could be used for economic purposes. It encourages simplification of registration procedures in order to facilitate access to the formal economy.

### **6.4. The Voluntarist**

Volunteers claim that entrepreneurs do not see a positive relationship between benefits and costs when they want to register their businesses. Representatives of this economic trend consider that the informal economy and the formal economy are separate realities that do not influence each other.

## **7. Conclusions**

There is no unanimity of views on defining the informal economy. It highlights difficulties in measuring the dimensions of the informal economy and the effects it has on the formal economy. The informal economy is different, but not irreconcilable with the formal one, because it responds to the needs of society, to an existing demand on the market. Micro-enterprises in the informal field generate new job creation.

The informal economy seems to have been in various forms, in almost all economic areas. Theories of the informal economy converge to the idea that a more careful analysis of this reality is needed to identify alongside the negative aspects and potential positive aspects.

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## THE DEVELOPMENT OF RECYCLING INDUSTRY IN CENTER REGION

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**Abstract:** *As a member of the European Union, Romania is required to implement the environment acquis and to adopt EU regulations into national law and to improve the environment and living standards while ensuring resource efficiency. In the current study realized within a POSDRU project, statistical data and from interviews with experts were used to analyze the evolution of recycling industry in The Center Region, Romania. The obtained results showed us an increase in the number of companies having as object the collection, treatment, neutralization or recovery of urban and industrial waste from 231 in 2007 to 544 in 2014. The turnover increased in the Center Region by 577% between 2007 and 2014. At the same time, the number of employees increased by 571% over the same time frame. The measured indicators show an increase in the recyclable materials industry sector and a diversification of activities. Considering the increasing volume of e-waste and consequent demands for recycling services, as well as the potential profit, it would be seen that e-waste recycling is a growing industry in the Center Region, which will continue to broaden its scope and present excellent business opportunities.*

**Keywords:** *recycling industry, urban waste, industrial waste, social enterprises*

**JEL classification:** A11

### 1. Introduction

Waste management is one of the major issues facing Romania with regard to environmental protection. This includes waste collection, transport, treatment, recovery and waste disposal. Responsibility for waste management activities belongs to the producers or to polluters according to the principle: "polluter pays". Environmental policy is the responsibility of the government and, Romania's strategy in the field includes in accordance with European and international provisions, a set of principles and objectives with regard to the protection and conservation of nature, biological diversity and the sustainable use of its components. In the present work I had as objective, evaluation of development perspectives of the recyclable materials industry in Center Region, Romania. The research method used was document analysis and interviews with relevant informants from management of profile companies and non-governmental organizations that have implemented projects with European funding in the field of environmental protection and social economy.

### 2. Waste generation project in the Center Region

A first indicator taken into account for estimating the evolution of the recyclable materials market was represented by estimate the production of municipal and industrial waste in the Center Region. The calculation of the municipal waste generation projection is based on the estimated amount generated in 2008 at the region level and taking into account the following indicators: the population projection, the increase of the municipal waste generation indicator. The estimates made by ANPM (2008) showed me that the municipal waste will increase from 1 054 323 tones in 2008 to 1 141 771 in 2018 in Center Region.

With regard to industrial waste, the estimated growth is from 103,139 tons in 2008 to 153,382 tons in 2018 (ANPM, 2008).

### 3. Evolution of the number of companies in the field of materials recycling in the Center Region

Evolution of the number of companies involved in economic activities in the field of materials recycling allows us to capture an evolution and make predictions for the future.

**Table 1.** Distribution of recycled works by counties according to the year of their establishment

| Year set up | Alba | Sibiu | Braşov | Harghita | Covasna | Mureş | Total |
|-------------|------|-------|--------|----------|---------|-------|-------|
| 2007        | 7    | 10    | 13     | 8        | 1       | 18    | 57    |
| 2008        | 12   | 6     | 4      | 5        | 1       | 15    | 43    |
| 2009        | 7    | 10    | 4      | 5        | 2       | 4     | 30    |
| 2010        | 10   | 5     | 10     | 2        | 1       | 6     | 34    |
| 2011        | 11   | 9     | 15     | 5        | 2       | 17    | 59    |
| 2012        | 10   | 6     | 8      | 1        | 0       | 10    | 35    |
| 2013        | 5    | 3     | 14     | 2        | 0       | 11    | 35    |
| 2014        | 1    | 3     | 6      | 1        | 1       | 6     | 18    |

Source: National Trade Register Office, according to end-2014 data.

