

INTERNAL AUDITING & RISK MANAGEMENT

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ANALYSIS OF UNEMPLOYMENT AND EMPLOYMENT AT REGIONAL LEVEL

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Abstract

Unemployment is perhaps the most feared phenomenon of our time, affecting all walks of life. Unemployment is an economic process caused by recessions or economic crises, manifested in the fact that some of the employees are left without work because of the gap between supply and demand for labor, so they cannot get hired because of the difficulty in finding a job.

For me, this phenomenon arouses great interest due to its frequency and scale. After the outbreak of the economic crisis since 2009 in Romania, unemployment has returned "in power", becoming one of the first issues to be considered by the Romanian economy, which has managed to keep the issue of unemployment under control by 2009.

Research is composed of a comparative regional analysis thereof, the eight development regions of Romania.

Keywords: unemployment, macroregion, national economy.

JEL Classification: B22; E24; J21.

1. Introduction

Developing regions is of particular importance in the European integration process. As regards financial support, the EU provides developing countries and regions equal treatment [4]. Under the Treaty of Maastricht, the development regions were transformed into a pillar of integration, Europe is currently made up of a set of regions, due to the diversity of economic, social and cultural life [8].

In 1950, Romania has adopted the model of administrative-territorial organization composed of regions and districts, a model specific to bureaucratic centralism. In early January 1968 the previous bureaucratic form of organization model was replaced with the current, with 39 counties and Bucharest at the beginning, and now there are 41 counties plus Bucharest. National Institute of Statistics uses the notion of development by adding macro-economic indicators and social development merging the two regions in a macro region. This notion describes socio-economic processes over larger areas than the regions. Romania is divided into 8 development regions and 4 macro regions [5].

Table 1.

Territorial unit in Romania

Development macro region	Development regions	Counties of each region
Macro region One	North-Western development region	Bihor, Bistrita-Nasaud, Cluj, Maramures, Satu Mare, Salaj;
	Central development region	Alba, Brasov, Covasna, Harghita, Mures, Sibiu;
Macro region Two	North-Eastern development region	Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui;
	South-East development region	Braila, Buzau, Constanta, Galați, Tulcea, Vrancea;
Macro region Three	Southern-Muntenia development region	Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman;

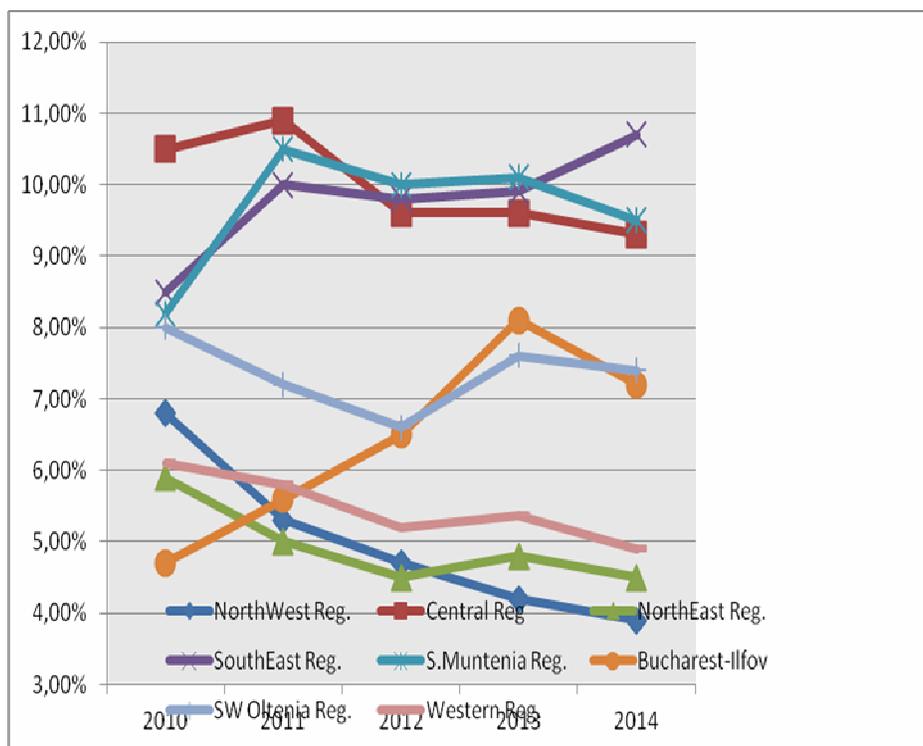
	Bucharest-Ilfov development region	City of Bucharest and Ilfov county;
Macro region Four	South-Western Oltenia development region	Dolj, Gorj, Mehedinti, Olt, Valcea;
	Western development region	Arad, Caras-Severin, Hunedoara, Timis.

Source: Regulation (EU) no. 31/2011 of 17 January 2011 amending the Annexes to Regulation (EC) no. 1059/2003 of the European Parliament and of the Council establishing a common classification of Territorial Units for Statistics (NUTS), Law no. 315/2004, http://enciclopediaromaniei.ro/wiki/Regiuni_de_dezvoltare [16]

2. The evolution of regional unemployment for the period 2010-2014

In 2014, higher unemployment rates were recorded in Vaslui (11.4%), Teleorman (11.2%), Mehedinti (10.00%), Buzau (9.70%), Galati (9.50%) and Dolj (9.40%) There are other counties with high unemployment rates, but the above should be given priority in the rapid creation of new jobs [1] and, where there are large industrial centers [11], restructuring must be done with great attention. Counties such as Ilfov, Timis, Arad and Cluj recorded a low unemployment level ranging between 1.5% and 2.8%. In Bucharest, the unemployment rate was 2%, but this figure is not 100% relevant, because in this city there is a category of people who have neither job nor are registered at employment offices.

The largest share of unpaid unemployed in the total number of unemployed was registered in the following counties: Teleorman (81.94%), Vaslui (80.59%), Mures (80.31%), Dolj (80.29%), Mehedinti (80.23%) and Teleorman (81.94%).



Source: Author's processing based on data from www.insse.ro [15]

Figure 1. ILO unemployment rate of population aged 15-64 years at regional level

In Macro region One, which consists of North-Western and Central region, the unemployment rate in 2014 was 6.3%. In Macro region Two, comprised of the North-Eastern and South-Eastern region, the unemployment rate was 7% while in the previous year it was 6.9%. Macro region Three, reuniting South region and Bucharest-Ilfov region, recorded an unemployment rate of 8.5. Regarding Macro region Four formed by the South-West Oltenia and Western region, the unemployment rate fell from 6.5% in 2013 to 6% in 2014.

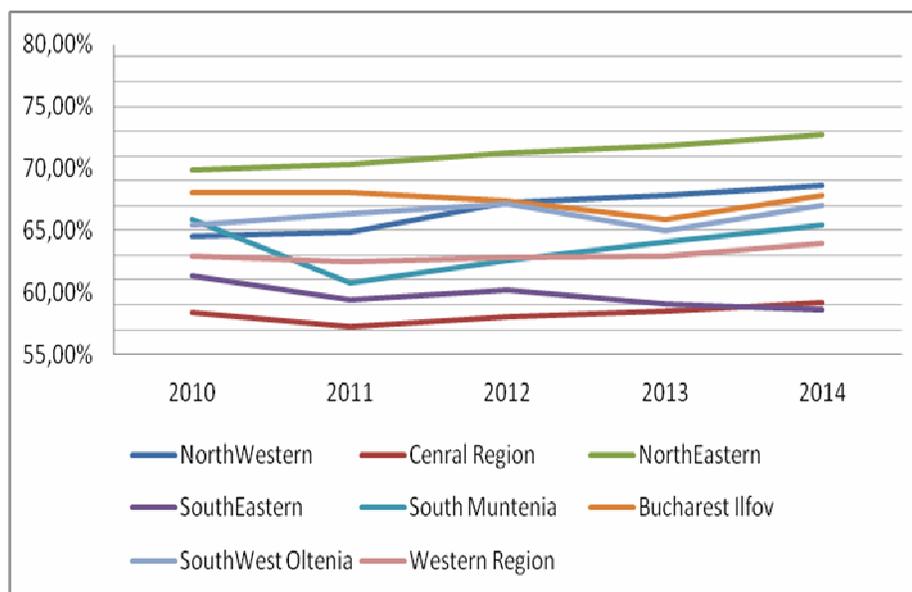
Most people affected by unemployment were the male in all regions. In 2014, the number of unemployed women has diminished in almost all regions, a massive decline taking place in the North West and North East regions.

Considering the age groups, the highest rate of inactivity at regional level [12] was recorded among those aged 15-24. In 2014, the regional unemployment rate in Romania for persons aged 15-24 was 24%. According to data published by INS, the unemployment rate in 2013 was 23.7% among young people. In 2014 the unemployment rate was recorded among young people in the Central region, 34% in South region, 33.8% in the Southeast

region, with 29.5%. In Bucharest-Ilfov, 26.4% of young people are unemployed, 13.8% in North-West, 23.4% in the South-West Oltenia, 12.4% in the Northeast region while in the Western region youth unemployment was 27.3%.

3. The evolution of regional employment in the period 2010-2014

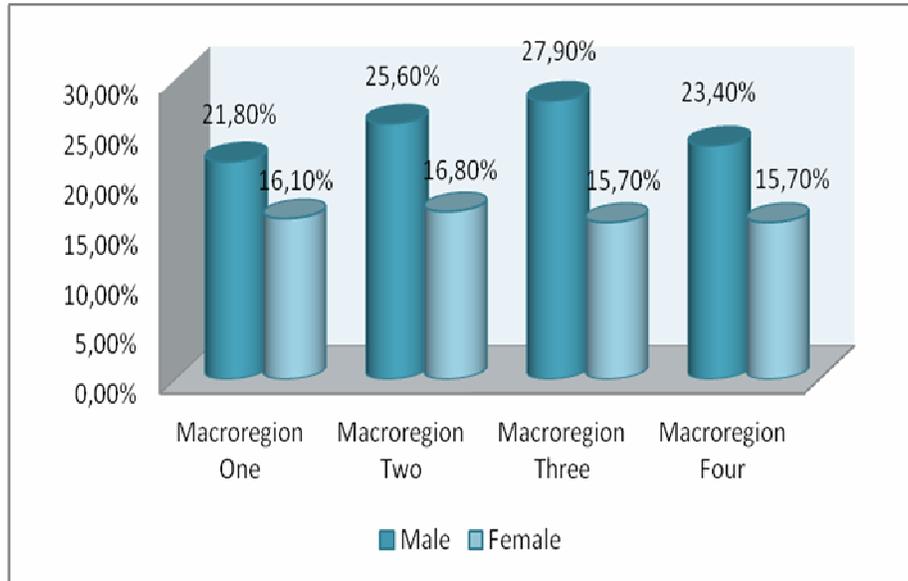
Reducing the number of inhabitants in Romania [6] as a result of the negative natural growth and negative emigration for labor was directed toward decreasing active population and the total population employed in the eight development regions of the country [7].



Source: Author's processing based on data from www.eurostat.com [14]

Figure 2. The employment rate of labor at regional level for the population aged between 20-64 years

Major regional disparities can be observed in relation to the employment rates of labor regions in the figure above. A difference of 14% was levied in 2014 between North-Eastern region, with the rate for labor higher (72.7%) and the South Eastern region, with the lowest employment rate (58, 6%).

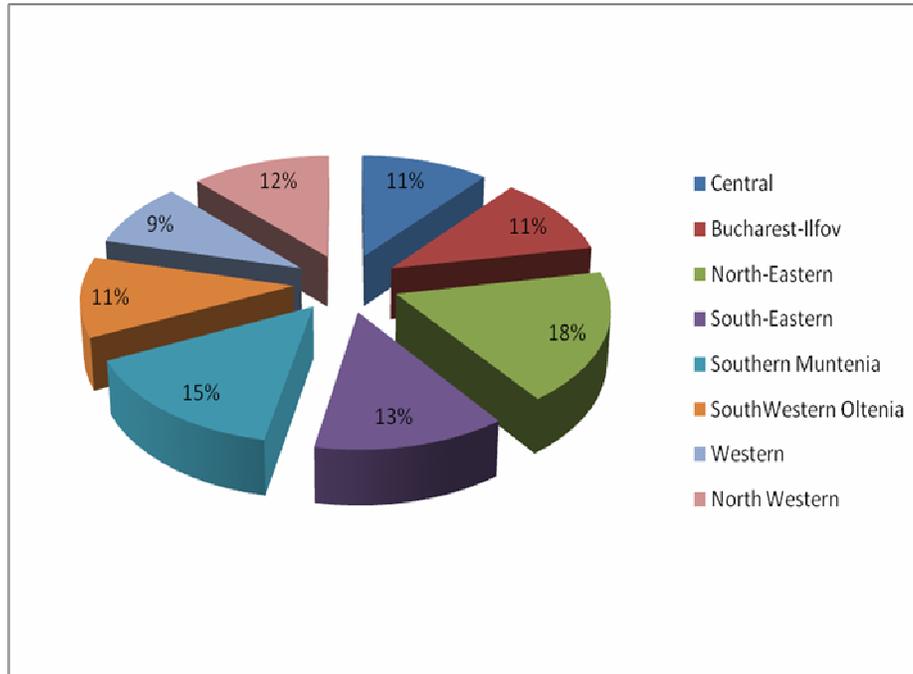


Source: Author's processing based on data from www.insse.ro [15]

Figure 3. The employment rate of young people aged 15-24 by macro region and gender 2014

Regarding the employment rate by gender, we can see that males are prevalent to females in the four macro-regions of the country.

In 2014, the highest employment rate was achieved in macro region Three (South-Muntenia Development Region, namely Bucharest-Ilfov development region), with a rate of 27.90% among men compared to women, which recorded an occupancy rate of 15.70%. The lowest employment rates were in Macro region One among both men and women, 21.80% and 16.10%. All these data are valid for young people aged 15-24.



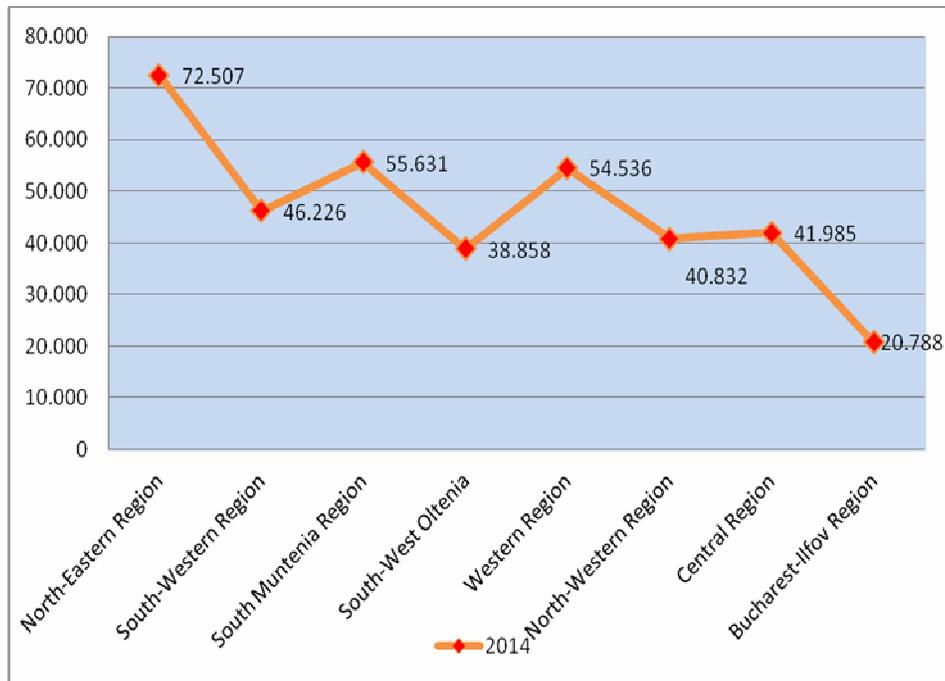
Source: Author's processing based on data from www.insse.ro [15]

Figure 4. The employment rate by region in June 2014

The lowest employment rate was mentioned in the Central region (53.2%) and the highest rate in the North East (65.3%). Only three regions have recorded higher occupancy rates than the national average of 60.1%, ie in the North East (65.3%) and South-Muntenia (63.2%), due to significant agricultural sector and Bucharest-Ilfov region (62.8%) due to labor absorbed by the service sector [9].

Bucharest-Ilfov region recorded the highest value: 93.6% of employed persons living in urban areas. This region also recorded the biggest percentage of employed persons aged 25-54 years, and the lowest percentage among young people and people 55 years and older. In the South-Western Oltenia, of the employed, 20.9% were 55 and over, and in the Central region only 9.9% employed persons were 55 years and over, while the youth was accounting for 9.5%.

The number of persons employed in the National Employment Programme of the NAE in 2014 was 371 363 people [2].



Source: Author's processing based on data from www.insse.ro [15]

Figure 5. The number of people employed by achieving the National Employment Programme by region in 2014

The regions which recorded the lowest number of employed persons were: Bucharest-Ilfov (5196) and Southeast (7899). Last year during the same period, the number of employed people was the lowest in the same regions: Bucharest-Ilfov (6536) and Southeast (8668).

People aged 35-45 years achieved the largest share of 28.59 in achieving the National Employment Programme. The next age group who has a high percentage [3] in the first quarter of 2014 was the age group of 25-34 years, with a percentage of 26.28. In the first quarter of 2013, the highest share in achieving the National Employment Programme was represented by the category aged 35-45 years (29.2%), followed by the category of over 45 years (27.84%).

Of the 75.841 persons employed through the National Employment Programme during the first quarter of 2014, 40.04% were women, while the remaining 59.96% were men. In the same period the previous year, women accounted for 40.68% and 59.32% of all men employed by this program [10].

Labor mediation holds by far the highest percentage of all persons employed by the National Employment Programme in the first quarter of 2014, the largest share being represented by North East (21.27%), South-

Muntenia (14.45%) and Western (13.18%), while the lowest was in Bucharest-Ilfov region, of only 6.78%. Of these people employed through labor mediation, 36.39% were employed on fixed-term employment and 63.61% for an indefinite period.

Conclusion

In my opinion, unemployment remains unavoidable, highlighted by the economic problems of the entire world, and, most likely, it will never go out. The unemployment rate is a negative phenomenon, whose costs are far greater than its benefits.

