

Business Administration and Business Economics

**An Empirical Study of the Relationship between Performance
Appraisal Politics and Job Satisfaction**

Associate Professor Azman Ismail, PhD

*National Defence University of Malaysia, Kuala Lumpur, Malaysia
azisma08@gmail.com*

Noor Azmi Mohd Zainol, B.A (Hons) Anthropology & Sociology; M.Sc (IT)

*National Defence University of Malaysia, Kuala Lumpur, Malaysia
azmi_csmatm@yahoo.com*

Awangku Mohamad Najib, Bsc in HRD (Hons)

*National Defence University of Malaysia, Kuala Lumpur, Malaysia
azisma08@gmail.com*

Abstract: Performance appraisal politics are viewed as a vital human resource management issue where it consists of two salient features: motivational motive and punishment motive. The ability of appraisers (e.g., immediate bosses/managers) to properly implement such appraisal politics in allocating performance ratings may have significant impact on job satisfaction. Although the nature of this relationship is important, little is known about the role of performance appraisal politics as a predicting variable in the performance appraisal models. Therefore, this study was conducted to examine the effect of performance appraisal politics on job satisfaction using 150 usable questionnaires gathered from employees who have worked in a national postal company in Sarawak, Malaysia. In initial data analysis, the results of exploratory factor analysis confirmed that the measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. Further, in hypothesis testing, the outcomes of stepwise regression analysis showed that performance appraisal politics (i.e., motivational motive and punishment motive) significantly correlated with job satisfaction. Statistically, this result confirms that performance appraisal politics act as important predictors of job satisfaction in the studied organization. In addition, discussion, implications and conclusion are elaborated.

Keywords: motivational motive; punishment motive; job satisfaction; Malaysian National Postal Company

JEL Classification: C15; C19; D21

1. Introduction

Performance appraisal is as a key function of human resource development and management (Aminuddin, 2008; Noe, Hollenbeck, Gerhart & Wright; 2009). In organizations, it is often viewed as a cyclical process where employers design formal appraising methods to yearly evaluate and develop employee performance (Aminuddin, 2008; Pettijohn, Pettijohn, Taylor & Keillor, 2001a). Traditionally, many performance appraisals are designed based on cognitive models, which emphasize on psychometric issues in evaluation, give performance scores, and use objective criteria to measure performance. This appraisal method is useful to resolve routine human resource management functions, such as retain or terminate staff service, promote and determine staff salary (Cook & Crossman, 2004; Fletcher, 2001, 2002; Snell & Bohlander, 2007).

A review of organizational management literatures highlights the effect organizational climate has on performance appraisal development (Cook & Crossman, 2004; Kacmar & Baron, 1999; Tahir Suliman, 2007; Thurston & McNall, 2010). In this perspective, many employers have now shifted their focus from a cognitive based performance appraisal to organization climate based performance appraisal in order to support their strategies and goals (Cook & Crossman, 2004; Desimone, Werner & Harris, 2002; Noe, et al., 2009). Under this new approach, political behavior is viewed as a crucial organizational climate factor because it has played a more dynamic role than cognitive models in increasing the effectiveness of performance appraisal processes and outcomes. Armstrong & Baron (1998), Lefkowitz (2000), Boswell & Boudreau (2002) and de Waal (2003) posit the existence of political behavior in the conduct of performance appraisal to discover problems employees have to face with in job performance, provide career counseling, and conduct training programs to better enable employees support organizational strategy and goals. The ability of the management to properly use political behavior in its performance appraisal system would ensure employees motivation to increase organizational competitiveness (Poon, 2004; Ismail, Rafiuddin, Mohamad, Pei Zhen, Yew, & Kuan, 2009; Tahir Suliman, 2007).

According to an organizational behavior's perspective, political behavior is often viewed as managerial discretion or subjective assessment that strongly allows appraisers to manipulate performance ratings (i.e., decrease or increase performance scores) in order to fulfill or protect their personal goals, particular individuals' interests (e.g., motivate employees to achieve task-performance goals, and provide better promotion to high achievers), and/or certain groups' interests (e.g., maintain good rapport, avoid open confrontation and/or accommodate contextual demands) (Fried & Tiegs, 1995; Tahir Suliman, 2007). Performance appraisal politics has two salient motives: motivational and punishment (Poon, 2004). While motivational motive is the appraiser's personal motive (self-interest)

to give out high performance ratings in order to stimulate, direct, and endure appraisees' behaviors to achieve organizational and/or departmental goals (Desimone et al., 2002; Fried & Tiegs, 1995), punishment motive is the appraiser's personal motive (self-interest) to assign low performance ratings in order to punish appraisees who have committed misconducts in order to correct their mistakes as well as increase their work disciplines (Rynes, Brown, & Colbert, 2002; Sabeen & Mehbob, 2008; Salimaki & Jamsen, 2010; Thurston & McNall, 2010).

Extant studies in performance management highlights the ability of appraisers to properly use political motives in determining performance ratings may have significant impact on employee outcomes, especially job satisfaction (Vigoda, 2000; Poon, 2003a, 2003b). According to many scholars such as, Vroom (1964), Blum and Naylor (1968) and Locke (1976), job satisfaction is often defined as general attitude of employees toward their job, such as a pleasurable or emotional state, a positive reaction, and action tendencies toward work. In a performance appraisal framework, many scholars think that motivational motive, punishment motive, and job satisfaction are distinct constructs, but highly interrelated. For example, the ability of appraisers to properly use motivational motive (i.e., intend to motivate employee performance) and punishment motive (i.e., intend to correct malpractices and improve work disciplines) in performance appraisal systems may increase job satisfaction in respective organizations (Poon, 2003a, 2003b; Vigoda, 2000).