During the period 2007 - 2014, at the level of the Center Region, 313 companies were set up in the field of waste collection, treatment and disposal and recycling activities of recyclable materials. Analyzing the evolution of the entrepreneurial initiatives in this field, we can see the fluctuating evolution of these initiatives, highlighting the year 2011 where the highest number of initiatives in this field of activity was recorded at the regional level. This increase in the number of firms active in this field of activity must be closely linked to the evolution of the implementation of European-funded projects with the objective of establishing a new business in this field and respecting the timetable established with the European Commission regarding compliance environmental standards imposed at Community level. On the basis of the data analyzed I can conclude that although the pace of setting up new enterprises has decreased overall, the number of companies involved in the field has steadily increased throughout the analyzed period.

### 4. Evolution of turnover in the field of recycling of materials during the period 2007-2014 at the level of the Center Region

The indicator that best captures the size of a company's business is turnover. Turnover, as an indicator of business activity by a business, is the total sales revenue. The evolution of this indicator provides a true picture of the business carried out and provides the necessary clues to substantiate decisions to expand or curtail the firm's business. From the analysis of the companies in the field of collection, recovery, waste sorting and related activities, it results that the companies with the activity of recovery of the sorted recyclable materials record the highest turnover. The evolution of turnover in the analyzed period at the level of the Center Region is illustrated in the table below (Ştefani, 2015):

**Table 2.** Evolution of the turnover of the materials recycling companies for the Central Region during the period 2007-2014

| Yearly reporting | Turnover value | Percentage evolution over the previous year |
|------------------|----------------|---|
| 2007             | 36.201.881     | -   |

|      |             |        |
|------|-------------|--------|
| 2008 | 56.436.239  | + 55%  |
| 2009 | 334.408.154 | + 490% |
| 2010 | 367.050.002 | +10%   |
| 2011 | 420.801.112 | +14%   |
| 2012 | 428.108.294 | +1,5%  |
| 2013 | 461.966.797 | +8%    |
| 2014 | 460.576.327 | -0,3%  |

Source: The National Trade Register Office, according to the balance sheet submitted at the end of 2014.

Between 2007 and 2014, the structure of turnover in counties at the level of the Center Region reveals a particular evolution of this sector of activity, even if the number of newly established firms registered a regression in the second part of the analyzed time interval. This fact shows, however, that existing firms have expanded their activity, with an upward trend even after the economic crisis, compared with other sectors of activity that have experienced a strong decline or stagnation. The regional waste industry, in the period under review, has seen an upward trend over the basic sectors of the economy. New jobs and new waste sorting lines have been created. Of the 554 companies active in the field of waste collection and / or recovery, registered in 2014 at the National Trade Register Office, almost half are dealing with the recovery of recyclable materials and sorting.

### **5. Evolution of the number of employees in the area of recycling of materials during the period 2007 - 2014 at the level of the Center Region**

Another indicator that reflects the size of the waste collection, treatment and disposal sector and recovery activities of recyclable materials is the number of employees. The labor force available to an economic agent is highlighted by the number of staff employed, an indicator that can be determined at a given time or as an annual average (reflected in the annual financial statements).

**Table 3.** Evolution of the number of employees in the field of materials recycling at the level of the Center Region during the period 2007 - 2014

| Yearly reporting | Number of employees    | New employees |
|------------------|------------------------|---------------|
| 2007             | 159                    | 128           |
| 2008             | 287                    | 280           |
| 2009             | 567                    | 420           |
| 2010             | 987                    | 328           |
| 2011             | 1315                   | 187           |
| 2012             | 1502                   | 62            |
| 2013             | 1564                   | 75            |
| 2014             | 1639                   | 14            |
| Total            | 1639 employees in 2014 |               |

Source: The National Trade Register Office, according to the balance sheet submitted at the end of 2014.

During the analyzed period, the number of employees in waste treatment and disposal and recycling activities increased from 287 employees in 2007 to 1639 employees in 2014, representing and highlighting the particular dynamics of this field of activity as well as the potential for newly created jobs, most without the need for work of a particular qualification. It can be concluded that the development of the industry has led to a significant increase in the number of employees during the analyzed period, with the most significant increase in

2009, in absolute figure of 420 new employees. Taking into account the upward trend of waste collection activities, it can be considered that in the coming years the number of employees in this industry will increase significantly and the labor market in this sector will be on the rise.