Emigration existing in Romania will show off the short and medium term negative effects that this has on the availability of labor, having an influence on wages and population employment. Another effect of emigration is that it influences workforce by changing sector and regional allocation. The emigration of low-skilled unemployed workers with short-term can eliminate the tension on the labor market. This may be unsuitable if it comes at the break of lack of manpower. From my point of view to combat unemployment, Romania should adopt a strategy based on major investments in education, since it is a source of obtaining a competitive advantage, to consider that there are as many ways of learning throughout life (it is useless if we have highly qualified jobs if the workforce is poorly qualified), modernizing labor market infrastructure (education must be linked to labor market requirements) and eliminating excessive regulation of the labor market, which does nothing else than to stiffen even more (abolition of the minimum wage taxation). Investment in education should cover as many programs bridging education with the labor market, the existence of further analysis of developments professions and linking the education system with them, improving cooperation between universities and business (e.g. conferences with business people, inviting them to courses / seminars for a better assimilation of new information, focus more on solving case studies, increasing entrepreneurial capacity in the regions and support for hiring unemployed and potentially unemployed).

Also I believe that Romania could develop an area with great potential, namely agriculture, thus helping to create jobs.

All employment measures that Romania will adopt should be linked to policies related to education, as well as monetary and fiscal, agricultural, industrial, economic growth and sustainable development.

Passive measures aimed at maintaining employment but also to support the unemployed through unemployment benefits, employability aid or support allowance.

In Romania, measures concerning employment to prevent rising unemployment by qualifications, upgrading skills and labor market flexibility are less considered. The risk of poverty for those employees who work part-time is very high in Romania, more than 50%.

The effectiveness of a strategy depends on several factors, namely the economic strength of the country, policies or economic and political context. Labor market policies must be interrelated and integrated specifically to target both the employed and unemployed, both short term and long term. These policies must anticipate changes in the demand and supply of labor.

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ANALYSIS OF THE MACROECONOMIC EFFECTS OF POPULATION AGING IN ROMANIA USING NON- LINEAR MODELS

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Abstract

Demographic ageing has turned lately into an extremely sensitive and sometimes thorny issue with deep impact on all generations and on most fields of economic activity.

Romania, just like any other European countries is faced currently with demographic decrease. The demographic changes of the next decades are susceptible of having a significant impact on Romania’s economic development. Demographic ageing as such, negatively affects GDP growth by diminishing factors’ entry. Moreover, this phenomenon has a negative impact on GDP per capita, especially for the future, mainly because of the decline in the employed population segment. In this context, knowing the future evolution of population plays a determinant role in adopting measures and policies for economic growth.

The paper intends, in this stage of research, to analyse and forecast the demographic ageing of Romania’s population by using non-linear models.

Keywords: demographic ageing; vital statistics indicators; non-linear models, forecasts

JEL Classification: E24, J21

1. Introduction

One of the most significant issues of humankind in the 21st century will be the demographic ageing of the population. It shall trigger important issues regarding the socio-economic development for various regions of the world. Both in economically developed countries, and in the developing ones the weight of elderly in the population's structure increases at a very high rate.

The demographic trends at world level and, implicitly, at European Union level indicate a longer and healthier life and put in question topics such as the new costs of an ageing society, the equity between generations, the higher importance granted to raising children and the work-life balance in fostering family life, the intergenerational relationships and the new poverty threat [1].

As member-state of the European Union, Romania is "circumscribed" from the viewpoint of demographic ageing in the European trend, sometimes exceeding with negative connotations the levels recorded by the other member-states. This situation is due, largely, to the low efficiency of the economic-social policy measures implemented during the last years correlated also with the inadequate use of budgetary resources which are rather limited, as it is, compared with the ones of the other member countries.

Romania is faced already with the complex economic and social consequences of a population in a slow but ongoing process of demographic ageing [2]. As result of population's ageing the contribution of the workforce to GDP growth diminished and, as result, next to other factors, the potential GDP of Romania decreased to 1.3% in 2013 from 5% in the year 2004. To this, the increase in expenditures for social assistance and health led as well to increased pressure on the state budget and the ageing of the population increases the weight of households with a low savings rate.

The severe demographic imbalance of the country triggers harsh economic and social imbalances: on the labour force market, in the pensions' system, for the health and education services, in the general social protection system, in the budgetary incomes and expenditures system, etc. A determinant factor for defining and structuring a viable strategy for the sustainable development of the country, the population should remain the core focal element of attention for the deciding factors and for the society as a whole.

The demographic projections represented, always, a fundamental instrument in elaborating economic and social development strategies and programmes.

The use of non-linear models allows for estimating the consequences of demographic ageing on some macroeconomic indicators. Understanding the evolution of labour resources and of the active population is necessary for substantiating the economic and social development programmes.

2. Brief presentation of Romania's demographic characteristics

The last 25 years were characterised by the continuing diminishment of Romania's population. The swift and significant decreases in the birth rate, the recrudescence of mortality and negative external migration have changed dramatically the demographic landscape of Romania. The year 2014 is the 25th year of demographic decline, a period in which Romania lost 1.95 million inhabitants which means 8.4% from the population the country had at the beginning of the nineties [3].

Romania is among the top five member-states of the EU (next to Slovakia, Poland, Latvia, and Slovenia) that will now the highest rate of population ageing in the following decades. The median of the total population age will be of 46 years of age in the year 2030 and 52 years in the year 2060 [4].

The evolution of demographic variables in Romania is no exception to the general trend of European populations. Here, on one hand, birth rates, mortality, marriages have increasingly smaller values. On the other hand, the average age of marriage, at the time of the first marriage, the birth of the first child and the frequency of family dissolution, and of consensual unions is on increase.

In Romania, the structure on ages of the population bears the characteristic fingerprint of a demographic ageing process due mainly to the decrease in the birth rate (from 9.3‰ in the year 2013), which triggered the absolute and relative diminishment of the young population (0-14 years). In parallel, the increase in life expectancy (71.24 years for men and 78.28 years for women) determined an increase in the numbers and weight of elderly population (65 years of age and over).

We are witnessing a decrease in the weight of young population with ages between 0 and 14 years of age, from 23.6% (in the year 1990) to 14.86% (in the year 2013) and the increase in the weight of the elderly population with ages of 65 years and over, from 10.4% (in 1990) to 15.2% (in the year 2013). The adult population, with ages between 15 and 64 years, increased constantly from 66.03% (in the year 1990) to 69.97% (in the year 2013).

For the first time in the last four decades, as of January 1st, 2012, the weight of the young population became equal to the weight of the elderly population (15.0%). The elderly population is a heterogeneous entity,

including the subgroup of ‘younger’ elderly (65 to 74 years of age), the ‘older’ elderly (75 to 84 years of age), and longevous old (85 years of age and over).

If, currently, from the 21.26 million inhabitants, 9.3 millions are adults, 5.7 million are young, youths and children, and over 6 million are elderly, and in 50 years the demographic image will look completely differently: pensioners will represent over half of the country’s population, the numbers of adults and children will decrease, and the age pyramid shall narrow significantly its basis.

During the last years is noticed the trend of higher increases in the numbers of elderly which are in the subgroup ‘older’ elderly (from 816.7 thousands in the year 1990 to 1.206 millions in 2013), against the subgroup of ‘younger’ elderly (from 1.47 million in 1990 to 1.74 million in the year 2013).

The demographic ageing phenomenon is more marked in the rural area than in the urban area. Thus, at the beginning of 1990, the weight of the population aged 65 years and over in the rural area was of 13.5% from total population and increased in the year 2013 to 18.4%.

A characteristic of the demographic ageing process is the increase in the numbers of women in the group of elderly population, respectively a process of “*old-age feminisation*”. Women live longer, their numbers being almost twice as high as the numbers of men.

3. Analysis and forecast of the demographic evolution by Markovian techniques

The specialised literature includes an impressive number of various model-types by which is attempted to evaluate the stage at which population development is in a certain area. Among others, these models are used to determine the impact of the various factors on some indicators characteristic to the demographic phenomenon and, as well, to the forecast the short-, medium-, and even long-term population development [5] – [7].

3.1. Brief theoretic formulation of the Markov-type model for studying, analysing and forecasting the demographic phenomena

The probabilistic models are developed, in general, under two forms: a first category using the variable discrete ‘time’ and a discrete age scale and another category where time is a continuous variable just as the age scale.

In the stochastic model with discrete time, used for analysing and forecasting the demographic phenomenon, a series of assumptions are made, respectively:

- The census of the female population (called population F) is realised at discrete time intervals $n=1, 2, 3, \dots$;

- This population is divided in k age groups, $k \in \mathbb{Z}^*$;

- The number of women in the age groups at the time n is given by the random variable ${}_n(j)$. As result, the moment and dispersion of the random variable becomes: $E {}_n(j) = M_{j,n}$ and $D {}_n(j) = D_{j,n}$

- If a member of the age group j at the time $n-1$ gives birth to a girl at the time n , then the number of women in the age group 0 at the time n whose mothers were included in the age group j , is a random variable ${}_n^{(j)}(0)$,

with ${}_n(0) = \sum_{j=0}^k {}_n^{(j)}(0)$;

- The probability p_j that a person in the age group j at the time n will be in the age group $j+1$ after one unit of the time interval is fixed and for which $j < k$ is positive, and $p_k = 0$. These probabilities are presupposed as independent, thus, $q_j = 1 - p_j$;

- The probability b_j that a person in the age group j at the time n will give birth to a single girl in the time interval $(n, n+1)$ and that this girl will be active in the group 0 at the time $n+1$, is fixed and these are assumed as independent. Thus: $d_j = 1 - b_j$

- The birth and death processes are assumed as independent;

- The changes in the male population structure are assumed as consistent with the assumptions of the constant measurements of fertility $\{b_j\}$;

- Multiple births are ignored.

In the case of a Markovian chain with the states 0, 1, 2, ..., n , the transition probabilities are given by the relationship:

$$p(i, j) = C_n^j \left(\frac{i}{n}\right)^j \left(1 - \frac{i}{n}\right)^{n-j}, \quad 0 \leq i, j \leq n \quad (1)$$

The states – 0 and n – of the Markovian chain are absorbent.

The form of the transition probabilities given by the relationship (1) do not allow the direct calculation of the fundamental matrix of the chain, but give the possibility of identifying the general expressions of the transition probabilities in n steps, $n > 1$.

If i is considered as a non-absorbent state, then, by virtue of the Chapman-Kolmogorov relationship, we obtain:

$$p(n, i, j) = \sum_{k=0}^n p(n-1, i, k) p(k, j) = \sum_{l=0}^{n-j} (-1)^l C_n^j C_{n-j}^l n^{-j-i} \sum_{k=0}^n p(n-1, i, k) k^{j+i} \tag{2}$$

And hence:

$$p(n, i, j) = \sum_{l=0}^{n-j} (-1)^l C_n^j C_{n-j}^l n^{-j-i} \mathbf{E}_i(X^{j+l}(n-1)) \tag{3}$$

Which means that for determining $p(n, i, j)$ it is enough to know the first order moments n of the random variable $X(n-1)$.

If, also, for the suggested analysis is considered that:

- X_1 and X_2 are discrete random variables with integral positive values;
- X_1 and X_2 are random variables with binominal distribution $B(n, p_1)$, $B(n, p_1)$ and conditioned by X_1 .

Using the relationships:
$$\begin{cases} \mathbf{E} X_1 = p_1 \mathbf{E} \\ \mathbf{D} X_1 = p_1^2 \mathbf{D} + p_1 q_1 \mathbf{E} \end{cases} \tag{4}$$

with $\mathbf{E}_i(X^l(n)) = \binom{n}{l} p_1^l q_1^{n-l}$

$$\begin{cases} \text{Cov} \begin{bmatrix} X_1 \\ X_2 \end{bmatrix} = p_1 p_2 \mathbf{D} \\ \text{Cov} \begin{bmatrix} X_1 \\ X_1 \end{bmatrix} = p_1 p_3 \text{Cov} [X_1, X_1] \end{cases} \tag{5}$$

where $q_1 = 1 - p_1$, the demographic Markovian model becomes:

$$\begin{cases} \mathbf{E}_{n+1}(0) = M_{0,n+1} = \sum_{j=0}^k b_j M_{j,n} \\ \mathbf{E}_{n+1}(1) = M_{1,n+1} = p_0 M_{0,n} \\ \mathbf{E}_{n+1}(2) = M_{2,n+1} = p_1 M_{1,n} \\ \dots\dots\dots \\ \mathbf{E}_{n+1}(k) = M_{k,n+1} = p_{k-1} M_{k-1,n} \end{cases} \tag{6}$$

Using the relationships (4) and (5) is obtained:

$$\mathbf{D}_{n+1}(j+1) = D_{j+1,n+1} = p_j^2 D_{j,n} + p_j q_j M_{j,n}, j \geq 0 \tag{7}$$

$$\begin{aligned}
\text{Cov}[{}_{n+1}(j+1), {}_{n+1}(h+1)] &= p_j p_h \text{Cov}[{}_n(j), {}_n(h)] \quad , j, h \geq 0, j \neq h \\
\text{Cov}\left[\begin{matrix} (j) \\ n+1 \end{matrix}(0), {}_{n+1}(h+1)\right] &= b_j p_h \text{Cov}[{}_n(j), {}_n(h)] \quad , j \neq h \\
\text{Cov}\left[\begin{matrix} (j) \\ n+1 \end{matrix}(0), \begin{matrix} (h) \\ n+1 \end{matrix}(0)\right] &= b_j b_h \text{Cov}[{}_n(j), {}_n(h)] \quad , j \neq h \\
\mathbf{D} \begin{matrix} (j) \\ n+1 \end{matrix}(j+1) &= b_j^2 D_{j,n}^2 + b_j d_j M_{j,n} \quad , j \geq 0
\end{aligned} \tag{8}$$

If by definition, ${}_{n+1}(0) = \sum_{j=0}^k \begin{matrix} (j) \\ n+1 \end{matrix}(0)$, then,

$$\begin{aligned}
\mathbf{D} \begin{matrix} (j) \\ n+1 \end{matrix}(0) &= \sum_{j=0}^k \mathbf{D} \begin{matrix} (j) \\ n+1 \end{matrix}(0) + \sum_{j \neq h} \sum \text{Cov}\left[\begin{matrix} (j) \\ n+1 \end{matrix}(0), \begin{matrix} (h) \\ n+1 \end{matrix}(0)\right] = \\
&= \sum_{j=0}^k (b_j^2 D_{j,n} + b_j d_j M_{j,n}) + \sum_{j \neq h} \sum b_j b_h \text{Cov}[{}_n(j), {}_n(h)]
\end{aligned} \tag{9}$$

And we obtain:

$$\begin{aligned}
\text{Cov}\left[\sum_{j=0}^k \begin{matrix} (j) \\ n+1 \end{matrix}(0), {}_{n+1}(k+1)\right] &= \text{Cov}\left[\begin{matrix} (j) \\ n+1 \end{matrix}(0), {}_{n+1}(h+1)\right] + \\
+ \sum_{j=0}^k \text{Cov}\left[\begin{matrix} (j) \\ n+1 \end{matrix}(0), {}_{n+1}(h+1)\right] &= b_h p_h D_{h,n} + \sum_{j \neq h} b_j p_h \text{Cov}[{}_n(j), {}_n(h)]
\end{aligned} \tag{10}$$

The equations (6)-(10) define completely the recurrence relationships for the average, variation, and co-variance of the sample subjected to the study. Under the matrix form they can be written as:

$$\begin{pmatrix} \mathbf{M}_{n+1} \\ \mathbf{V}_{n+1} \end{pmatrix} = \begin{pmatrix} \mathbf{A} & \mathbf{O} \\ \mathbf{B} & \mathbf{AxA} \end{pmatrix} \begin{pmatrix} \mathbf{M}_n \\ \mathbf{V}_n \end{pmatrix} \tag{11}$$

Where the vector \mathbf{V} contains variance and co-variance elements $D_{ij,n}$, and \mathbf{A} is a Leslie, matrix defined by:

$$\mathbf{A} = \begin{pmatrix} b_1 & b_2 & \dots & b_{k-1} & b_k \\ p_0 & 0 & \dots & 0 & 0 \\ 0 & p_1 & \dots & 0 & 0 \\ \cdot & \cdot & \dots & \cdot & \cdot \\ \cdot & \cdot & \dots & \cdot & \cdot \\ \cdot & \cdot & \dots & \cdot & \cdot \\ 0 & 0 & \dots & p_{k-1} & 0 \end{pmatrix}$$

Thus we obtain the following relationship between variance and covariance: $\mathbf{V}_{[n]} = (\mathbf{A}\mathbf{x}\mathbf{A})^n \mathbf{V}_{[0]} + \sum_{i=1}^n (\mathbf{A}\mathbf{x}\mathbf{A})^{n-i} \mathbf{B}\mathbf{M}_{i-1}$

By noting: $\boldsymbol{\mu}'_i(n) = \left(\begin{matrix} 1 \\ i \end{matrix} (n), \dots, \begin{matrix} p \\ i \end{matrix} (n) \right)$, this relationship allows for the matrix writing:

$$\boldsymbol{\mu}'_i(n+1) = \mathbf{C}\boldsymbol{\mu}'_i(n) \quad (12)$$

with C diagonal matrix. As result,

$$\begin{aligned} \mathbf{E}_i(X^{j+l}(n-1)) &= \begin{matrix} j+l \\ i \end{matrix} (n-1) = \\ &= \begin{cases} 1, & \text{if } j=l=0 \\ in^{j+l-1} + \sum_{r=2}^n \sum_{k=1}^r \begin{matrix} p-1 \\ r \end{matrix} v_r(j+l) u_r(k) i^k, & j+l > 0 \end{cases} \end{aligned} \quad (13)$$

where: $u'_r = (u_r(1), \dots, u_r(n))$ is the own vector to the left associated to the own value λ_r

$v'_r = (v_r(1), \dots, v_r(n))$ is the own vector to the right associated to the own value λ_r

Thus, for $j > 0$ is obtained, for the transition probabilities, the expression:

$$p(n, i, j) = \begin{cases} C_n^j \sum_{l=0}^{n-j} (-1)^l C_{n-j}^l n^{-j-l} \sum_{r=2}^n \sum_{k=1}^r \begin{matrix} p-1 \\ r \end{matrix} v_r(j+l) u_r(k) i^k, & \text{if } j \neq n \\ \frac{i}{m} + n^{-n} \sum_{r=2}^n \sum_{k=1}^r \begin{matrix} p-1 \\ r \end{matrix} v_r(n) u_r(k) i^k, & \text{if } j = n \end{cases} \quad (14)$$

3.2. Applying the Markovian model for studying the evolution and forecast of demographic phenomena

For the proposed analysis were used the data provided by the National Institute of Statistics [4] for the period 2007-2013 and other publications of the National Institute of Statistics with respect to the main demographic phenomena:

The database used comprises the following indicators:

- Romania's population on July 1st (yearly);
- population on large age groups;
- live births (in absolute data and as rates per 1000 inhabitants);
- deaths (in absolute data and as rates per 1000 inhabitants);
- still-born (in absolute data and as rates per 1000 inhabitants);
- deaths under the age of 1 year;
- the general fertility rate (number of children born by one woman during the entire fertile live span);
- population from the urban and the rural area;
- emigrants;
- immigrants;

The study of the evolution and forecast of demographic phenomena by the Markov's chains method implies several stages, respectively:

- the calculation of the considered indicators' structures;
- the calculation of the transition matrices (of transiting from one state to another). Each of the transition matrices calculated highlights the changes in the structure of each indicator from one year against the previous year;
- the calculation of the total transition matrix;
- the calculation of the transition probabilities matrix (transition);
- determination of the forecasted structure.

The analysis of the demographic phenomena was made for the historical period 2007-2013, and the forecast was realised for the period 2014-2017.

The analysis of the forecast by Markovian techniques highlights that after an increase in the birth-rates from 10.4‰ in the years 2009, a decrease takes place to 9.3‰ in the year 2013 and to approximately 9.2 ‰ in the year 2017.

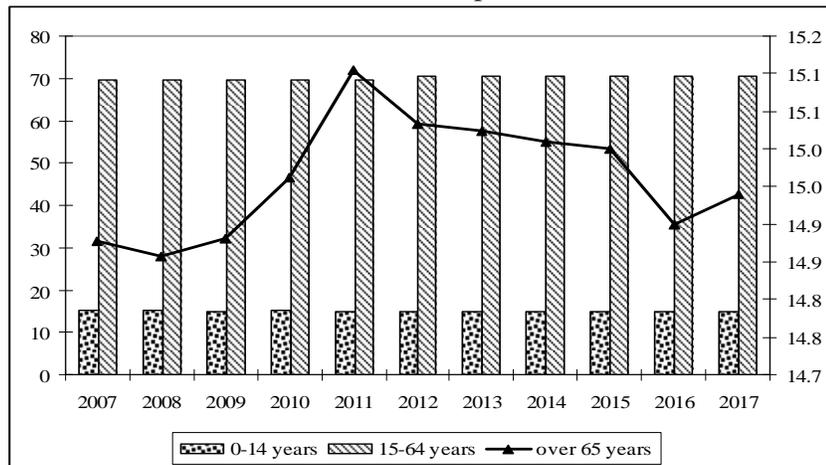
The analysis of the forecast by Markovian techniques of the indicator "general death rate" highlights that after a slight diminishment by 0.3 pp against the year 2012, this shall be placed for the forecasted period around the value of 11.4‰.

With respect to the stillborn rate is highlighted both for the historical period, and for the forecast one a decreasing trend. If in 2007 were registered 1009 stillborns, their number decreases in the year 2013 to 771, and in the year 2017 to approximately 700. Also in the case of the indicator "death under one year of age" the scenario realised by Markovian modelling highlights a decreasing trend, its weight in total population falling down from 12.0‰ in 2007, to 8.5‰ in 2013 and to 7.6‰ in the year 2017.

With respect to the evolution of the population on large age groups, in the historical period 2007-2013 a decrease by approximately 127.244

thousand persons takes place for the age group 0-14 years of age, of 24.814 thousand persons for the age group 15-65 years. Regarding the age group 65 years and over, an increase takes place by approximately 9.3 thousand persons in the year 2011, and after this time, the number of persons comprised in this age segment decreases (Figure 1). For the forecast period, decreases are registered for all population segments (Figure 1).

Figure 1. Population on large age groups, in the period 2007-2013 and forecasted values for the period 2014-2017, (%)



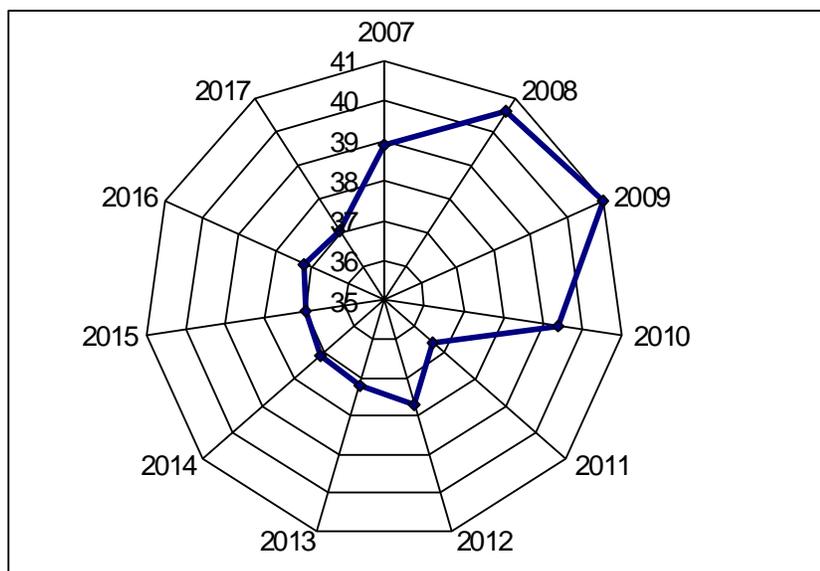
Source: historical data: Romania's Yearbook 2007-2013, forecast realised by author

This fact indicates that, on short-term, the ageing process of Romania's population shall continue. To this will contribute also the structure of the migration flows in the forecasted period.

As exogenous variables in the model information was included related to the numbers of migrants and immigrants, but because the historical data regarding their evolution are found only in official bulletins, the forecasted outcomes about the future evolution of these indicators of population movement should be considered just from qualitative and not from a quantitative viewpoint.

Regarding the general fertility rate (the number of children born by a women during the fertile life span) for the period 2007-2013 it has an oscillating evolution, with a maximum of 41% in 2009 (Figure 2), followed by a decrease up to the year 2011, and thereafter a slightly increasing trend can be registered.

Figure 2. Evolution of the general fertility rate, in the period 2007-2013 and values forecasted for the period 2014-2017



Source: historical data: Romania's Yearbook 2007-2013, forecast realised by author

The variance of this indicator for the forecasted period is oscillating.

Conclusions

Nowadays, the concerns with respect to demographic evolution re-emerges due to the risks it could give birth to in generating some local, regional, continental or planetary crises that could influence negatively the social order and could lead to triggering disturbances of the ethnic or religious balance.

In the current context, the phenomenon of demographic ageing, and the one of the extended economic crisis with resonance with respect to the sustainability of the pension systems, to the level of public pensions for several generations, the impact on the individual welfare is multiplied at the level of vulnerable group.

The reasons of these evolutions are first, the low fertility rate by which the parents' generation is replaced only partially, followed by migration and in particular, external migration affects mostly the youths with high skills level.

The non-linear models allow for a more accurate description of the impact of some factors like, for instance, the fertility rate, the birth rate, the

death rate, or migration one on the demographic development and, implicitly, on the ageing phenomenon of Romania's population.

The demographic analyses and forecasts on short-, medium- and long-term may be used in substantiating consistently the development plans and strategies. Demographic changes of the last decades represent an increasingly higher concern at European and national level, the decision factors at the highest levels becoming aware about the amplitude of these phenomena, and about the importance of knowing them for the future evolution of the societies.

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SOME THEORETICAL AND PRACTICAL ASPECTS REGARDING PUBLIC SERVICE

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Abstract

We proposed in this article, based on the legal and scientific significance of the concept of public service and continuing with the analysis of features bearing value of principles thereof, enshrined in the doctrine, a wider definition of the concept, in that it designates the work carried out to meet the needs of legitimate public interest, circumscribed to the fundamental rights, freedoms and duties of citizens, a definition we laid down in the conclusions in relation to the provisions of the Administrative Litigation Law no. 544/2004, Art. 2 par. (1) m) concisely defining the term public service.

Focusing mainly on public services provided by central specialized autonomous bodies, we presented and commented in the paper Constitutional Court Decision no. 448/2013 regarding the objection of unconstitutionality of the provisions of Art. 40 par. (3) of Law no. 41/1994 on the organization and functioning of the Romanian Radio Broadcasting Corporation and the Romanian Television, whereby the Court found the constitutionality of these provisions, to the extent that the fee for public broadcasting and television services applies only to businesses that benefit from these services, and the Constitutional Court Decision no. 486/2014 on the same subject. Thus, we wanted to reveal the perpetuation of some unconstitutional/illegal administrative practices, having been sanctioned repeatedly by the Constitutional Court through the rulings and by the administrative litigation courts referred to by legal entities for payment of fees related to public services they did not benefit from.

Keywords: public service, public interest, principles, rights and freedoms of citizens, public services fee.

JEL Classification: K40.

1. Preliminaries

Etymologically, the word *service* comes from the Latin “*servitum*” which means “*slave*”, hence the interpretation of “*being in the service of someone*”, “*doing a service*” or “*putting into service*”, which evokes the idea of “*public utility*” or “*public service*” (italics ours).¹

The notion of public service in the current Romanian doctrine means:²

- in **the organic sense**, “*a group of officials and means a public person or a private agency authorized by a public person impacts to the achievement of a public interest need*”;

- in **the functional sense**, “*a general interest activity conducted by the administration, which has as its mission the satisfaction of general interest*”.

“*It is perhaps a paradox of history, whether in the West discussions are on the decline of public services, in Eastern Europe, including Romania discussions must be held on the development of public services. Therefore, public services appear to us as strictly necessary in our constitutional system, primarily because they evoke obligations of the state towards citizens’ fundamental rights.*”³

2. Constitutional and legal bases regarding public service

Constitution of Romania republished “*makes expressed or implied references to the idea of public service, whether as activity or as a set of means (bodies).*”⁴

According to current doctrine of administrative law, ***the constitutional provisions applicable to public service can be grouped into several categories, as follows:***⁵

a) regulations which establish *general principles*: *guaranteeing the rights and freedoms of citizens, Romanian state supreme values [Art. 1 par. (3)]; equality of citizens before the law and public authorities, without privileges and discriminations [Art. 4 par. (2) and Art. 16 par. (1)]; guaranteeing autonomy of public radio and television services [Art. 31 par. (5)];*

¹ Verginia Vedinaş, *Drept Administrativ, Curs universitar*, 7th edition, revised and updated, Universul Juridic, Bucharest, 2015, p. 284 and footnote 1: Iordan Nicola, *Managementul serviciilor publice locale*, All Beck, Bucharest, 2003, p. 63.

² Verginia Vedinaş, *Drept Administrativ, Curs universitar*, 2015, works cited, p. 284.

³ Antonie Iorgovan, *Tratat de drept administrativ*, Vol. II, All Beck, Bucharest, 2005, p. 185.

⁴ Antonie Iorgovan, *Tratat de drept administrativ*, Vol. II, 2005, works cited, pp. 185-186.

⁵ Verginia Vedinaş, *Drept Administrativ, Curs universitar*, 2015, works cited, pp. 285-286.

b) regulations which establish principles governing the organization and functioning of public administration in general, or public services specifically: Art. 120 par. (1) enshrines the three principles governing local public administration, and “*decentralization, local autonomy, and deconcentration of public services*”.

According to recitals expressed by the Constitutional Court in its case law¹, **constitutional principles of organization and functioning of local public administration “covers not only local public administration authorities, but also public services”** (italics ours).

c) regulations which establish public authorities which are responsible for providing public services or exerts certain relations to the authorities providing public services: Art. 123 par. (2) establishes the prefect, the representative of Government locally, who “*leads deconcentrated public services of ministries and other central public administration bodies in the administrative-territorial units*”.

d) regulations on fundamental rights, freedoms and duties of citizens, where we also find as regulated public services they involve: right to information, achieved by public or private means of mass communication, and public autonomous radio and television services [Art. 31 par. (4) and (5)]; etc..

Throughout the *Administrative Litigation Law no. 554/2004*², as amended and supplemented, Art. 2 par. (1) m) is devoted to the **concept of < public service >** with the following meaning: “*Public service - activity organized or, where appropriate, authorized by a public authority in order to meet a legitimate public interest*”.

Correspondingly, within the meaning of *Administrative Litigation Law no. 554/2004*, as amended and supplemented, Art. 2 par. (1) b) the notion **<public authority >** means: “*any body of State or administrative-territorial units acting as a public power, to satisfy a legitimate public interest; private legal entities which, according to law, have achieved the status of a public utility or are authorized to provide a public service, in public power regime, are treated as public authorities under this law*”.

¹ See: *Constitutional Court Decision no. 1 of January 10, 2014 on the objection of unconstitutionality of the Law establishing measures of decentralization of powers exercised by some ministries and specialized bodies of the central public administration and reform measures regarding public administration*, published in the Official Gazette of Romania Part I, no. 123 of February 19, 2014 (pt. 151).

² Published in the Official Gazette of Romania, Part I, no. 1154 of December 7, 2004.

3. Public service distinctive features

The doctrine highlighted the following **features** of public service bearing value of **principles**, according to most authors:¹

a) *The purpose of public service is to satisfy a need of general (public) interest;*

b) *The provision of public service can be done by public officials or private officials authorized by a public official;*²

c) *continuity of public service*, which is considered in the doctrine as one of “*the most important principles governing the public service, as a natural consequence of state continuance*”;³

d) *equality before the public service of its beneficiaries*, which implies “*equal and non-discriminatory treatment*” and “*common requirements for all categories of beneficiaries*”;

e) *the legal regime of public law* which can be “*solely administrative in the public services rendered by public officials or mixed regime, a combination between the power regime and common law regime for public services provided by private officials authorized by a public person*”;

f) *the competence of the administrative litigation courts*, which “*must cover all public services, irrespective of the public or private manner in which it is achieved*”;⁴

g) *public service adaptability*, starting from the idea that “*social need increases continuously, quantitatively and qualitatively*,” which requires *adaptation of any public service to these requirements*;⁵

h) *effectiveness and efficiency of public services* - *effectiveness* involves meeting the objectives, standards, by comparing results obtained with the ones expected and *efficiency* involves the comparison of results with efforts made, the citizen being in focus “*as client*”.⁶

¹ Verginia Vedinaș, *Drept Administrativ, Curs universitar*, 2015, works cited, pp. 286-287. In the same vein: Iordan Nicola, *Managementul serviciilor publice locale*, 2003, works cited, pp. 94 et seq.; Iordan Nicola, *Managementul serviciilor publice locale*, 2nd edition, C.H. Beck, Bucharest, 2010, pp. 96 et seq..

² Verginia Vedinaș, *Drept Administrativ, Curs universitar*, 2015, works cited, p. 286.

³ Iordan Nicola, *Managementul serviciilor publice locale*, 2003, works cited, p. 94 and footnote 1 on same page: G. Dupuis, J. M. Guedon, *Droit administratif*, 3-ème édition, A. Colin, Paris, 1991, p. 444.

⁴ Verginia Vedinaș, *Drept Administrativ, Curs universitar*, 2015, works cited, p. 287.

⁵ Iordan Nicola, *Managementul serviciilor publice locale*, 2003, works cited, pp. 100-103.

⁶ Iordan Nicola, *Managementul serviciilor publice locale*, 2003, works cited, p. 96 and footnote 1 on same page: Mihaela Vlăsceanu, *Organizațiile și cultura organizării*, Trei, Bucharest, 1999, p. 57.

4. Public services provided by the central specialized autonomous bodies

In the current doctrine of administrative law, public services are classified according to several criteria, one of them being the *interest of work performed* - a criterion according to which:¹ a) *public service of national interest* and b) *public services of local interest* have been identified.

Public services of national interest are provided by *state central public administration authorities*,² to which we refer to hereunder.

Art. 116 entitled “*Structure*”, in the contents of Section 1 - *Specialized central public administration*, Chap. V - *Public administration* in the Constitution, republished³ establishes the following **categories of bodies** that constitute this type of administration: *ministries which are organized only in subordination to the Government and other specialized bodies that may be organized in subordination to the Government or Ministries, or as autonomous administrative authorities (italics ours)*.

Central specialized autonomous bodies provide *public services of national interest* in areas which do not fall in the jurisdiction of government / ministries or of other specialized central bodies under its subordination, properly completing the scope of jurisdiction of the specialized central public administration.

As we know, the autonomous specialized central public authorities are **classified** in the specialized doctrine⁴ in two categories:

1) autonomous central authorities of **constitutional status**, such as: the Legislative Council - Art. 79, the Supreme Council of National Defence - Art. 119 Superior Council of Magistracy - Art. 133-134 of the Romanian Constitution, republished;

2) autonomous central authorities **created by an organic law**, such as: the National Audiovisual Council - set up by the *Broadcasting Act no. 504/2002*⁵, Romanian Radio Broadcasting Corporation and the Romanian Television - established by *Law no. 41/1994*⁶.

Romanian Radio Broadcasting Corporation and the Romanian Television are *autonomous public services of national interest, editorially*

¹ Verginia Vedinaş, *Drept Administrativ, Curs universitar*, 2015, works cited, p. 288.

² See: Ion Imbrescu, *Managementul serviciilor publice comunitare*, Second edition revised and enlarged, Lumina Lex, Bucharest, 2012, p. 36 et seq..

³ *Constitution of Romania*, republished in the Official Gazette of Romania, Part I, no. 767 of October 31, 2003.

⁴ Verginia Vedinaş, *Drept administrativ, Curs universitar*, 2015, works cited, p. 422.

⁵ Published in the Official Gazette of Romania, Part I, no. 534 of July 22, 2002.

⁶ *Law no. 41/1994 on the organization and functioning of the Romanian Radio Broadcasting Corporation and the Romanian Television*, published in the Official Gazette of Romania, Part I, no. 153 of June 18, 1994, republished in the Official Gazette of Romania, Part I, no. 636 of December 27, 1999.

independent, performing general objectives of information, education, entertainment [Art. 1 and Art. 4 par. (1) of Law no. 41/1994 republished].

5. Decisions of the Constitutional Court no. 448 of October 29, 2013¹ and no. 486 of September 25, 2014² concerning the objection of unconstitutionality of Art. 40 par. (3) of Law no. 41/1994 on the organization and functioning of the Romanian Radio Broadcasting Corporation and the Romanian Television

5.1. Constitutional Court Decision no. 448/2013

The object of objection of unconstitutionality was established by Art. 40 par. (3) of Law no. 41/1994 on the organization and functioning of the Romanian Radio Broadcasting Corporation and the Romanian Television, republished, as follows: “*Legal persons established in Romania, including subsidiaries, branches, agencies and representative offices, as well as representative offices of foreign legal entities in Romania are obliged to pay a fee for the public radio broadcasting service and a fee for the public television service, as beneficiaries of these services.*”

The objection was raised by S.C. “P.C” – S.R.L. in the MC Court case file and formed the object of Constitutional Court Case File no. 417D/2013.