#### **6.Perception of the evolution of the recyclable materials market**

The investigative approach had a qualitative component that explored the views and explanations of experts regarding the development of the recyclable materials industry. The value of this information is given by the fact that these respondents as project managers and executives are those who plan the development of business and social projects in the field and directly contributes to the development of the sector. The responses received showed us that the prevailing opinion of the experts is that the market for recyclable materials is increasing quantitatively and qualitatively. According to the interviewed experts, there is an increase and diversification of the types of recyclable materials due to the growth and diversification of economic activities and, at the same time, following the European directives and the interest of some local actors, the collection system of recyclable materials in Romania is organized. Less widespread is the idea that this market is stagnant due to legislative chaos and lack of interest in the selective collection of waste or the poor organization of collection activities. We can say that the dominant opinion resulting from the analysis of interviews is that the material market is growing and diversification with great potential and despite the current economic context can only grow.

#### **7.Conclusions**

As a result of the increases in the quantities of municipal and industrial waste forecast by ANPM, firms are expecting an increase in their activities and business development. According to the opinions of the interviewed experts, there will be an increase and diversification of the activities of the companies in the field. These developments are also supported by the results of the data analyzed regarding the dynamics of the employed staff and of the turnover. Analysis of motivations and subjective factors that explain the behavior of managers and managers of social projects also shows their determination to develop new activities in the field. All this leads us to expect a development of the recyclable materials industry sector in the Center Region in future years.

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## SOME ASPECTS REGARDING SOURCES OF INNOVATION IN SMES

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**Abstract:** *For SMEs, innovation is embedded it in the organisational culture, in order to enable the creation and integration of the physical and virtual worlds, for an enriched customer experience tailored to their needs. This paper synthesises the current research on innovation in order to identify and analyse the types and sources of innovation encountered for SMEs by applying different frameworks and perspectives.*

**Keywords:** innovation, organisational culture, value creation.

**JEL classification:** O35

### 1. Introduction

Radical changes in customer behaviour have occurred in recent years. Engagement from their part can only be gained through the offering of entertainment and interactivity as part of the products of services (Pine and Gilmore 1998). SMEs relies heavily on social and technological progress to retain its customers (Ho and Mallick, 2006), with innovation being a key component of capitalising on value creation (Jacobides, Knudsen and Augier, 2006). There is a myriad of innovation typologies and levels of analysis present in the literature emanating from many disciplines such as management, psychology, economics, sociology and science (Kristiansen, 2012).

### 2. Types of Innovation. A Literature Review

The innovation process is described by the Stage Gate Model, incorporating critical success factors discovered through best practice research (Stage-Gate, 2012). It provides with a dynamic road map for the innovation process from idea to launch into distinct stages, each stage being separated by gatekeepers. The process for discovering and scoping (Stage 1) for innovation are well defined at SMES (Pujol and Droege, 2011:3). This analysis of the customers provides with various ideas, which build the business case (Stage 2). These ideas are filtered, being tested for feasibility and benchmarking purposes and its alignment to SMEs innovation strategy. The required resources are assessed, in order to decide the best allocation, whether it is in-house or through strategic alliances. The development process (Stage 3) provides with concrete deliverables, mapping out the action plan for innovation. Testing and validation (Stage 4) occurs through constant feedback from customers. It gives a sense of co-creation by involving them every step along the innovation process (Pujol and Droege, 2011). The launch (Stage 5) refers to the commercial launch of the product or service (Stage-Gate, 2012). Throughout all the stages, the resources and knowledge are flexibly allocated and accessed internally and externally according to each project's needs for optimal development (Pujol and Droege, 2011). Each innovation is considered and funded on an individual basis that depends to the progress and the insight gained during the development (Pujol and Droege, 2011:7). SMES uses architectural system and component innovation for their projects in order to exploit, explore, reframe and co-evolve in the innovation space. This helps to increase and

extend the value through core and peripheral offerings to their customers (Bessant and Tidd, 2011).

**Table 1:** SMES component innovation

|   |  |
|---|--|
| <p><b>Zone 2-bounded exploration</b><br/>-Pushing the frontiers of what is known in a highly specialised manner</p>                       | <p><b>Zone 4- co-evolve</b><br/>-Innovation emerges as a product of a process of co-evolution.</p> |
| <p><b>Zone 1-exploit</b><br/>-Refining tools by creating and developing relationships with customers and with key strategic alliances</p> | <p><b>Zone 3-reframe</b><br/>- Exploring different combinations of elements in the environment</p> |

Source: Bessant and Tidd, 2011

SMEs are an organic and dynamic system, with clear strategic leadership and direction, committing resources to fully satisfy customer needs and requirements (Bessant and Tidd, 2011). Customers provide with critical insight, which the bank uses to continuously improve and innovate products and services. This allows SMEs to capture emergent needs and opportunities to successfully manage growth. Knowledge throughout the organisation is flexibly shared according to the requirements of the project for a more feasible and effective resource deployment (Pujol and Droege, 2011).