In **motivating the objection of unconstitutionality**, its **author** argued that the provisions criticized, by the fact *that it obliges the companies to pay fees for public radio broadcasting service and for the television regardless of whether they benefit from these services*, are contrary to the constitutional provisions of Art. 29 par. (1) and (2) on the *freedom of conscience*, Art. 31 par. (5) on the *right to information* and Art. 139 on *fees, duties and other contributions*.

M.C. **Court** held that the *obligation under the text of the law criticized pertains only to businesses that benefit in different ways from these public services and, consequently, none of the objections raised can be accepted* (italics ours). The court held that the fees imposed by Art. 40 *guarantee the autonomy of public radio broadcasting service due to their establishment from own revenues of financial resources providing them with financial autonomy, as a prerequisite for their autonomous organization.*

The Court,

Examining the objection of unconstitutionality, found the following issues (taken from the Constitutional Court Decision no. 448/2013)

¹ Published in the Official Gazette of Romania, Part I, no. 5 of January 7, 2014.

² Published in the Official Gazette of Romania, Part I, no. 794 of October 31, 2014.

pt. 1. The provisions of Art. 40 par. (3) of Law no. 41/1994 on the organization and functioning of the Romanian Radio Broadcasting Corporation and the Romanian Television were previously subject to constitutional review.¹

The Court held that *“the obligation under the text is only pertaining to legal persons who benefit in various ways from these public services and, consequently, none of the objections raised can be accepted”*.

pt. 2 The Court noted that High Court of Cassation and Justice, referring to the jurisprudence of the constitutional litigation court, held that *the obligation to pay the fee for the public radio broadcasting service and of the fee for public television public service is incumbent only upon legal entities actually benefiting from these services.*²

pt. 3 The Court also noted that, although *it established by its case law on the matter the landmarks of a constitutional behaviour, in practice they are disregarded* and therefore *the decisions of the Constitutional Court are disregarded*, which, according to Art. 147 par. (4) of the Constitution, *they are binding erga omnes.*

Moreover, the Court found that, *in practice, in addition to ignoring the Constitutional Court decisions, a disregard of decisions of the administrative litigation courts is shown, which has resulted in the creation, for legal persons which won their case on payment of fees set by the text of the law criticized, of an additional burden, requiring they refer to the court again in order to compel public institutions and their agents to not invoice said fee*³.

The Court held that the ***diversion of legal regulations from their legitimate purpose, through their systematic interpretation and misapplication by courts or by other subjects called upon to apply the law, may determine the unconstitutionality of that regulation*** (italics ours) . In this case, the Court held that *it had jurisdiction to eliminate the unconstitutional flaws created thereby, essential in such situations being to*

¹ Constitutional Court Decision no. 159/2004 published in the Official Gazette of Romania, Part I, no. 426 of May 12, 2004; Constitutional Court Decision no. 297/2004 published in the Official Gazette of Romania, Part I, no. 756 of August 19, 2004; Constitutional Court Decision no. 331/2006 published in the Official Gazette of Romania, Part I, no. 412 of May 12, 2006.

² Decision no. 2.102/2009 of the High Court of Cassation and Justice - Department of Administrative and Fiscal Litigation published in the Official Gazette of Romania, Part I, no. 691 of October 14, 2009 and: Decisions no. 442/2011, no. 2/2011, no. 317/2011 and no. 607/2011 of the High Court of Cassation and Justice - Department of Administrative and Fiscal Litigation.

³ Civil Sentence no. 9682/2012 of Oradea Court, remained irrevocable by Decision no. 88/R/COM/2013 of Bihor Court – 2nd Civil, Administrative Litigation and Fiscal Department.

ensure that rights and freedoms are complied with and the supremacy of the Constitution (italics ours).

pt. 4. The Court further stated that, according to Art. 2 par. (1) pt. 40 of Law no. 500/2002 on public finances¹, the fee represents “*the amount paid by a natural or legal person, usually for services rendered to it by a trader, a public institution or a public service*”.

The Court considered that the *interpretation and application of the law criticized in the sense that the obligation to pay fees for public radio and television broadcasting services rests on all legal persons, whether or not there is a consideration of the public institution in question, come to disregard the provisions of Art. 56 par. (2) of the Constitution, according to which “**The legal taxation system must ensure a fair distribution of the tax burden.**”*

Finally, the Court found that, prior to that decision, it held, bearing value of principle that *both recitals and its decisions are generally mandatory and are imposed to all subjects of law with the same force*², following to find by said decision the *unconstitutionality of any other interpretation the administrative or judicial practice could assign to legal texts subject to criticism as opposed to that established by previous decisions of the Constitutional Court*³ (pt. 6 of Court Decision no. 448/2013).

The Court therefore found the ***constitutionality of Art. 40 par. (3) of Law no. 41/1994 insofar as the fee for public radio and television broadcasting services applies only to legal entities that benefit from these services.***

5.2. Comment

We reckon that the view of M.C. **Court** which referred the objection of unconstitutionality to Court, according to which - fees for public television service, established by Art. 40 of Law no. 41/1994 *ensure the accomplishment of broadcasting public service autonomy, due to establishment from own revenues of financial resources the financial autonomy ensures* - cannot be accepted, since **autonomy does not mean**

¹ Published in the Official Gazette of Romania, Part I, no. 597 of August 13, 2002.

² Decision of the Constitutional Court Plenum no. 1/1995 regarding the compulsoriness of its decisions given in the constitutional review, published in the Official Gazette of Romania, Part I, no. 16 of January 26, 1995, and:

Decision no. 1415/2009, published in the Official Gazette of Romania, Part I, Decision no. 414/2010 published in the Official Gazette of Romania, Part I, no. 291 of May 4, 2010.

³ In the same vein: Constitutional Court Decision no. 536/2011 published in the Official Gazette of Romania, Part I, no. 482 of July 7, 2011.

independence from law and providing public services must circumscribe the limits and conditions stipulated by law.

The fact that an autonomous authority requires financial resources for setting up from own revenues ensuring its financial autonomy does not justify the imposition of a fee established by the legislator as a consideration of public service without providing that service.

However, Art. 56 par. (2) of the Constitution states that “*the legal taxation system must ensure a fair distribution of the tax burden,*” and the doctrinal and jurisprudential marks on the matter are consistently in the same sense, given that “*public administration only pursues to meet general needs of the community, profitability being outside its scope*”¹.

The **Court** ruled correctly that we are dealing, in this case, with a “*diversion of legal regulations from their legitimate purpose, through their systematic interpretation and misapplication,*” considering that in such situations it is essential to ensure that the **rights and freedoms of people and the supremacy of the Constitution are observed**.

Finally, the Constitutional Court decision analysed reveals, as the Court itself stated in recitals exposed, a “*disregard*” of its settled case law and of the decisions of the administrative litigation courts.

Moreover, in our opinion, this situation could be described as an “*abuse of power*” in relation to Art. 2 par. (1) n) of the Administrative Litigation Law no. 554/2004, as amended and supplemented, which enshrines the meaning of that term: “*abuse of power – exerting the right of assessment by public authorities in violation of competence limits prescribed by law or in violation of rights and freedoms of citizens*”.

5.3. Constitutional Court Decision no. 486/2014

On December 20, 2013 prior to the publication of Decision no. 448 of October 29, 2013 in the Official Gazette of Romania, Part I, on January 7, 2014, the Constitutional Court has been referred to again, this time by the C.N. Court, with the objection of unconstitutionality of Art. 40 par. (3) of Law no. 41/1994 objection raised by S.C. “D.S.” – S.R.L. (pt. 17 of Court Decision no. 486/2014).

In the recitals, the Court stated that: (...) *although the Court will deliver a dismissing solution of the objection as becoming inadmissible, those enacted by Decision no. 448 of October 29, 2013 are to find application at the time of its publication in the Official Gazette of Romania, Part I, and in the pending case under which the objection of unconstitutionality was raised, since through that decision the method of*

¹ Corneliu Manda, Cezar C. Manda, *Dreptul colectivităților locale*, Third edition revised and enlarged, Lumina Lex, Bucharest, 2007, p. 427.

text constitutional interpretation which is the subject of the objection¹ was finally determined and made generally compulsory (pt. 18 of the Court's decision no. 486/2014).

6. Conclusions

Considering the normative and doctrinal landmarks presented in the paper, we propose the following **definition of <public service>**:

Public service designates the activity of the central and local public authorities and institutions and of legal entities of private law which, by law, have obtained the status of a public utility or are authorized to provide a public service, acting in a public power regime to meet the needs of legitimate public interest, generally circumscribed to fundamental rights, freedoms and duties of citizens, in terms of continuity, efficiency, effectiveness and equality of beneficiaries.

To the regulation, practice and case law of public services provision in general and provision of autonomous public service of national interest in the area of audiovisual/radio broadcasting and television, in particular, following the analysis made in the content of this paper, we may reckon that both legislative power in the process of adopting incident normative instruments and the executive power, in its public service providing component, to prevent any unconstitutional conduct, abuse or excess of power, must put above other possible reasons, the observance of *rights and freedoms of citizens*, to make the intervention of constitutional and administrative litigation courts no longer necessary, repeatedly, in the correct interpretation and application of the same provisions regarding the provision of public services.

This is necessary, given that the Constitutional Court itself found that, in practice, in addition to “*disregard*” of its decisions, there is also “*disregard of decisions of the administrative litigation court*” so that legal entities which have won cases on the subject are essentially “*forced to again refer the court in order to compel public institutions related*” to comply with the legislation on the matter and with the decisions applicable *erga omnes* passed by the Court, not only in terms of the device, but also regarding the recitals stated within them.²

¹ Pt. 18 of the Court's Decision no. 486/2014 (...) *in cases where the objection of unconstitutionality was raised to above date, (...) if the matter has been resolved, decisions of the Constitutional Court are grounds for review under Art. 322 pt. 10 of the Civil Procedure Code of 1865 or Art. 509 par. (1) pt. 11 of the new Civil Procedure Code, as appropriate.*

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THE ROLE OF THE SOCIAL ECONOMY IN LOCAL COMMUNITIES IN ROMANIA AND THE POSSIBLE CHANGE OF PARADIGM OF SOCIOLOGICAL RESEARCH

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Abstract

Seen in a less optimistic key, the presence of the Social Economy through its specific forms of manifestation, seems to interpret in Romania the role of a concept currently located in the neighborhood of a primordially that does not know their prospects yet. There are few who, putting under an academic loupe its itinerary after 1990, describe it as a residue which resulted against a conceptual navigation without an adapting compass to the new work paradigms, ineffective in terms of its basic characteristics, a hybrid grafted with all sorts of imperfections specific to the economic and social transition period, still far from its potential. As a matter of fact this kind of interpretation should not look dissonant as long as the milestone for the relevant Romanian legislation is 2015. In this context, although the efforts to measure the inequalities are not negligible, the interests that the Romanian sociology should confer on the effects of the inequalities have on institutions and people of Romania are very low. After all, the economic, political and social dimensions of inequality conceal exploratory penumbra with important consequences for the society, especially for the institutional space. Given this perspective can the sociological research change the paradigmatic line focusing on the public policy as well?

Keywords: social economy, social inequality, mutual societies, cooperative, public policy, public sociology, social enterprise, downward mobility

SOCIAL ECONOMY – HISTORY AND CONCEPTUAL EVOLUTIONS

It is difficult to pinpoint a precise milestone on a temporal axis for the moment of launching the concept of Social Economy. In various embryonic forms, as close as it can be to the current ethos, it was first located in Great Britain at the end of the eighteenth century and it is linked to the emergence of workers' trade union movements, dissatisfied with the extremely difficult living and working conditions. It is more than obvious the influence that the „associations” and „popular cooperatives” („trended towards charitable activities”, through „charity foundations, fraternities and hospitals”)¹ have on the development process of Social Economy.

Two, however, are the decisive variables in its development. On the one hand, the continuous growth along the borders which describes the union reaction which in time built the melting pot that has stimulated the generation of the three forms of organization for social economy - cooperatives, mutual societies and associations (later the foundations appear as well). On the other hand, the necessary element that consolidates them, ensuring the fuel needed for the subsequent developments, is closely linked to the emergence and development of the working class in the nineteenth century.

Without building a detailed history of conceptual evolutions, the eight congresses of cooperatives in Great Britain during the period 1831-1835 led the way to the building process in this area. Construction that was certainly influenced perhaps decisively by the later adoption of the cooperative principles ("that governed the activities of the pioneers of Rochdale") by "all types of cooperatives" in 1895, facilitating the creation in London of the International Cooperative Alliance ("the syndicate of the Grand National Consolidated Trades Union was set up in one of these congresses, uniting all British unions ")².

¹ *Social economy in the European Union/* Report on the situation of the social economy in the European Union, requested by the European Economic and Social Committee, accomplished by CIRIEC, 2012, page7

² “William King directly and decisively intervened in the development of cooperative movement in Britain and influenced the well-known cooperative established in Rochdale (England) in 1844 of 28 workers; six were disciples of Owen (Monzón, 2003). The famous cooperative principles that have guided the activities of the Rochdale Pioneers were adopted by all types of cooperatives, which created the International Cooperative Alliance (ICA) in London in 1895, and contributed significantly to the development of the modern concept of social economy”. *Ibid.*

It is not known an exact date when the term Social Economy was launched,¹ but it is certain of its use in French literature in 1830, when the French economist Charles Dunoyer published the *Treaty on social economy*, a paper that calls for "a moral approach of economics".²

It is just the beginning, because in the mid of the nineteenth century France develops the socialist economic school, in which, from the perspective of the object of the economy the human being is valued before wealth. Theorists of the school do not yet look for the alternative working paradigms to capitalism, but rather propose reconciliation of the "morality and economy through the moralization of the individual behavior"³, the focus is on seeking to obtain "the social peace" as a subject of economics rather than the "welfare and wealth".

The early conceptual boundaries is mentioned in the late nineteenth century, with the advent of the works of two great economy theorists: *John Stuart Mill* and *Leon Walras*, the first focusing on the role of associationism of enterprises workers in economic and social development (*Principles of Political Economy*), the second on the importance of labor unions, while launching and introducing the principle of democracy "functioning of the production process", not by eliminating the capital, but "by making the world less capitalist", which adds a moral footprint.⁴

Through the work *Études d'Économie Sociale: théorie de la répartition de la richesse sociale*, Walras in a way bounds himself from the thinking of F. Le Play's school, thus framing the Social Economy as part of economics and also "a field of activity which is prolific in economic cooperatives and mutual aid societies as we know them today".

Besides, late nineteenth century marks the beginning of structuring the main features of the modern concept of Social Economy, which brings to the fore the democratic associationism, mutualism and cooperativism.⁵

Even though it may be associated to it appreciable developments in the first half of the twentieth century, the social economy is not an area to counterbalance the "traditional public or private capitalism" sector, which

¹ They are regarded as precursors of the "utopian socialists" (the beginning of the nineteenth century), but the raising to the rank of academic discipline of social economy is due to Charles Gide (the last part of the nineteenth century and the beginning of XX century)

² Sorin CACE – coordinator, Daniel ARPINTE, Nicoleta Andreia SCOICAN, Harry THEOTOKATOS, Eleftheria KOUMALATSOU, *Social Economy in Europe*, Expert Publishing House, Bucharest, 2006, page 16

³ *Social economy in the European Union/ Report on the situation of the social economy in the European Union*, requested by the European Economic and Social Committee, accomplished by CIRIEC, 2012, page 8

⁴ *Ibid.*

⁵ *Ibid.*, page 8-9

was the basis of the social state (in Western Europe, 1945-1975) or the centralized planned economic system where the state was the only economic actor ("Soviet state and its satellites after World War II").¹

Beyond the various typical types of structures of the social economy (cooperatives, mutual societies) which make their presence felt in the casing business model that led to the "welfare state", but its role is rather of low importance.

Moreover, in the countries with "centrally planned" economies having the specific principles of Social Economy as "open and voluntary participation" and "democratic organization" are virtually eroded (by imitation), the costs are difficult to assess especially after 1990 in the process of economic transition of the former communist countries.²

The crisis of the social state of the mixed economy systems in the last quarter of the twentieth century opens the debate to finding new economic alternatives other than the specific capitalist or public sector. It is also why, since the '90s, "in the European Union, at the initiative of the European Commission, the Social Economy is included in the social policies, policies concerning SMEs in the rural development" and in the Europe 2020 Strategy "adopted by the European Council in 2010,, "the development of social enterprises through their access to grant funding provided by the EU Structural funds" to be sustained.³

Currently, the debate around the concept of social economy has spawned a growing applied process around the idea of framing on well-established frontiers the conceptual ethos. The International Centre for Research and Information on Public Economics, Social and Cooperative (CIRIEC)⁴ defines Social Economy as *"the set of private companies formally organized, with autonomy of decision and freedom of association, created to meet members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by the members, each of them having one vote. Social Economy also includes private organizations formally organized, with autonomy of decision and freedom of association, the non-market services for households and whose surpluses, if any, cannot*

¹ *Ibid.*, page 9

² *Ibid.*

³ <http://www.sesrom.ro/buletinformativ/BuletinInformativAprilie2015.pdf>

⁴ International non-governmental scientific organization which aims at data collection, scientific research and publish the results of the social economy (<http://www.ciriec.ulg.ac.be/>)

be appropriated by the economic agents that create, control or finance them".¹

Thus defined, the organizational structures active in the Social Economy field, legally established, bear the imprint of certain characteristics which sit on a distinct functional plateau: they lack self-governing, are independent of the direct control of the public sector, they combine high moral component due to the orientation to the socially vulnerable area, they lack adaptability to the typology of the social needs of the community in which they operate, have decision-making autonomy, operate within participatory democracy where freedom of accession as a member remains free and a rate of profit that is not dependent on invested capital but the contribution of individual effort in the activities of the structures of the social economy.

Conventionally we stop our attention only on a few elements that make the concept of Social Economy something quite distinct from other forms of economic organization with which we are already familiar. We emphasize this because we note the peculiarities of each state as well, generated by "type of business, cultural patterns, the type of legislation, the legal traditions of associative and prevalent organizational forms", but also "of the needs which are apparent in every social context and the characteristics of these needs."²

It's also true that we find peculiarities even in the name of the concept: social economy and solidarity (France), community economy (Quebec), folk economics (South America), the third sector / non-profit sector (Anglo-Saxon).