### 3. Main Sources of Innovation in SMES

SMEs utilise ideas and knowledge from a variety of internal and external sources to enhance the possibility for producing more tailored innovation for its customers. Customers are the core elements for innovative thinking. Their knowledge and experience help shape new products and services and offer insights that fuel innovation (Drucker, 2008).

The in depth analysis of the customer trends, needs and expectations, provided the starting point for each innovation (Pujol and Droege, 2011). Technology has enabled the mechanisation of the customer knowledge using tools to get to know the customer better. This has helped in optimising opportunities into products and raising the standards in the banking industry through a better utilisation of resources.

Customers are used as innovators to add value and increase the flexibility of the processes (Trompke and Hippel, 2002) by creating and developing relationships on a personal level through continuously involving them along the innovation process (Pine and Gilmore, 2011). This further developed the products and services to fully satisfy the customer needs accordingly, co-creating and adding value along the way (Oke, 2007).

Open innovation is an external method of gathering new knowledge to accelerate and make the innovation process more efficient and effective in resource deployment (Chesbrough, 2006). SMEs uses the Business Partner Department to assess the requirements for the project, and evaluate the Make/Buy/Partner decision-making methodology (Slowinski and Sagal, 2010). SMEs uses mostly strategic partnership to incorporate external thinking into the strategic planning process, insights coming from a collaborative inquiry of all the points of view involved for a wider overview of the identified problem. These alliances provide SMEs with additional knowledge, improving the quality and the value of the products and services through co-creation. Open innovation can lead to networking opportunities: by participating at fairs and sponsoring idea competitions and innovation blogs, SMEs remain receptive to external talent (Pujol and Droege, 2011).

#### 4. Conclusions

By understanding the external environment, SMEs can seize opportunities in the market place. SMEs continually realigns and integrates its internal and external resources in order to innovate with the customer's understanding and requirements for a more flexible, transparent and adaptable organisational structure. Innovation is systematically used to respond more rapidly and effectively to the changing needs of customers. This is done by exceeding expectations by providing customers with more personalised, functional and innovative products and services while increasing the value provided.

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## PERSPECTIVES OF MANAGERIAL ACCOUNTING ÎN DECISION MAKING PROCESS

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**Abstract:** *This article is a challenge for the author, because approach the problem of accounting information by the context of decisional process. The accounting information may be collected both from financial accounting as well as from managerial accounting. From the financial accounting the information may be collected from financial reports of entity, from the financial situation and we can learn the financial position, financial performance, cash flow and from the managerial accounting by production reports, costs reports, sales volume, information about the sale price of product and services. But, before everything, for become a good accounting professional and a partner for management in taking decisions, the managerial accounting must to give an important attention for the cost study. The calculation, the analysis, the control, the cost optimisation then the recovery of information about costs are essential because the success of any organisation, "from the smaller boutique from the corner of the street since the most bigger multinational companies" (Horngren et al, 2003), requires the use of concepts, practices and methods of cost calculation.*

**Keywords:** accounting information, managerial accounting, financial accounting, decision making, objective, communication

**JEL classification:** M41, M51

### 1.Introduction

Economical scientific knowledge - even if it does not guarantee absolutely the achievement of the goals it proposes - is the only way for the economist to come closer to the objective fixed, to the true, for its enrichment and to broaden the range of means and modalities necessary for its achievement.

The scientific knowledge it is realising at two different levels, but closely intertwined. So the empirical knowledge resides in a reflection of the objects and processes studied by the researcher, by the man. Its specific reflection methods are observation and description.

The main objective of the article derived from the complexity and variety of the aspects which the accounting information is ripping them like a support for managerial decisions, generally. Accounting that relate to the financial statements of the entity, from which the manager takes the data and information that he needs. It also proposes solutions to improve decision making to help the manager in his / her work to gain access to as much information as possible to support him / her in decisions both internally and externally.

The main scope of this article is to present theoretically the problem of managers, when they are forced to take decisions for the entity but are confused about the sources. For starters will achieve the problem of accounting information in relationship with managerial accounting, the value and the properties of the accounting information, the the uncertainty of accounting information generated by managerial accounting, all viewed from the perspective of the manager, the main internal beneficiary of accounting information.