THE ROLE OF SOCIAL ECONOMY IN ROMANIA VS THE POSSIBLE CHANGE IN PARADIGM OF THE SOCIOLOGICAL RESEARCH

The pessimism attached to the structures in the future development of social economy in Romania has its roots in the period before 1990. Actually this kind of interpretation would not have to look unfitted at all as long as the Romanian legislation has as its milestone the year of 2015 while social economy structures have been organized until the appearance of the legislative framework.

It should be stressed that it is very hard to build the casing of a hostile economic environment that shortly after 1989 has assumed itself like a real mandate to demolish the basic pillars of cooperation and associative principles.

¹ *Ibid.*, page 17

² *Ibid.*, page 92

Tocqueville shows that where citizenship is developed, the governance is better, but equally, where "rules" and "networks of civic engagement" are missing; the chances of developing a collective action are minimal. More generally "institutional history is moving very slowly" and creating functional institutions "are measured in decades." And it is possible that "norms of reciprocity", "networks of civic engagement", certainly are slower.

The limits of the borders of Social Economy in Romania have their roots in recent history before 1990. Venturing into a building without very precise economic objectives, without a predictable horizon for economic and social development, on the skeleton of an economic system dependent on the planning mechanisms, a system that reached the turn thresholds otherness regarding the cooperation and associativity with a collective memory reactive to everything that would have required the cooperative model, was almost impossible that the model of the structures on the social economy to find a fertile land for the development.

Beyond the type of local understanding of the concept, the subject, however, it is becoming more present in most European academic debates (and other) and its stake attempts reshaping the socio-economic current in a global world that gradually reaches the limit in terms of increased social polarization.

The discussion of the concept of social economy seems more than necessary as long as, on the one hand, represents a huge bet with facets regarding the endemic need of systemic building of the opportunities for vulnerable social groups.

On the other hand, it is a conceptual border increasingly promoted in the paradigms of economic thinking of EU, which it is inviting to discuss the reinvention of the economic and social models, to define the social enterprises interpreted into an innovative social change key, of the inclusive and sustainable growth.

It seems rather a functional systemic requirement that is rooted in social problems of a huge cohort lacking at present the mechanisms to fertilize the support field of the chances of socio-economic survival, but also an alternative working paradigm to the currently available economic and social models.

And this in a context where there are few analysts that agree that the social economy for Romania should become one of the priorities of the economic instruments for 2014-2020.

¹ Putnam, Robert D., 2001, *How democracy works*, Polirom Publishing House, Iași, page 207.

The worsening of problems such as "massive unemployment, long-term social exclusion, fallen welfare in rural and urban areas, health, education, quality of life of pensioners, sustainable growth", demand answers arising from a completely different range of approaches, the traditional specific environmental or public not providing a full package of appropriate solutions ("These are social needs that are not addressed sufficiently or adequately any agency private capitalism nor the public sector and for which there is no easy solution through auto markets or traditional macroeconomic policy").¹

The fact is that, beyond the angle rather circumspect in which are arranged especially by population of Central and Eastern Europe (annihilation cooperative principles throughout the European communism, where the state was the only economic actor and the voluntary involvement and the exercise of organizing democratic mimicked), the interest to call into question the presence of structures of Social Economy shows signs of revival given that most economists agreed on the crisis of the welfare state system or mixed economy crisis particularly felt in the last quarter century of the twentieth century .

The obtained data from scientific analysis showed undeniable importance of cooperatives or mutual aid in creating and maintaining jobs, especially regarding optimization of interventions in the economic and social imbalances, but also of various non-commercial organizations, of the type of foundations or associations.²

The fact is that at the beginning of the twenty-first century much of the economists of the world ask themselves whether the current world economic system, in terms of an advanced and globalized technologic progress, marked by an unprecedented dynamics, instead of giving a certificate of minimum economic security to the disadvantaged population of that part of the world, rather it turns into a true platform for accelerating the social polarization with consequences yet difficult to quantify.

Statistics show that annually a large amount of the world population are extracted and disposed practically in history in a space in which, due to the sharp poverty can no longer be generated new paradigms of work.

The speed of technological change has the gift to further intensify large cleavages of economic-social order and appears to constitute a type of fuel that continues to operate a motor having the role in the acceleration of the development of the social gaps that are growing more structured.

¹ *Ibid.*

² *Sorin CACE – coordinator, Daniel ARPINTE, Nicoleta Andreia SCOICAN, Harry THEOTOKATOS, Eleftheria KOUMALATSOU, Social Economy in Europe, Expert Publishing House, Bucharest, 2006, page 16*

Wanting or not we are forced to admit that something has changed. The current global economic paradigm has huge waves in propagating poverty and gaps. Their borders are in constant motion and store the optimal fermentation of a silent tension of a new economic revolution that calls into question the viability of the current world economic system.

Actually, the wave of the global crisis triggered at the end of the last decade has already built momentum of borders that describe new cohorts deeply rooted in the core public issues of European states - so-called the lost generation, the average youth unemployment exceeding in some European countries the percentage of 25%.

In an article published on December 8, 2015 in Social Europe, entitled "How Inequality Kills"¹, the renowned economist Joseph Stiglitz, prefacing the Nobel Prize for Economics awarded in 2015 to the economist Angus Deaton, emphasized the structure of the new frontier built in mixer consequences which the social inequality distributes itself (Deaton, analyzing a large amount of data about health and deaths, notes that inequality directly influences the decline in life and health expectancy of American white middle-aged people, especially with a high school education or less, finding -it among the main causes leading to suicide, drug and alcoholism).

At the edge of this debate, in Romania, the Social Economy currently sits on the aisle incipient, whose targets are the vulnerable social groups that are unable to model their possible actions to the avalanche of the ex-traditional economic changes; specifically the social categories, which in the absence of precise mechanisms of intervention certainly lack any chance of social integration.

As are otherwise explained the latest trends found in the structure that defines total annual income realized in the economy of most developed European countries. Specifically, structures begin to erode the Social Economy, on the one hand, classical matrix of revenue contribution to GDP that each state is calculated at the end of each year. On the other hand, the destinies of millions of people are reintroduced into the economic circuit, reducing poverty layer of non-arbitrary neither by the state nor by the private sector. What seems interesting is the level of engagement in the social economy in the EU, where Romania ranks of 21, with yet untapped growth potential (see Table 1).

¹ <http://www.socialeurope.eu/2015/12/when-inequality-kills/>

Table 1 - EU Employment in Social Economy - 2012

Nr. crt	Country	Cooperatives	Mutual societies	Associations	Total	% of the employed population
1	Sweden	176,816	15,825	314,568	507,209	11,16%
2	Belgium	13.547	11.974	437.02	462.541	10,30%
3	Netherlands	184.053	2.860	669.121	856.034	10,23%
4	Italy	1.128.381	n.a.	1.099.629	2.228.010	9,74%
5	France	320.822	128.710	1.869.012	2.318.544	9,02%
6	Finland	94.100	8.500	84.600	187.200	7,65%
7	Denmark	70.757	4.072	120.657	195.486	7,22%
8	Germany	830.258	86.497	1.541.829	2.458.584	6,35%
9	Spain	646.397	8.700	588.056	1.243.153	6,74%
10	Estonia	9.850	n.a.	28.000	37.850	6,63%
11	Austria	61.999	1.416	170.113	233.528	5,70%
12	UK	236.000	50.000	1.347.000	1.633.000	5,64%
13	Ireland	43.328	650	54.757	98.735	5,34%
14	Portugal	51.391	5.500	194.207	251.098	5,04%
15	Hungary	85.682	6.676	85.852	178.210	4,71%
16	Bulgaria	41.300	n.a.	80.000	121.300	3,97%
17	Poland	400.000	2.800	190.000	592.800	3,71%
18	Czech Republic	58.178	5.679	96.229	160.086	3,28%
19	Greece	14.983	1.140	101.000	117.123	2,67%
20	Slovakia	26.090	2.158	16.658	44.906	1,94%
21	Romania	34.373	18.999	109.982	163.354	1,77%
22	Cyprus	5.067	n.a.	n.a.	5.067	1,32%
23	Malta	250	n.a.	1.427	1.677	1,02%
24	Slovenia	3.428	476	3.190	7.094	0,73%
25	Lithuania	8.971	n.a.	n.a.	8.971	0,67%
26	Latvia	440	n.a.	n.a.	440	0,05%
27	TOTAL EU-15	3.874.765	325.844	8.605.750	12.806.359	7,41%
28	New members	673.629	36.788	611.338	1.321.755	
29	TOTAL EU-27	4.548.394	362.632	9.217.088	14.128.114	6,53%

Only 1.7% of the employed population (163,354) is found in structures of the Social Economy. Given that according to the National Institute of Statistics in Romania it ranks first in EU regarding the relative poverty rate (according to INS in Romania there are over 8 million people at risk of poverty or social exclusion). There is no place on the causes of breakdowns that enable poor correlation between the two variables (deep poverty, employment in social economy structures). Perhaps, as has been said and the late emergence of a specific legislative framework (Law SE was promulgated in 2015) had a very important role.

In conclusion, beyond the image of a painting that has the gift rather to highlight the indifference / inefficiency / incompetence of the institutions in Romania, one may wonder if it is time for a trigger of the paradigm shift in the work of the Romanian sociological research.

The shift of paradigm which leads to changes of roles in the scientific world. In an excellent article ("Sociology as a vocation"), putting in discussion the challenging problems described by social inequality increased globally, Herbert Hans wondered whether it is time for the sociologists "to wonder what role can they play, but sociology as a discipline in understanding these inequalities and in particular societal changes and social costs associated with, most likely, of these".¹

It should be stressed that efforts to measure inequalities in Romania are really significant. And that equally both poverty and inequality are constituent parts of the social realities of any state. But in Romania the degree of manifestation is very high and rooted in a totally different cause. Here the role of Romanian sociological research must be discussed again. In Romania causal relationships should be sought both in history (distant or recent) and in the range of economic measures taken during the transitional period. Transition faced with huge additional wave of global economic crisis of the past decade's end.

Moreover, in this context, the Romanian sociology should be more concerned with the effects that poverty and social inequality have on people and institutions.

"Micro sociological aspects of the economic, political and social inequality require a broader exploration than hitherto. Whenever possible, sociological research should be oriented towards the policies," says Herbert Gans. And it does not raise a "concrete involvement in the implementation of public policies", but the handling of research that "can contribute to responding to supporters of public policies" for "those who prepare for analysts and critics of public policies that have as subject inequality".²

Gans shows that while research in economics and politics "still tend to be concerned with the issues of the elite country" it is quite natural that sociologists "to direct more attention to those who are not part of the elite". Because the direction of the in-depth sociological research should already be visible in the area describing the social life of the most vulnerable people, "especially people with an income below the average, which will certainly suffer the most from the growth of inequality". And of these, "those who are least represented in and by the state and those who are outside the public discourse, should receive attention first."³

Certainly sociology as a science should not become a mouthpiece of the problems of the vulnerable people. But its scientific interest may be the social costs associated to inequalities or about those associated to the mobility downwards. Can we describe in today's Romania, the space around

¹ *Herbert Gans, in Global Dialogue, vol. 4 / nr 2, June 2014, page 6*

² *Ibid.*

³ *Ibid.*

their frustrations were caused by the discontinuation of the upwards mobility or lowering the expectations? Shouldn't it be that the processes and effects of the downward mobility to become a key area of interest for Romanian sociology?

Shouldn't a more emphasis be on the long-term effects of extreme poverty, given that studies have already shown that, given that the so-called post-traumatic stress disorder can affect several generations in a row? Shouldn't a precise picture of the way individuals react in different poor social layers be built to the downward mobility?

These are studies that can really produce accumulations in a pool of public policies, and politics, to select and shape the associated social interventionist philosophy.

Equally, shouldn't the sociological research including factors that create social inequality a topic at least as important as the study on those who suffer the consequences? In the sense that it is measured and defined precisely and institutional environment or main agents that have important roles in maintaining them where they are or, more, having a bigger burden on themselves?

It's also true that one would welcome even a more consistent involvement of sociologists to demonstrate the social utility of sociology as a discipline. And this can only be achieved through a new approach that would allow the investigation of the range of relevant issues of social reality through research on those themes that bring to the surface newer pictures that describe the deep social problems.

As Gans shows, shouldn't the sociologists investigate "the issues that other social sciences ignore and devote themselves to the research of aspects from the backstage of the society which are not relevant or are not known to other researchers"?¹

It is a fact that technological developments will inevitably bring more and more changes that will shape new behaviors. The world is changing. But beyond the greater capacity to access the Big Data, which obviously cannot be ignored, sociology must preserve unaltered vocation to bend through field research on inventory issues discovered only through the collection and analysis of small data, particularly through the field ethnographic research. Building a correct paper describing the whole issue of the social reality of a

¹ Ibid.

population may result not only through direct research of the people and their integration in the groups and organizations that sociology is studying.

It requires innovation in Romanian sociology, more courage in discussing the older theories, resetting the prospects of approaching sensitive issues, giving up the conventional theory and searching for new research tools in order to aim for the in-depth knowledge of the social realities. The profound changes generated by the increasing inequality represent an extra motivation to urge the construction of a new platform of sociological research.

Sociology is the only science which puts in the center of the theoretic universe the social. The axiom rises as naturally the question whether its efforts to develop scientific tools to enable consistent approaches to the public, would have to become a priority. That's because between the interest of the general public and the sociology should not be barriers, but continuous color through which flows the necessary fuel to supply the sociological research.

Through this research, sociology would approach the public interest, shaping the target towards achieving the specific parameters that shape it as public sociology. It is needed more than ever that the language of Romanian sociology to become one of public sociology. Only thus it can contribute not only to the knowledge of social reality, but also coming to support the stringent functional requirements, current, already structured in the heart of the social.

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THE PATH TO A UNANIMOUSLY ACCEPTED GAAR BY EU MEMBER STATES

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Abstract

The purpose of this paper is to identify at the level of the EU Member States the basis for acceptance, respectively rejection of the General Anti-Abuse Rule (GAAR), as described in the Commission Recommendation of 6.12.2012 on aggressive tax planning. The different positions adopted by the EU Member States in respect of the initiative to uniform and unify tax legislations in order to fight tax avoidance are analyzed based on their tax laws' adherence to different doctrines. The results show that the majority of EU Member States presents opposition towards the adoption of the new GAAR, regardless of the doctrines they have in place, and even in the absence of a domestic GAAR. Member States' position towards the EU GAAR can be divided into three categories: Member States that committed to implement the GAAR in the form recommended by the Commission; Member States that still consider this implementation and Member States that reject the new form of the GAAR, as they claim that the one already existing in their legislation satisfies its purpose. This paper considers the coordinated efforts and the latest development in counteracting aggressive tax planning activities at the level of the EU Member States, through the proposed and at the same time much debated General Anti-Abuse Rule (GAAR). The originality of this research resides in mapping an analysis on a country-by-country basis at the level of the EU Member States that presents the main principles based on which the national General Anti-Abuse Rules are constructed, as compared to the doctrine based on which the proposed EU GAAR is constructed.

Key words: EU Member State, General Anti-Abuse Rule (GAAR), Aggressive Tax Planning, Substance over form principle, Abuse of law doctrine.

Jel Classification: H 87, K 34

INTRODUCTION

The dynamics in the economic activities propelled by the process of globalization changed the business patterns and provoked reactions on behalf of the states. In this context, international tax competition was a key issue to address since the states' level of taxation influenced both investment and capital flows. The Project "Harmful tax competition" launched by the Organization for Economic Cooperation and Development (OECD) raised a series of concerns in respect of the flow of capital and investment towards the low tax jurisdictions, while the high tax jurisdictions were faced with an erosion of their tax basis, resulting in diminished state revenues and undersupply of public goods (OECD, 1998). In their attempt to face tax competition, states diminished taxes on mobile capital while increasing the tax burden on immobile capital, such as labor.

In respond to this pressure, the OECD took action in order to regulate a series of international aspects, which resulted in the elaboration of the International Standards of Transparency and Exchange of information in tax matters. The low tax jurisdictions, known as tax havens and the preferential tax regimes were the first to be targeted and the adherence of these states to the OECD's standards created a level playing field in the area of international taxation.

Acknowledging the threat to the well functioning of its internal market, The European Union launched the "The Code of conduct for business taxation" that aimed at targeting harmful tax measures existing in the EU Member States' tax legislation. Therefore, the states had to review their tax practices in respect of a set of criteria that ensured they did not contain substantially lower levels of taxation, including no taxation, as compared to the generally practiced tax rates (The Council of the European Union, 1998). This action came to support the OECD's initiative, transposed to the internal needs of the European market.

Continuing work in the area of international tax rules' modeling, the latest OECD's project "Base Erosion, Profit Shifting (BEPS)" presents an in-dept focus on multinational companies' taxation, based on a 15-point Action Plan in order to target tax avoidance and to ensure that taxes are paid where the economic activities take place (OECD, 2013b). Project's Action 5 put an emphasis on targeting harmful tax measures (preferential regimes), by means of improving transparency and requiring substantial activity (OECD, 2015).

Taxation spectrum in "Fiscalis 2020" Action Program addresses aggressive tax planning through a number of measures that need to be considered such as a coherent Union law in the field of taxation, enhanced

administrative cooperation and capacity of tax authorities (The European Parliament and The Council, 2013).

In line with these measures, in 2012 the European Commission launched a Recommendation which called for the EU Member States to adopt a General Anti-Abuse Rule (GAAR), as a strategy to fight aggressive tax planning in order to eliminate distortions in the internal market. Moreover, the new GAAR would be compatible with the limitations set by the Court of Justice of the European Union and prevent the risk of being challenged by the tax payers. Yet, the level of implementation of the proposed form of GAAR in the national tax legislations of the EU Member States is relatively low since there is considerable opposition towards its adoption (The European Commission, 2012).

This paper aims at analyzing at the level of each EU Member State the doctrines based on which the national General Anti-Abuse Rules are constructed and find the basis of disagreement in relation to the proposed EU GAAR. There have been analyzed the underlying assumptions and patterns of constructing the national anti-abuse rules and then compared to those of the new GAAR as designed by the European Commission.

The results of the analysis present a set of interesting aspects which link respectively, unlink domestic legislation on GAAR to the proposed EU GAAR. The majority of the EU Member States already have in their legislation a domestic GAAR, the two main doctrines based on which they are created being the Substance over form doctrine and the Abuse of law doctrine. The delay in the implementation of the Commission Recommendation on the EU GAAR comes from the lack of added value, as considered by 18 EU Member States, while 4 EU Member States are still undecided on its implementation. The refuse of implementation is formulated also by 6 EU Member States that currently do not have a domestic GAAR in their legislation. Although the new EU GAAR is funded on the Substance over form principle, which already forms the basis of many EU domestic GAARs, and in addition it cannot be challenged in the court by the tax payers, its adoption seems to be a long term process.

The first section of this paper presents the literature review in the area of tax planning and tax avoidance, aspects which created the need for more supervision in the new global economic context. The second section presents the methodology of this research, where the pattern of the proposed EU GAAR is presented and a country-by-country analysis of the domestic GAARs presents the main doctrines based on which they are constructed. The results are presented in the third section of the paper, where a distinction is made in the approach towards the proposed EU GAAR by the EU Member States that do not have a domestic GAAR as compared to those

that have one. This part is followed by the fourth section that emphasis on the summary and conclusions.

1. LITERATURE REVIEW

Taxation is an important aspect to be considered both in corporate and personal decisions. According to the OECD, taxation is one of the main components of profitability and as a consequence it has the potential to influence the decision-maker on the location and the mean of investment (OECD, 2013a).

Taxation has received the attribute of a motivating element in corporate decisions (Lanis and Richardson, 2012). Analyzed as a key financial factor, taxation influences the strategy decisions (Glaister and Frecknall Hughes, 2008). Aspects related to financial options, organizational forms, restructuring decisions, payout policies, etc are strongly influenced by taxes, as well (Desai and Dharmapala, 2006).

Taxation represents a cost for the company like any other and the managers, under a fiduciary duty, strive to run the business in the most cost effective manner. Therefore, the tax code must be constructed in a way that takes into account the companies' drive to diminish tax impact, as part of their normal course of business (ACCA, 2014).

Tax planning may be referred to as comprising of all activities designed to produce a tax benefit (Wahab and Holland, 2012). Since tax is seen as a cost factor for the company, managers will try to minimize it to the extent it is legally and socially acceptable (Garbarino, 2011). The academic literature also considers the cost associated to tax planning activities. Therefore, tax planning may increase the after tax profits by reducing the level of tax, yet this strategy involves actual and potential costs that may diminish the benefits it provides (Wahab and Holland, 2012; Garbarino, 2011). The actual costs are incurred in the form of fees or salaries paid to tax consultants or costs related to a restructuring process, while the potential costs may be reputational costs or they may arise in cases where the tax strategy is challenged by the tax administration (Wahab and Holland, 2012). Since tax planning may be considered a long-term investment, the entire benefit can be measured in time (Rego and Wilson, 2012).

Corporate tax strategies may be aggressive or responsible. Aggressive corporate tax strategies are defined as a corporate effort to minimize tax liability by all the possible legal means. On the other hand, responsible corporate tax strategies are those that comply with the intention of the law and do not try to exploit all legal possibilities to diminish the tax liability (Hardeck and Hertl, 2014).

A key concept of this paper is the aggressive tax planning. According to the European Commission, aggressive tax planning is a practice of reducing tax liability by strict lawful means but which contradicts the spirit of law. This strategy uses the technicalities of a tax system or a mismatch between two systems in order to diminish the tax burden (The European Commission, 2012). The same definition applies to the concept of “tax avoidance” (Kirchler et al., 2003).

As tax consequences are a motivating factor in many corporate decisions, managerial actions designed solely to minimize corporate tax through aggressive tax planning are becoming more of a common feature of the present corporate global environment (Lanis and Richardson, 2012; Desai and Dharmapala 2009).

A differentiation must be made between tax avoidance and tax evasion, where the distinction arises in terms of the “letter of law” and the “spirit of law” (Hasseldine and Morris, 2013). Although tax avoidance and tax evasion imply reducing the tax burden, tax evasion is an illegal activity, while tax avoidance is legal (Freire-Serén and Martí, 2013).

Since the onset of recession in 2008, tax avoidance has entered public attention, being considered socially unacceptable. Tax planning and tax avoidance are no longer seen as technical issues performed by accounting firms but they are seen as immoral activities (Frank Mueller, 2015).

Corporate tax avoidance is an important point on the international political agenda in the context of the states’ public finances being strongly affected by the recent global financial crisis. The media on tax related affairs of prominent multinational companies has created hostility from civil society and non-governmental organizations and has increased pressure on policy makers to take action (Jones and Temouri, 2016).

2. METHODOLOGY

This research paper considers the Commission Recommendation of 6.12.2012 on aggressive tax planning, where a General Anti-Abuse Rule (GAAR) was proposed to be adopted by all EU Member States, yet it faced resistance on different reasons.

The discussion papers presented by the Group of Experts called “Platform for tax good governance, aggressive tax planning and double taxation”, reveal three different positions of EU Member States in respect of the proposed GAAR: Member States that committed to implement the GAAR in the form recommended by the Commission; Member States that still consider this implementation and Member States that reject the new

form of a GAAR, as they claim that the one already existing in their legislation satisfies its purpose.

In this context, this paper aims at analyzing the States' position in respect of the proposed GAAR in accordance with the doctrines based on which the national GAARs are created as compared to the EU GAAR, in order to identify similarities and differences.

2.1. General Anti-Abuse Rules (GAARs)

Countries have adopted a variety of anti-abuse strategies to ensure the fair payment of taxes by taxpayers. These strategies' objective is to prevent, identify and respond to aggressive tax planning. Prevention strategies try to discourage taxpayers from engaging in aggressive tax planning; Identification strategies aim to ensure the timely, targeted and complete information detection; while Response strategies counter inappropriate tax behavior and influence future tax behavior. Therefore, the anti-abuse rules are policy measures aimed at prohibiting taxpayers from engaging in certain forms of aggressive tax planning (OECD, 2013a).

The most relevant anti-abuse rules found in domestic tax systems are:

- General anti-abuse rules or doctrines;
- Controlled foreign company rules;
- Thin capitalization and other rules limiting interest deductions;
- Anti-hybrid rules;
- Anti-base erosion rules (OECD, 2013a).

2.2. The EU General Anti-Abuse Rule (GAAR)

Within this paper the accent is placed on the General Anti-Abuse Rules or doctrines. There are analyzed the EU GAAR and the domestic GAARs existing in each EU Member State.

The Commission's Recommendation comes in the context of a rapidly changing international business environment where tax planning structures present a high degree of complexity, while national tax laws cannot keep pace with these accelerated changes. In this scenario, the specific anti-abuse rules become inefficient to respond to the new aggressive tax planning structures. A solution brought by the Commission to address this problem was the adoption by all EU Member States of a common General Anti-Abuse rule, which could also avoid the complexity of many different ones (The European Commission, 2012).

The adoption of the EU GAAR would involve the inclusion of a special clause in the domestic tax laws of the EU Member States, concerning the treatment of artificial arrangements by tax authorities.

Therefore, an artificial arrangement or series of arrangements created for the main purpose of avoiding taxation and obtaining a tax benefit has to be ignored. National authorities need to treat these arrangements for tax purposes considering their economic substance. It is considered that an arrangement or a series of arrangements is artificial where it lacks commercial substance (The European Commission, 2012).

2.3. Domestic General Anti-Abuse Rules (GAARs)

The domestic tax laws of EU Member States present forms of anti-avoidance rules, based on different principles. Yet, the European Commission considers that the existence of a single EU GAAR adopted unanimously by all Member States would lead to a better and effective respond to aggressive tax planning in the internal market.

A Group of Experts called, “Platform for Tax Good Governance, Aggressive Tax Planning and Double Taxation” was created in order to coordinate the process of introducing into the European domestic tax laws, the proposed GAAR as recommended by the Commission.

Yet, a Discussion Paper on GAAR, from October 2014, presents Member States as having a rather cautious stance as regards the adoption of a new GAAR or to review their domestic GAARs according to the template presented in the Commission Recommendation.

The objective of this paper is to analyze the domestic GAAR of each EU Member State and to identify whether the principles on which they are constructed differ from the proposed EU GAAR.

In this respect we have constructed Table 1. The first column of the table presents the EU Member States; the second column identifies the existence of a domestic GAAR in each state; the third column presents the main principles/ doctrines on which the domestic GAAR is constructed and the fourth column states the position of each EU Member State towards the adoption in its own tax legislation of the EU GAAR as presented in the Commission Recommendation.

The Discussion Paper on GAAR, from October 2014, presents Member States grouped on three categories, according to their position towards the EU GAAR.

- The first group of Member States supports Commission Recommendation on GAAR (Indicated as [1] in Table 1);
- The second group of Member States is undecided on the implementation of the Commission Recommendation (Indicated as [2] in Table 1);
- The third group of Member States does not see the added value of introducing or revising their GAAR (Indicated as [3] in Table 1).

Table 1. EU Member States' domestic GAARs and doctrines

EU Member State	Existence of a domestic GAAR	The principles/ doctrines of the domestic GAAR	Position in respect of EU GAAR
Austria	Yes	- Substance over form - Abuse of law	[3]
Belgium	Yes	- Abuse of law	[3]
Bulgaria	Yes	- Substance over form -Arm's length	[3]
Croatia	Yes	- Substance over form	[1]
Cyprus	Yes	- Sham transaction	[3]
Czech Republic	Yes	- Substance over form - Abuse of law	[3]
Denmark	No	- Abuse of law	[2]
Estonia	Yes	- Substance over form	[3]
Finland	No	- Substance over form	[2]
France	Yes	- Abuse of law	[3]
Germany	Yes	- Abuse of law	[3]
Greece	Yes	- Substance over form	[1]
Hungary	Yes	- Substance over form - Abuse of law	[3]
Ireland	Yes	- Substance over form	[3]
Italy	Yes	- Substance over form - Abuse of law	[1]
Latvia	No	- Abuse of law	[3]
Lithuania	Yes	- Substance over form	[3]
Luxembourg	No	- Abuse of law	[2]
Malta	Yes	- Abuse of law	[3]
The Netherlands	No	- Substance over form - Abuse of law	[3]
Poland	No	- Abuse of law	[1]
Portugal	Yes	- Substance over form	[3]
Romania	Yes	- Substance over form	[1]
Slovakia	Yes	- Substance over form	[1]
Slovenia	Yes	- Substance over form	[2]
Spain	Yes	- Substance over form - Abuse of law	[3]
Sweden	Yes	- Substance over form	[3]
United Kingdom	Yes	- Abuse of law - Ramsay principle	[3]

Source: Deloitte, 2016; Ernst and Young, 2015; ICLG, 2016; The European Commission, 2014.

The EU Member States' domestic GAARs are based on different principles, as presented in Table 1: *Substance over form principle, Abuse of Law doctrine, Arm's length principle or Sham transactions doctrine*. In contrast, the Commission Recommendation shapes the EU GAAR based on the *Substance over form principle*.

In tax matters, the application of *the Substance over form doctrine* means that the true economic substance of a transaction will prevail over its formal appearance. In cases of abuse, tax authorities have the power to levy tax in order to bring the transaction in line with its economic substance (Deloitte, 2016).

An abuse of law (tax abuse) will exist where the taxpayer engages in transactions that allows it to avoid tax or claim a tax benefit that is contrary to the intent of law (Deloitte, 2016).

The arm's length principle states that where a transaction has been concluded for the purpose of tax avoidance, the taxable basis shall be determined without taking into consideration the said transaction, but instead, the taxable basis that would have been achieved considering a transaction at arm's length prices which was aimed at achieving the same economic result, without leading to tax avoidance (ICLG, 2016).

The sham transaction doctrine empowers tax authorities to disregard any transaction that is artificial or fictitious, having as main purpose avoiding tax.

3. RESULTS

Table 1 reveals a set of interesting information on the current position of EU Member States towards both their domestic GAARs and the EU GAAR, as recommended by the Commission.

In this respect, this section presents observations on the EU Member States that do not have a domestic GAAR in their legislations, respectively those that have a GAAR.

3.1. EU Member States that do not have a domestic GAAR

One observation is that six EU Member States currently do not have a GAAR in their legislations. Except for Poland that has launched a legislative initiative to introduce a GAAR according to the Commission Recommendation,

- Denmark, Finland and Luxembourg are still undecided on its implementation, while
- Latvia and the Netherlands do not see the added value of introducing the GAAR.

In terms of the doctrines applied in tax matters, the six EU Member States that do not have a GAAR in their legislations present the following status:

- Denmark, Latvia, Luxembourg and Poland apply *the abuse of law doctrine*;
- Finland applies *the substance over form concept* and
- The Netherlands adheres both to *the abuse of law doctrine* as well as the *substance over form principle*.

Comparable to the proposed EU GAAR which advances the economic substance principle, only Finland and the Netherlands' domestic GAARs are founded on the same principle.

3.2. EU Member States that have a domestic GAAR

In terms of the principles based on which the domestic GAARs are constructed, 16 out of 22 Member States apply the *Substance over form principle*. Only the legislations of seven EU Member States present the *Abuse of Law doctrine*.

All the five EU Member States that have supported the Commission Recommendation on the EU GAAR (Croatia, Greece, Italy, Romania and Slovakia) adhere to the *Substance over form principle*. The same principle is used in Slovenia, although its position towards the new EU GAAR remains uncertain.

The resistance towards the implementation of the Commission Recommendation is posed by 16 EU Member States that do not see the added value of revising their existing GAARs according to the Recommendation. Also, 10 of these EU Member States already have their domestic GAARs based on the *substance over form principle*, which is also the basis of the GAAR proposed in the Commission Recommendation.

4. SUMMARY AND CONCLUSIONS

The sophisticated tax planning schemes developed in rapidly changing business environment tend to delay tax authorities' time of response in order to detect and react to tax avoidance. In order to cope with the new threats to which the EU internal market is exposed, the Commission Recommendation on aggressive tax planning suggested a commonly accepted EU General Anti-Abuse Rule (GAAR), whose aim was on one hand to help tax authorities identify abusive tax behavior and on the other hand to be fully compatible with the limitations set by the Court of Justice of the European Union (CJEU).

Despite the Commission Recommendation on a fully compatible EU GAAR, only six EU Member States have supported the initiative, while 18 Member States do not see the added value of the proposed GAAR and four Member States are still undecided on its application.

This paper proposed an analysis of the domestic GAARs at the level of each EU Member State, which stood for a comparison basis to the proposed EU GAAR.

The domestic GAARs are based on two main doctrines, the substance over form principle and the abuse of law doctrine. Of the two, the substance over form principle prevails as a basis for GAAR in 13 EU Member States. The abuse of law doctrine applied in tax matters is used in seven EU Member States. Although the proposed EU GAAR places an accent on the substance over form principle, resistance in its acceptance comes from both the EU Member States that already apply the substance over form principle as well as from those that apply the abuse of law doctrine.

Another interesting result is that six EU Member States currently do not have in place any domestic GAAR (Denmark, Finland, Latvia, Luxembourg, the Netherlands, and Poland). In four of these states the abuse of law doctrine is applied (Denmark, Latvia, Luxembourg, Poland), the substance over form principle is used in Finland, while the Netherlands adheres to both doctrines. In this particular case, except for Poland which has supported the Commission Recommendation and the implicit adoption of the EU GAAR, Denmark, Finland and Luxembourg are still undecided on its implementation, while Latvia and the Netherlands do not see the added value of introducing the EU GAAR.

The current situation on the adoption of an EU GAAR as proposed in the Commission Recommendation provides future uncertainties on the unanimity acceptance of a final form of this measure, aimed at targeting aggressive tax planning.

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ANALYSIS OF LABOR MARKET SEGREGATION BY GENDER IN ROMANIA

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Abstract:

This article aims to highlight the analysis of labor market segregation in Romania. The labor market is defined by demand and supply of labor, which is in a close relationship with the ability to transform in order to meet the needs of the economy. In the situation when there is labor market segregation, the macroeconomic balance of the country is harmed. Special emphasis is placed on gender segregation that, although it does not manifest virulent across Romania, though this may delay the process of modernization and effective integration into the European single market.

In society, appreciation conferred to "women's work" and "men's work" is not the same. Women and men have the same status in the community but they do not equally contribute to decision-making. These differences fluctuate from one society to another, from one culture to another and are titled "gender differences".

Keywords: employment, population structure, economic balance; earnings.

JEL Classification: B22; J21.

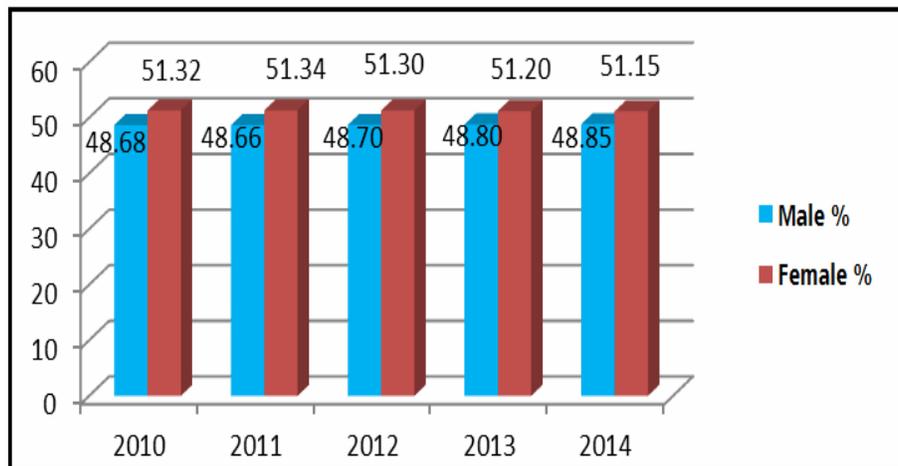
1. Introduction

Private and public services and areas such as employment, training, business and politics are not always created taking into account the specific needs of women and men (or most often the male standard is considered), hence the emergence of occupational segregation [2].

Generally segregation analysis did not take into consideration the division between men and women, but occupations and sectors in which they work. Gender segregation refers mainly to women or men who tend to work in different occupations and sectors. This phenomenon is related mainly to the labor market income disparities caused in a national economy in line with European standards and requirements [11].

2. Labor force at national level

Analyzing the structure of the population by gender Romania for the period 2010-2014, it can be seen that over the years, the percentage of female population has recorded a slight decrease, reaching in 2014 to 51.15% of the total population (see fig. 1), amid a shrinking total population (from 20,246,798 persons in 2010 to 19,913,193 persons in 2014).