One of the sources for the managers in taking decisions, extensive is the financial accounting who offers informations about the financial position and performance of the entity. The informations from the financial accounting are taken from the balance sheet, profit or loss account, the cash flow statement and the explanatory notes to the financial statements. The financial analisys made bu this financial statments help the managers to have an obiective image about the entity.

## 2.The informations and the managerial accounting

### 2.1.The value of information

Like an specialist of information, the managerial accountant must have knowledge about the nature of the informations and its attributes.

The date and information term are interchangeable, from a technical point of view there is a distinction between them. The date is described by characters that can be represented alphabetically, numerically or by special symbols. Information is the date that has been processed in a form that has meaning for the receiver and is of value to the accountant who uses it to pass it on to the manager for planning or decision-making. Thus, the date is the raw material from which the information is produced. In this spirit, the information resulting from processing at a certain level is given for processing into information for a defined purpose from the superior level.

The information itself has no value, it becomes valuable once it is used in decision-making and decision-making. It follows that more detailed, more specific, earlier information is not better information. The production of information implies costs that are considerable. Benefits are born only from actions.

It follows from the economic principles that additional information must be produced only if the value it is expected to add further is higher than the costs involved.

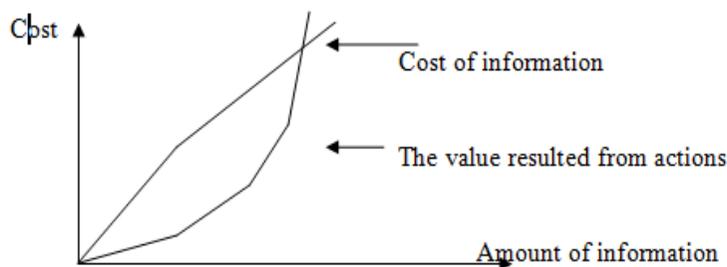


Figure 1. Information cost-information relationship value

Source: Diaconu, P., Contabilitate Manageriala și planuri de afaceri, Ed. Economică, 2006, p.76

Do not forget that information generates costs, only actions produce benefits.

### 2.2.Properties of Managerial Accounting Information

It has been proven by empirical studies that much of the information is ignored by managers. That information being ignored does not take part in the decision-making process and therefore has no value. In order to ensure that information produced by managerial accounting is used in decision-making, it must fulfill a number of features:

- To reflect economic reality, in a concrete manner;
- To be relevant to the person to whom it is intended;
- To be produced in good time;
- Is correct;

- To be readable

The information must be understood by the receiver. The most simple ways to increase the understandability are:

- The avoidance of the terminology unknown;
- The use of maps, charts, tables;
- The use of reporting by way of exception and comparative figures;
- The use of appropriate presentations of the reports;
- Redundancy reasonable;
- Presentation of negative image and solutions;
- Details of the suitable level of reporting.

### **2.3. The uncertainty and the information generated by the management accounts**

The uncertainty, whether it is more or less, is present in planning and decision-making. It is not always possible as a machine to ruin, the government to change, or to amend the inflation rate.

Therefore, when a planning or take a decision must be provided information managers , so as to understand and to take account of the level of uncertainty.

The presentation of a single values in the situation in which there is uncertainty, without being presented or announced its consequences, manager can lead to misinterpretations.

Here are some solutions which may limit the effects of uncertainty:

- Presentation of the results or output in the form of intervals and not in the form of release;
- The use of the three mainstays of estimate (the maximum level, the environment and the minimum);
- The association of the probabilistic way in connection with a value of production made possible;
- The use of the analysis of sensitivity. This process consists in the change caused by the factors that determine a situation (volume of sales, unit cost, the selling price per unit) and recording their effect on the outputs. In this way, the factors senzitivi, those who influence the outputs in particular, are identified and will receive special attention before taking a final decision;
- The use of confidence intervals when statistically, some elements may vary.

### **2.4. The quality of the accounting information in the efficiency of the government and the possibility to choice of capital**

Entities economic partners are useful financial information in the decision-making process, to the extent that they meet certain qualities.

The need for the quality of the financial information has appeared in the United States of America, after the economic crisis, financial and stock exchange in 1929, when the investors willing to insufficient information. The first step in this direction was the issue of financial standards imposed on companies that issued negotiable securities.

Subsequently, FASB issued rule accounts SFAC 2 "qualitative characteristics of accounting information", within the meaning of which, clarity and usefulness are the main characteristics of the financial information, the usefulness as defined by the relevance and reliability of the data.