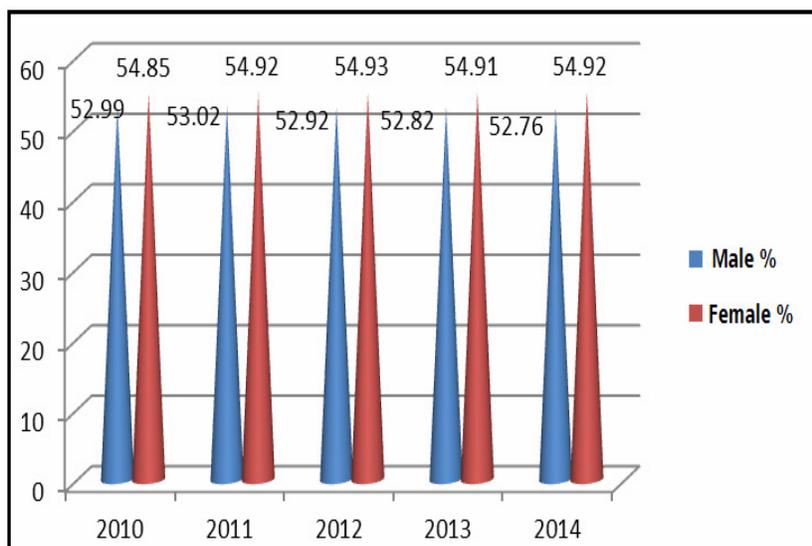


Source: data processed from www.insse.ro [12]

Figure 1. Structure of total population by gender (in %)

A slightly different trend is observed in the evolution of the population structure by gender and urban areas [7], which highlights a slight decrease of the percentage of the female population in urban areas (see Fig.

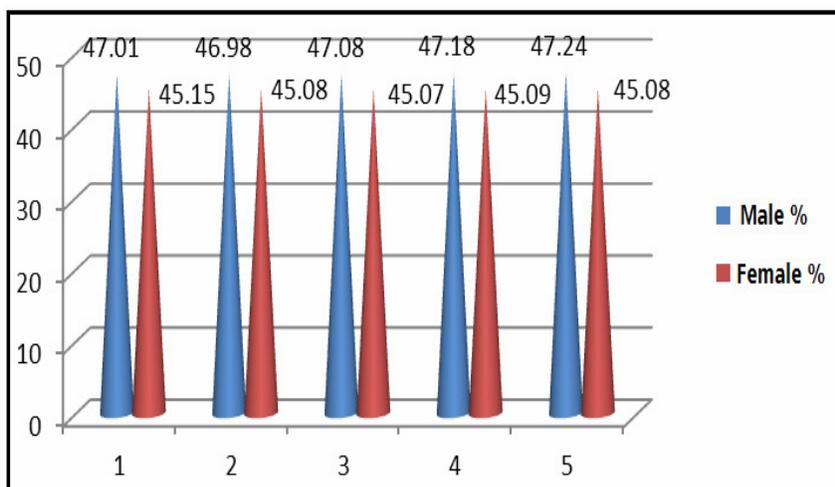
2), and a decrease in rural - female population share was 51,15% in 2014 in urban areas and 45.08 in rural areas [10].



Source: data processed from www.insse.ro [12]

Figure 2. Structure of urban population by gender (in %)

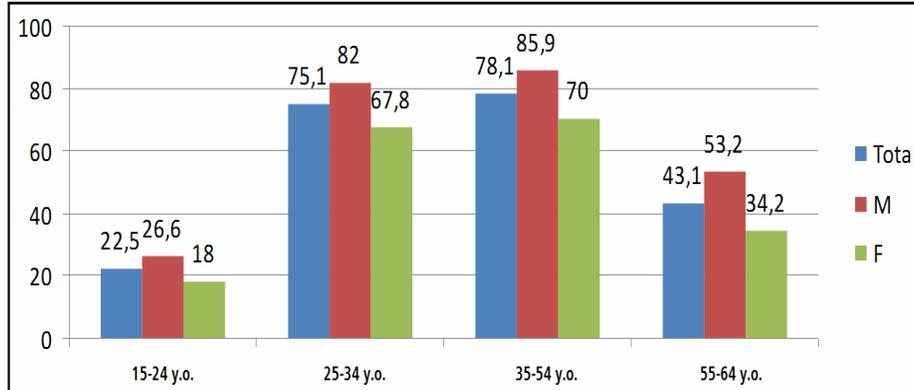
In rural areas, amid the negative total population evolution [9] from 10.190 thousand to 9.572 million people in 2012, the female population has been decreasing at a rate 0.8 percentage points higher than men (see Figure 3).



Source: data processed from www.insse.ro [12]

Figure 3. Structure of rural population by gender (in %)

The presence in the labor market based on gender and age can be illustrated through activity rates [3]. It is noted that the activity rates of women are lower than those of men, with the result that income gaps are widening the disadvantage of women (see Figure 4).



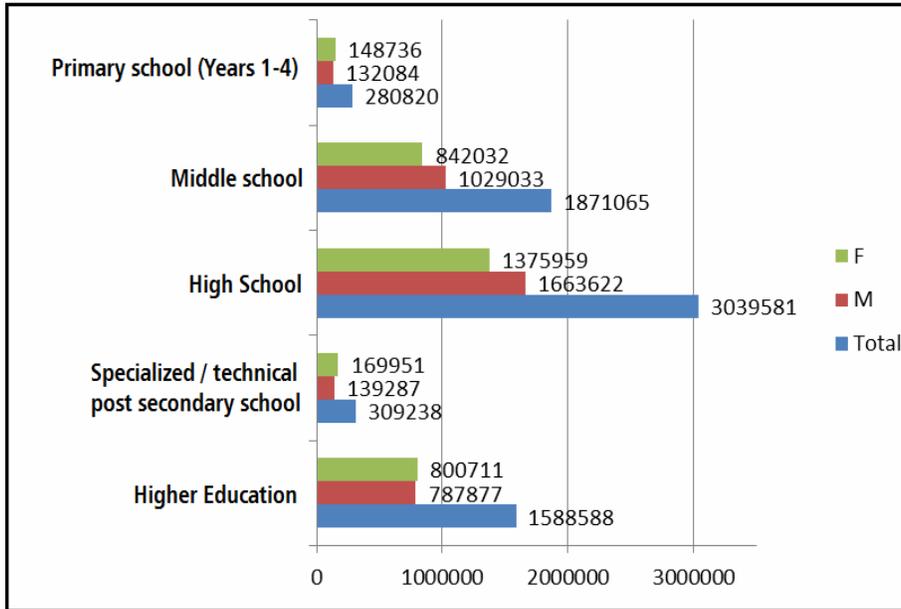
Source: Author's processing based on data from www.insse.ro [12]

Figure 4. Activity rate based on age and sex (2014) (in %)

The gap between male and female activity rates is widening, especially for the age group 55-64 years. The activity rate of women aged 55-64 years in 2014 is much lower than that of men, namely 34.2% to 53.2%. Attracting more women into the labor market in Romania helps to counterbalance the effects of the aging population, budget cuts in public funding [4] and social protection systems, expansion of human capital and increasing competitiveness.

The employment rate of women [1] aged 55-64 years ranged between 2010-2014 from 32.6% (2010) to 33.1% (2008), while in 2014 recorded a value of 34.2 %. Employment rate for men compared to the same time and the same age group ranged from 49.9% (2010) to 53.2% in 2012.

For analyzing employment, data on the qualitative aspect of labor depending on the level of education [5] are quite relevant,. Numerically there are no essential differences in terms of education level between the two genders, female workforce recorded a higher education level than the male (see Figure 5).

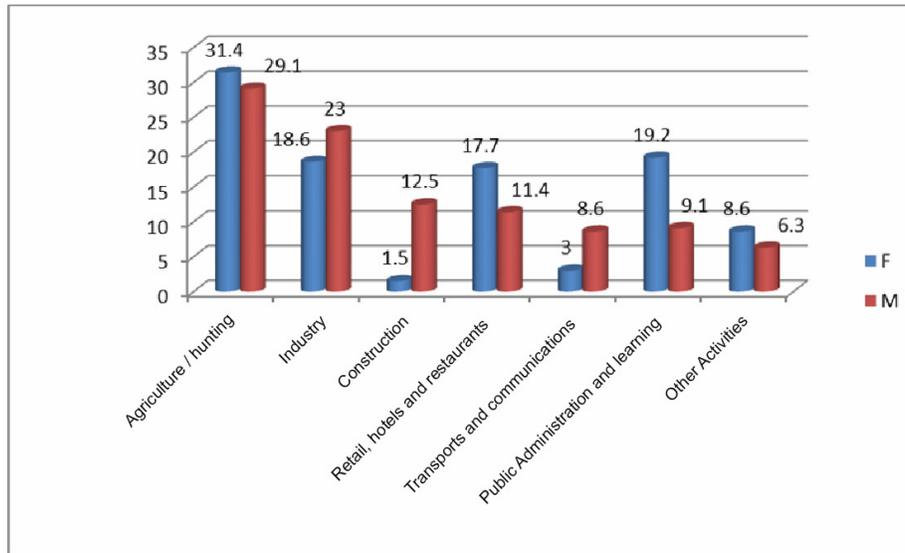


Source: Author’s processing based on data from www.insse.ro [12]

Figure 5. Occupied population based on education level and gender (2014)

The share of women with "Higher Education", "Specialized or technical Secondary School " and "Secondary School" of all employed women is higher than the share of men with the same education levels in all employed men, accounting 18.2%, 4.7% and 31.7% compared to 14.3%, 3.8% and 27.5% respectively. At the same time, the largest share of women also stands where education levels are "Secondary" and "Primary (grades 1-4)", respectively 24.4% and 6.4% compared with 21.4% and 4.6%.

The higher percentage of women with a higher education in the total number of women than in the case of men could be an asset to the first category in terms on employment opportunities and productivity growth. It also can be seen that men leave the educational process earlier to get hired. Although the level of education of women is higher than men, it seems that further professional development or career promotion for women is much slower, requiring the implementation of specific measures to accelerate it.



Source: Author's processing based on data from www.insse.ro [12]

Figure 6. Distribution of employed population by area of activity and by gender

Analyzing gender distribution of the employed population in each area of activity for 2014 (see Figure 6), we can see that in traditionally "female" areas the share of men is relatively high, namely 37.1% compared to the 62.9% of women in public administration and education, and 44.5% compared to 55.5% in "trade, hotels and restaurants". The share of women in traditionally considered "male" fields of activity such as construction, transport and communication values are rather small, 9% compared to 77.8%.

The income gap between the two genders may be due to the higher concentration of women in public economic units where wages depend on budgetary resources which were limited, especially due to the economic crisis. Out of the total people employed in public establishments 53% are women, while in the private sector women represent only 43% of total employment. Analyzing as well the distribution of the employed population in the areas of activity considered "female", it is observed that the presence of women in public facilities is even more pronounced [8].

Branches where women mainly operate require a higher level of training and instruction, but that is not rewarded properly due to salary cap reduction on account of budgetary resources. Therefore, the problem of low wages for women in correlation with a high level of training and qualification is not just a problem of inefficient use of existing human capital and hence low productivity, but also a problem of organization

payroll system. Such a situation will generate a deficit of specialized human resources and a lack of motivation to work in areas of major importance for society.

The payment (remuneration) gap between men and women is also largely due to gender segregation in the labor market, by unequal promotion of men and women in professional careers. Men have a higher weight than women among heads of public authorities and economic, social and political units - 67.59% men versus women which only account for 32.41%. Range of occupations requiring a high level of skills and qualifications are held by women - namely, professionals with higher qualifications - 51.29%, average qualified specialists with 63.10%, and 69.9% administrative officials. Women also hold the main share for the category of occupations "household, commercial and communal services", i.e. 63.94% of the total employed in this occupational category.

Men hold in greater extent groups of occupations that require physical effort - 79.19% of skilled workers in industrial enterprises [6], construction, transport, telecommunications and 58.64% of unskilled workers.

Table 1
Average nominal monthly earnings by gender (lei / employee)

	Year 2014		
	Men	Women	Spread
Total	1348	1264	0,94
Less than 50 employees	876	801	0,91
50-249 employees	1242	1182	0,95
250 employees and over	1739	1549	0,89
Public property	1876	1631	0,87
Less than 50 employees	1225	1042	0,85
50-249 employees	1604	1695	1,06
250 employees and over	1966	1664	0,85
Private property	1191	1062	0,89
Less than 50 employees	859	781	0,91
50-249 employees	1181	1043	0,88
250 employees and over	1581	1401	0,87

Source: Author's processing based on data from www.insse.ro [12]

The spread is calculated as a ratio between the salaries of men and women.

From the above data on average monthly earnings between the sexes can be observed the following (see table no. 1):

- Both in the public and private sectors, women were less well paid than men in enterprises of all dimensional classes, excluding establishments with 50-249 employees in the public sector where women were better remunerated in 2014;
- The spread between the wages of women and men has shown a declining trend.
- In the public sector wages were higher than in the private sector in virtually all dimensional classes of enterprises.

3. Conclusion

The present study shows that the pay gap between women and men remain at a fairly high level, and there are no signs of reduction. Due to the emergence of the phenomenon of segregation in the labor market a high discrepancy between work patterns resulted, access to education and training becoming more and more limited (especially among women).

Concentration of certain groups, lack of education and professional training for a large part of the population segregated on economic, ethnic or racial reasons, along with issues regarding employment and the lack of revenue, creates an environment for a particular behavior that focuses primarily on discrimination.

Segregation leads to the emergence of increased requirements to integrate people into employment, but also in the community and cause the catching up of rural areas to stand still, and hardens the process of economic, social and territorial cohesion.

Thus, concrete and positive measures should be applied to combat wage gaps and in particular gender segregation manifested increasingly more evident in the labor market. Some of these include: promoting payroll agreements to reduce the pay gap based on gender, setting objectives and qualitative and quantitative indicators to undermine wrong perceptions and misinterpreted stereotypes and achieve a continuous exchange of best practices.

As it is right in the process of modernization of the labor market, Romania still has to recover significant gaps in relation to the developed EU countries. Although not manifested virulent, the segregation in the labor market in Romania may delay the process of modernization and effective integration into the European single market.

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BUSINESS CLOUD AND CORPORATE GOVERNANCE: MAKING HIGH QUALITY DECISIONS & SUSTAINABLE GROWTH

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Abstract

The financial crisis has been forcing technologists to develop the account information system through the cloud computing in order to minimize and control the corporations' expenses and to add value through certain factors, thus the Business Cloud becomes a strong need due to the new technology implementing in the business world, and it is proposed as a new term beside Corporate Governance, since these terms have been argued as growth tool in the global business in the light of the high competition among regional and international corporations, also, corporate governance is a management-set that deals with issues in the long term to grant sustainability. The article represents the effective implications of adopting Business Cloud and Corporate Governance, and the integration relationship among them, especially, the Global Business may drown again in a global financial crisis.

Key words: Business Cloud Computing, Corporate Governance, Transparency and Disclosure, High quality decision, Stakeholders

JEL Classification: M4, M2, M1

1. Introduction

Recently, the management modeling has been massively adapted in order to include new issues that strongly important for stakeholders, in addition, the financial crisis has been affecting each element of the business world to open the door for new terms and motivates researchers and technicians to develop theories and application. In the light of that,

disclosure and transparency are exclusively defined as main issues that must be handled beside the cost; due to that, an important topic has been shown again called the management cost. These efforts can be represented in two new terms called Corporate Governance and Business Cloud Computing. Accordingly, the business world is transferred to a virtual world that enables different groups of stakeholders to access to the business information to control and monitor the companies' activities. Business Cloud is widely discussed nowadays since it becomes a solution key for stakeholders' conflicts; in addition, Corporate Governance is wide discussed as a core element of that key. That may introduce a question that if corporate governance and business cloud computing are attending to achieve the main the goals and service the interests of stakeholders since the conflicts of these interests are behind the revolution in the business world. Lots of regulations and terms has been issued and discussed in order to reduce these conflicts and to reduce the agency cost as well. The structure of corporate governance distributes the rights and responsibilities between stakeholders, besides that, it sets procedures of making decisions, so the importance of corporate governance rises in the business world due to its function to separate the ownership and management and to sustain the balance between the interests of stakeholders.

2. Business Cloud Computing:

Business Cloud bases on cloud computing and business information technologies that provide information regarding the activities of a certain company, accordingly, this information is used widely by managers and administrators besides other stakeholders. Therefore, the internet is the essential part of the virtual world and that affects in its turn on the business world, besides, the new technologies have affected the production expenses (Knorr; 2008). Logically, applying cloud computing brings several advantages for stakeholders certainly for end-users, and accordingly, cloud computing has adapted over time to be formatted in different categories; infrastructure as a service (IaaS), platform as a service (PaaS) and software as service (SaaS) (Rouse; 2015). Simply, cloud computing is online computing instead of using written documents and later applications and software to be used on computers, for example, the online banking is cloud computing (Rouse; 2015).

The definition of cloud computing is related on the technicians, who determine the computing style based on online services to provide information for stakeholders (Gartner Research; 2008). That means; the capacity of online computing to share information defines the cloud

computing, additionally, it can be considered as the model that allows “on-demand network access” throughout a pool of computing resources that can minimize the efforts of customers and management besides other stakeholders (Grance and Mell; 2009 & Cloud Security Alliance; 2009). Due to that, the information technology services are represented in the cloud computing to provide an open access for data and application that assess stakeholders to obtain information through a dynamic online applications. The benefits of cloud computing can be pointed as the following (Grance and Mell; 2009):

- 1- Accessibility and Mobility: employees are allowed to access to online application.
- 2- Maintenance: sustain equipment in a good condition, and tracking maintenance software and upgrading it.
- 3- Data Recovery: backing up and storing the data in different location to ensure that the data will not be lost.
- 4- Security: permanently online monitoring all the data.
- 5- Minimal IT Staff: providing end-user support which reduces management and support costs.
- 6- Costs: no expenses for business sharing and servers.
- 7- Flexibility: in payments and changing data.

The pervious points are so important since they enable employees to access to different information and data of their organizations besides other stakeholders, and that is strongly wanted to develop business nowadays (Whitton; 2011).

3. Corporate Governance:

Corporate governance is a set of regulations, practices that are applied in a directed and controlled company. Base on the stakeholder theory, the conflicts of interests between stakeholders are based on the separation between ownership and control, and sharing information with others groups of stakeholders, in the light of that, the agency cost is increased by managers on the account of stakeholders through controlling companies and shared information. Focusing on transparency and sharing information, corporate governance codes extremely focus on two important points; separating among responsibilities and disclosure. Since 2002 governance as a term become a pressing topic that introduces the Sabranes-Olexy which was issued to regain the mistrust caused of Enron and WorldCom through treating several points included disclosure and transparency.

In addition, the internal mechanism of corporate governance monitors the companies' activities to correct them on the time. That serves the internal objectives of companies and the interests of the internal stakeholders, and these objectives content smooth operations and clear reports in the light of ensuring independence of directors and separates the responsibilities. The external mechanisms service the interests of the external stakeholders such as regulators and states, therefore, the adequate debt management and legal issues are concerned by these mechanisms (Davoren; 2014). Consequently, transparency and disclosure are the core stone of governance mechanisms achieving an important objective of corporate governance.

The relationship between governance and transparency supposes to be apparent since governance mechanisms monitor the companies' performances beside the responding capacity of correcting the poor performance, and transparency goes directly to the ability of equity market to monitor the companies' performances (OECD; 200). Besides that, financial information must be provided by the management to reduce the capital cost but "delivering information to investors is easy, but delivering credible information is hard" (Benard; 2000), in plus, the corporate governance disclosures clarify that companies should publish public or online the governance statements.

4. Business Cloud and Corporate Governance

Nowadays, companies are looking for new model of corporate governance that communicates with the new technology, besides that, asymmetric shared information is strongly related to the agency problems due to the shareholder theory that generates several conflicts between stakeholders (Jensen; 1986 & Myers and Majluf; 1984).

In addition, corporate governance is applied to hold the balance between social and economic objectives and between individual and collection objectives, in the light of that, the governance framework encourages the affective use of the company's resources, and equally, this framework requires effective accountability for the resources' stewardship. Overall, the advantages of applying corporate governance can be pointed out as the following:

- 1- The processes are developed.
- 2- Making decisions without emotional influences.
- 3- Running anti-corruption operations.

- 4- Company's standards are improved.
- 5- Sustaining and attracting shareholders.
- 6- Build a trustable relationship among stakeholders.

Connecting that with Business Cloud computing; essential areas are highly related to corporate governance as the following (Cassells; 2012):

- a- Strategic Alignment: to ensure that business and IT plans are related through defining and maintaining valid IT value.
- b- Value Delivery: to execute the value of computing value through the delivery costs, besides that, to ensure that IT delivers achieving their objectives in the light of the company's strategy.
- c- Resource Management: concerns about optimal investment and proper management to contribute in the developing IT system.
- d- Risk Management: it is evaluated by the governance officer and it requires a clear understanding of the company activities, also, it ensures the transparency about risk management.
- e- Performance Management: to track the strategy implementation, resource usage, procedures that are employed to achieve measurable goals used in a conventional accounting system.

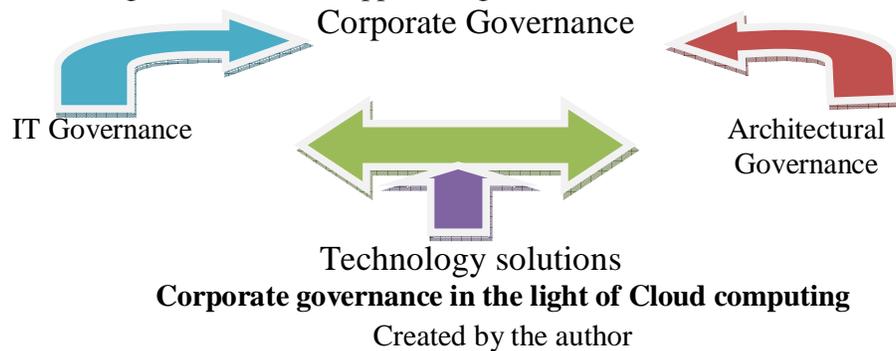
Overall, cloud computing risk management is adapting as companies increasing adopt cloud storage services and cloud computing applications with higher attention on the confidentiality of data. In other words, cloud computing can called as IT governance framework and since this framework is not applied correctly; it will lead to stakeholder dissatisfaction, lack of information, affecting the business value and increase the expenses. Due to that, this framework can attract new investors and increase the company value if it is implemented correctly. Cloud computing help companies to change the cost model in order to make the IT budge flexible, also it offers a rapid prototyping to enable a quicker delivery of the company value. Thus, selecting the right IT strategy mixed with modern technologies can increase the delivered value for less money, but another issue can be raised by resource management.

The company's resources must be well managed to increase the business value and that requests cloud computing, which uses high developed application such as using additional network bandwidth (Maches; 2010). Besides that, risk management is a critical topic between corporate governance and cloud computing since topics like protecting data and business sustainability are highly concerned. That requests from technologists to understand the risk of each vendor service level, besides,

they should examine security application to reduce the potential risks of applying cloud computing. Finally, cloud computing and corporate governance have to ensure alignment with company's objectives, thus, strategic alignment ensures the need of high collaborating between governance directors and technologists.

5. Conclusion

Corporate governance is a critical topic and becomes more complex through employing cloud computing, also, it assure alignment with company's objective where cloud computing does not have a significant role unless technologists understand the objectives and determine the affective application beside develop certain technology. Thus, cloud computing can be presented as the maximum benefits of governance investment. The cloud computing offers value delivery, resource management, risk management, performance measurement and strategic alignment, which are core objectives of corporate governance. In the light of that, the elements of cloud computing value are economic, architectural and strategic elements that support the governance structure.



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INTERNAL AUDIT AND ITS IMPACT ON FINANCIAL ACCOUNTING SYSTEM

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Abstract:

Financial accounting system is characterized by a set of processes, procedures, resources (financial, material, human and informational) and means of recording, processing, transmitting and storing data and information of specific activities and economic environment in which the organization is organized and operates. In this context we can say that financial accounting system includes all activities within an organization that are reflected in fund management and property management.

Internal audit is a function within the organization which helps to improve their management activities and provide reasonable assurance regarding the existence and operation of risk management processes, internal control and good management.

Regarding the financial accounting system, internal audit evaluates the reliability of data and financial information and operational effectiveness of operations and transactions, the management of funds and assets of the organization and ensure the maintenance of acceptable levels of risk associated with the system and an effective internal control and effectively.

Given those mentioned this research aims to highlight the impact of internal audit on financial accounting activities carried out within an organization and contributing to increasing the credibility of financial information.

Keywords: internal audit, internal control, risk management, financial accounting system

JEL classification: M00; M41; M42

The role of internal audit in assessing the financial accounting system

The management of an organization by managing the processes of the institution is responsible for ensuring the integrity and protecting the organization's assets and achieving the intended results through the efficient and effective use of available resources. Organizing and ensuring appropriate management of financial and accounting activities lead to reflection in accounting of all transactions and property transactions in accordance with the law, contractual and good practice in the field and to obtain relevant and reliable information.

Internal audit is to enhance the credibility of the information contained in the financial statements through its presentation in accordance with generally accepted accounting standards and principles. In this regard, evaluates activities under accounting system, identifying irregularities and imbalances and make recommendations to eliminate their causes. The recommendations must lead to the goals of the organization in which they are formulated and effective use of available resources.

Activities in the financial accounting system can not be achieved in terms of performance if there are irregularities or non-compliances their achievements. Internal Audit assesses the functionality of the internal control system implemented in these activities and ensures that it works as a whole.

In general, the current practice in internal auditing, financial accounting related activities is to ensure the compliance of operations and transactions within an organization in relation to legal regulations,

Internal audit role in improving financial accounting system should ensure focused on ensuring relevance and reliability of financial information and financial and accounting optimization activities undertaken by the organization.

Seen through this prism of internal audit assesses financial and accounting activities and contribute to their improvement, in terms of regularity and conformity in terms of performance.

Internal audit evaluates the systems of risk management, control, and governance specific financial accounting system, particularly as regards the establishment and use of public funds and the management of public assets in order to provide reasonable assurance that these systems function after as expected, enables management to achieve targets and goals and also propose recommendations for their improvement.

Ensuring relevance and reliability of financial information

In this task, internal audit compliance monitor compliance and regularity of financial transactions and property, including financial statements and has fidelity implementation of control measures in situations where deviations to eliminate the causes that generated dysfunctions identified. Identified fraud is reported to the competent investigation authorities.

Financial and accounting activities are the main source of economic information for managerial decisions and for third parties who have interests to the organization. In this context, the internal audit is becoming a necessity, which evaluates how compliance procedures, rules and specific regulations and whether activities are carried out efficiently and effectively.

Also, to assess the compliance of the financial statements on the principle of a true image, internal audit must know the accounting system used by the organization and internal control system implemented. An effective internal control system and adapted the organizational environment prevents errors and inaccuracies and detect fraudulent activities.

Through internal control system, which is responsible for management, implemented organizational means action aimed at organizational structures, procedures, tools and techniques created in order:

- ✓ achieving the organization's mission effectively and efficiently;
- ✓ compliance with legal and management provisions;
- ✓ heritage protection against loss and fraud;
- ✓ provide true and fair financial information necessary to support management decisions.

By examining the observance of the transactions and internal audit transactions prevents errors, identify and deter illegal acts of fraud intentions.

This need exists and therefore the tendency shown by some organizations in terms of creative accounting, characterized by manipulation, within the regulatory framework in force, figures accounting by choosing accounting practices that enable the transformation of the summaries of what would be in what managers want to be.

Creative accounting, internal audit attention is because the application processes within the law, actual results are changed, meaning the information contained in the financial statements are optimized or minimized depending on interests. Modification techniques financial results are the result of applying accounting policies and treatments recommended by international accounting standards.

To eliminate intentions to implement such processes, financial accounting system assessment by internal audit in terms of compliance and regularity becomes a necessity. This need arises from the fact that the accounting statements should present the true image of economic activity carried out by the organization, and for that internal audit verifies the accuracy and regularity of underlying transactions, the effectiveness of methods and organizational procedures and express reasonable assurance. Reasonable assurance can be provided if internal audit get answers on the following:

- ✓ chronological and systematic registration of economic operations and property;
- ✓ proper accounting records management; patrimonial integrity, including debt and capital;
- ✓ reality debt, liabilities, income and expenses;
- ✓ compliance with the rules, regulations and standards applicable in the field;
- ✓ reliability of financial statements.

Also, the internal audit considers that, if the organization is facing financial difficulties, in many cases uses weaknesses and flexibility in the rules governing financial and accounting information contained distort financial statements.

For providing reasonable assurance regarding the functionality of the financial accounting system, internal auditors must evaluate the rules and principles that govern this system, namely:

Nr. crt.	Elements of the accounting	Objectives of Internal Auditing
1	Objectives	The objectives are clear, covering the organization's mission and vision Performance indicators measure the quantitative and qualitative objectives and expressed an adequate level of performance
2	Regulatory framework	The regulatory framework is fully respected Regulations on highlighting the financial and accounting activities are properly applied Operations and transactions are correctly reflected in the accounts and term Procedures are developed, updated and respected and corresponding regulations and practices

3	The organizational structure	The organizational structure is adequate specific organization Activities and tasks are appropriately held accountable The posts are properly designed and individualized Tasks are set according to job level and qualifications
4	Resources	The budget is approved and ensure objectives The human resource is qualified, stable and properly accountable Material resource is well managed The information system is adequate
5	Activities and Processes	Operations and transactions are recorded chronologically and systematically The accounting records are based on documents Payments made are correct and authorized Accounting records are managed properly Organization obligations and rights against third parties are reflected correctly Patrimonial integrity is ensured The financial statements reflect the true image Internal controls ensure segregation of duties, approval and authorization operations

The internal audit system ensures that risk management is adequate and sufficient funds and property and protects the organization helps in proper management of these and contributes to identifying and assessing significant risks to improve this system. In this context, the role of internal audit is as follows:

- ✓ encourage and promote the development of risk management by examining and assessing risk management processes implemented by management and reporting and recommendations for improvements.
- ✓ assess risks and express an opinion regarding the effectiveness of the risk management process, taking into consideration the following criteria:

- a) risks are identified and prioritized activities undertaken;
- b) management has established a level of risk acceptance;
- c) measures to limit the impact of risks are established and implemented;
- d) risks are regularly monitored;
- e) management is informed of the risks.

To provide an opinion regarding the risk management, internal auditors must have reliable information that each stage of the process (risk identification, risk assessment, treatment risks, risk control and risk monitoring) is applied and work properly.

Regarding the functionality of internal control, internal audit by the assessments it makes should ensure that it guarantees regarding:

- ✓ objectives economically, efficiently and effectively;
- ✓ heritage protection and information produced by the organization;
- ✓ prevent and detect fraud and error;
- ✓ quality of operations and economic transactions and accounting records;
- ✓ credibility, compliance and reality of financial information and financial statements provided.

The internal control system aims to help staff manage risks and meet the targets. Management is implementing a process of internal control and internal audit provides assurance regarding the degree of effectiveness of the process in practice.

Evaluation of effectiveness of internal control process specific financial and accounting activity consider the following:

- ✓ significant anomalies and weaknesses in internal control process;
- ✓ degree of risk caused by faults or weaknesses and their consequences;
- ✓ correct anomalies and weaknesses and better.

To evaluate the internal control system, internal audit must determine the extent to which management has defined appropriate criteria to assess whether the objectives have been achieved. If these criteria are adequate, internal auditors must use the assessment they make. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.

Practices adopted regarding management processes is the result of leadership style and organizational environment, influencing roles, conditional behaviors, determine goals and strategies, measure performance and define responsibilities. Thus, the effectiveness of the management process largely depends on the culture.

Internal audit should contribute actively in supporting the process of governance, to determine the leadership and employees of the accounting department to fulfill the duties and responsibilities established.

Optimizing financial activities accounting

In this task, the internal audit analyzes the financial and accounting activities, or financial implications undertaken by the organization, and to whether public funds are used in an efficient and effective financial accounting and whether the information is appropriate and relevant products. Through recommendations intended to improve the organization's performance in respect of the establishment and use of resources.

An organization is efficient if both efficient and effective allocation and use of available resources, including:

- ✓ there is a link to the results obtained;
- ✓ there is a fixed size for performance, reflected by: saving resources; cost of operation; business efficiency; efficacy results; quality results;
- ✓ a system for measuring the results, performance indicators and associated targets.

Performance in public organizations is associated:

- ✓ economy - buying the necessary resources at the lowest cost and at a certain quality level;
- ✓ efficiency - getting the maximum possible results with a given level of resources or a smaller one;
- ✓ effectiveness - results lead to the objectives set.

Internal audit in assessing the financial and accounting activity examine whether the financial resources are managed in an economic, efficient and effective organization, namely in terms of performance. In this context, the overall objective of internal audit on the financial and accounting must follow the application of the principles of sound financial management in the allocation and use of resources. The achievement checks should focus on the following:

- ✓ evaluation of the use of resources (expenditures) and measures on optimizing the use of resources;
- ✓ how to establish criteria and performance indicators;
- ✓ assess achievement of the objectives and performance levels achieved.

Given those requirements, internal audit organization to examine how effective management of resources and the best possible level of performance, that if they worked properly and if they did the right thing.

To achieve the first goal the organization must comply with the regulations and requirements established and operate in accordance with good practice in the field. This keeps the efficiency with which obtain, protect and use resources and how laws and regulations are respected.

To achieve the second goal organization must ensure the achievement of objectives in terms of efficiency and effectiveness. This keeps the degree to which the expected results are achieved, the effectiveness of programs and activities.

To provide a reasonable assurance on the degree of optimization of financial and accounting activities, internal auditors must evaluate the performance of the business through the financial accounting performance characteristic elements, namely economy, efficiency and effectiveness.

Followed by internal audit results can be summarized as follows:

No. crt.	Element	Results
1.	Economy	<ul style="list-style-type: none"> ✓ design and use of resources ✓ compliance with laws and regulations ✓ the reliability of the information system ✓ heritage protection ✓ reliability of information
2.	Efficiency	<ul style="list-style-type: none"> ✓ the amount of resources used ✓ quality financial information obtained and provided
3.	Effectiveness	<ul style="list-style-type: none"> ✓ achieving results ✓ effectiveness of the programs ✓ effectiveness of activities ✓ reaching goals

It is necessary to measure performance indicators and attach objectives designed to make it possible quantitative and qualitative assessment of the achievement of their relative results. The criteria followed by the internal audit in assessing the quality and sufficiency indicator focus on the following:

- ✓ how to define the indicator;
- ✓ the decision on indicator development;
- ✓ formula for calculating the indicator;
- ✓ frequency of calculation of the indicator;

- ✓ why the choice of indicator;
- ✓ volume of information which is based on measuring the indicator;
- ✓ data sources required calculation indicator;
- ✓ interaction with other indicators;
- ✓ types of decisions that can be taken on the basis of the indicator.

Considering that one of the objectives of any organization is to continuously develop, management should consider action on the changes in content of functions; improve planning and management style, basing better decisions, measurement and performance evaluation or even behavioral changes.

In this context, decisions must be directed to ensure an organizational framework and effective oversight of activities. Need for auditing financial and accounting activity is based on the need for information management regarding financial and patrimonial situation, to make decisions consistent and effective, based on facts.

In the process of auditing the financial and accounting activity should be considered:

- ✓ first step in providing assurance on the accuracy and reliability of financial information and compliance. In this context, the audit of financial and accounting activity, is in compliance with laws, regulations and contracts, reliability and integrity of financial and operational information, heritage protection and information and prevention and detection of fraud and errors;
- ✓ in the second stage, providing assurance on economy, efficiency and effectiveness of available resources and degree of achievement of objectives.

Performance of an organization is given the degree to which constitute their income and ensure their proper use through an optimal combination of efficiency (resources were allocated, managed and used effectively) and effectiveness (results ensure that the objectives).

Conclusion

Rhythms development of information and communication technology require changes in the structure of financial accounting system, largely due to the elimination of manual operations and their realization made in an automated manner. This though leads to elimination of errors on certain levels of registration of operations; opportunities for fraud are kept at the same levels, which are determined by way of registration and licensing system operations and security patrimonial assets.

In this context, it is necessary to change the approach to internal audit, which must verify the accuracy, completeness and accuracy of financial

information. The questions you need to ask themselves internal audit and the need to find answers are on the following:

- ✓ What aspects of internal audit should be pursued and what level of knowledge implies?
- ✓ what changes to procedures, audit methods and techniques used or applied;
- ✓ properly conducted sampling to carry out examinations and checks;
- ✓ properly planned, structured and conducted testing and audit evidence obtained.

To these must be added that the production of financial information not only participates financial-accounting, but interferes all functional departments within the organization.

Functional departments within the organization to set objectives and develops economic activities involving financial resources, while financial-accounting processes primary economic information produced within the organization. Thus, the resources consumed in the functional departments are individualized, endorsed and approved and transmitted the financial-accounting which shall register their property record of the organization, to settle the obligations and rights which arose as a result of the economic activities and coverage of the whole process developed in the financial statements.

In this context, the involvement of internal audit in improving financial accounting system should be summarized into the following:

- ✓ if it worked properly, the auditor assesses the compliance of regulations and strategic requirements, following aspects of resource efficiency in carrying;
- ✓ if he did the right thing, the auditor evaluates the effectiveness and impact of activities to achieve the objectives and assessing the extent to which the desired results were achieved.

The internal audit evaluates the activities of the organization as a whole and follows the way of resource utilization and application of the principles of efficiency and effectiveness and how to ensure the integrity of the property.

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