Many researchers, both in Romania and internationally have scanned the role played by the quality of the accounting information and transparency of information in the efficiency of the market.

Bhattacharya et al (2003) have investigated the influence of the opacity of accounts on the cost of capital in 34 countries, noting that the degree of transparency of accounting information is smaller, the higher the total cost of the equity capital and smaller scale of trading stocks. Therefore, the transparency of accounting information has a significant

influence on the effectiveness of the allocation of capital of the country. Using the same 34 countries, Biddle and Hilary, in the year 2006 have watched the effects of the quality of the accounting information on the effectiveness of capital investment and whose results indicated that a high quality accounting information to reduce the asymmetric information between the external suppliers of capital and managers and therefore increases the efficiency of the capital investments at both levels.

On the basis of a list of companies that have been examined by the U.S. Securities and Exchange Commission, or data sued by shareholders because of the distorted information accounts Stubben McNichols, and, in the year 2008, have investigated the role of accounting information within the framework of the internal decision-making. Their results have suggested that the companies engaged in over-investment in cases of illegal, but have displayed a more efficient investment were subject to investigation. It can therefore be concluded that, the quality of information affecting the decisions of internal accounting entity

Beaver, in 1989 claimed that the major objective of the accounting information has been to help users to make informed choices. The quality of the accounting information can be placed in two ways. The first refers to the assessment of the usefulness, which means that the information is useful for investors to assess the decisions. Is reflected on the pricing of accounting information. The second is the validity of the contract, which means that the benefits under the contract accounting information, in particular those of investors and administrators. The accounting information has two functions: *for fixing the price and the Government*.

Biddle et al, in 2009, say a high quality management accounting information inhibits to "Create an empire", discourages investment imprudent and enhances the ability of investors to monitor the investment decisions of managers.

Nationally, the researchers who have been brought into discussion the issue of the accounting information provided by the management accounts, in different industries, such as hospitality, the entities of small and medium-sized enterprises, studies which have come to different conclusions, a case of research of accounting information is addressed by Anton C.E. and TRIFAN A., in the article with the name "Opinions IIM managers in Brasov on the necessity of accounting information provided by the companies supplying services accounting", whose purpose was to identify what kind of reports are necessary for the managers of SMES from Brasov, the companies providing they work and also identify the purpose for which such information shall be used..

Another article whose purpose was to analyze the "existence and managerial accounting instruments used in companies in Romania, as well as the factors which influences the use of instruments to the detriment of other tools" was developed by Dobre M., Lica S, N., Lupu, Mateias C., M. C., M., Nita E., and had the conclusion that for the 83 people taken as a sample to respond to a number of 13 questions, managerial instruments shall be imposed by the economic situation of the firm, strategy and the complexity of the object of activity, and is oppressed the main unpredictability of activity, the difficulty of implementation of the system and the costs incurred.

Nationally, another empirical research which helps us to have an image on the accounting information provided by the management accounts is carried out by the Dumbrava, P., Bercean R, V, with the name "recouping financial-accounting information in making decisions of the management of agricultural entities The empirical study". The study shows us that there are factors that may influence the decisions of the management, the managerial factors derived from the accounts, and the empirical study was carried out on the basis of a questionnaire distributed by entities in the field of agricultural production. It concluded that the management accounts provide information useful for agricultural entities.

### 3. Conclusions

For the current and also for the future, accounting is an instrument or method of obtaining useful economic and financial information both for the management of the entity and its owners as well as for a diverse range of users, which gives it a character from more and more social.

In the process of continuous improvement of the organization and management of tourism and public catering activities, the role of accounting is growing.

By its method of knowledge and its specific procedures, accounting provides the necessary amount of information to enable management to discover internal reserves with regard to the efficient use of resources and labor for mobilizing them.

In our opinion, accounting must contribute to the achievement of three major objectives, namely:

- Establishing a correct diagnosis of the entity;
- Finding new ways to quickly highlight the anomalies and deficiencies that appear;
- Supporting managers in choosing the right solutions.

In addition, managerial accounting helps the current Romanian management to organize its existing and future businesses in such a way as to assess, control and manage the future and everything related to its uncertainty.

An important task of management is to control operations, processes, sectors of activity and, ultimately, costs. Knowledge of costs is a decision-making factor for making decisions or planning future activities. Analyzing and recording past activity cost data is only one aspect of cost accounting (commonly referred to as the "cost calculation" in our country's literature). Managers are also concerned about the costs that will arise in the future, their level underlying supply and production decisions as well as pricing policies

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