Although the nature of this relationship is interesting, not much is known about the role of performance appraisal politics as a predicting variable in performance appraisal research literature (Poon, 2003a, 2003b; Vigoda, 2000). Many scholars argue that the role of performance appraisal politics as an important predicting variable has been given less emphasis in previous studies because the focus was more on the features of performance appraisal politics and neglect to discuss the effect size of performance appraisal politics on job satisfaction. Consequently, the knowledge drawn from the studies has provided insufficient guidelines that may not to help practitioners in formulating effective strategies to handle internal and external problems about performance appraisal systems in dynamic organizations (Poon, 2003a, 2003b, 2004; Tahir Suliman, 2007; Thurston & McNall, 2010). Hence, it motivates the researchers to further examine the issue.

2. Objective of the Study

This study has two major objectives: firstly, is to measure the relationship between motivational motive and job satisfaction; secondly, is to measure the relationship between punishment motive and job satisfaction.

3. Literature Review

Relationship between Performance Appraisal Politics and Job Satisfaction

There were few studies using a direct effects model to examine performance appraisal politics based on different samples, namely, 303 public sector employees in Israel (Vigoda, 2000), 127 employees from various organizations in Malaysia (Poon, 2003a), and 208 Malaysian employees from diverse occupations and organizations (Poon, 2003b). Findings from these studies show the ability of the management to properly implement motivational motive (e.g., intend to produce mutual benefits) and practice punishment motive (e.g., favoritism, biases and punishing tactics) in giving out performance ratings had increased job satisfaction (Poon, 2003a; Poon, 2003b; Vigoda, 2000).

These findings are consistent with the notion of motivation theory, namely Skinner's (1954) reinforcement theory, Adams' (1965) equity theory, Taylor's (1994) self-interest model of justice and Taylor's (1994) relational model of justice. According to a reinforcement theory, an individual behavior is strongly motivated by particular reinforcers (Skinner, 1954). Besides that, equity theory posits that an individual tends to compare his/her output (e.g., outcome) and input (e.g., contribution) and/or compares his/her output (e.g., outcome) and input (e.g., contribution) against that of coworkers'. If an individual perceives that he/she receives equitable outcomes (e.g., the amount of performance rating) based on their contributions (e.g., the ability to perform job and/or merit), it would invoke the feelings of distributive justice (Adams, 1965). In addition, self-interest model of justice is also known as resource model of justice, suggests that people pursue self-interest to maximize their own resources or outcomes based on the rules of justice to increase the feelings of distributive justice (Tyler, 1994). Further, relational model of justice proposes that perceptions of distributive justice are formed by concerns for maintaining warm relationships within a group. These concerns refer to balancing between the group interests (e.g., commitment) and individuals' self-interests (e.g., benefits level). If the mutual interests are well maintained it would contribute to increased individuals' feelings of distributive justice (Tyler, 1994).

Application of these theories in performance appraisal systems shows that the ability of appraisers to fairly treat appraises using proper motivational motive (e.g., have practiced communication openness, moral and mutual benefits) and punishment motive (e.g., have not practiced favoritism, biases and punishing tactics) in allocating performance ratings may strongly motivate employees to improve their job satisfaction in organizations (Poon, 2003a, 2003b; Vigoda, 2000).

Conceptual Framework and Research Hypothesis

These literatures serve as foundation to develop a conceptual framework for this study as shown in Figure 1.

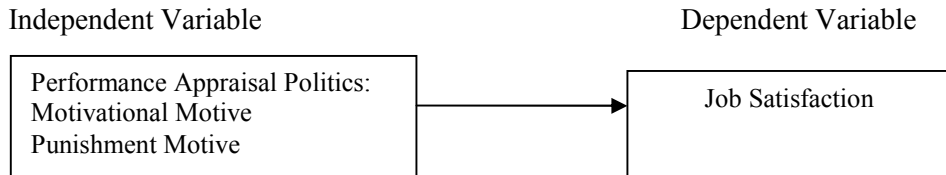


Figure 1. Relationship between Performance Appraisal Politics and Job Satisfaction

Based on the framework, it seems reasonable to assume that the ability of appraisers to properly implement motivational and punishment motives in performance appraisal systems may increase employees’ job satisfaction in NPCSRWK as the same practice does in Western organizations.. Therefore, it was hypothesized that:

- H1: Motivational motive positively related to job satisfaction
- H2: Punishment motive positively related job satisfaction

4. Methodology

Research Design

This study used a cross-sectional research method which allowed the researchers to integrate the related literature, the in-depth interview, the pilot study and the actual survey as the main procedure for data collection. The use of this method would contribute to accurate, less bias and high quality data (Cresswell, 1998; Sekaran, 2000). The study was done in a national postal company in Sarawak, Malaysia (NPCSRWK). Its business focus is to provide 'traditional postal services' in order to capture the various customers and marketplace in this country. For example, this company is now offering three innovative mail delivery services: PosMel (day-to-day mailing services for both the general public and retail customers), PosLaju (being the sole national courier provider), and PosNiaga (expanding the accessibility of the national postal service via its extensive network of over 700 outlets in the country). In order to be better able to serve its customers the organization has constantly invest its resources in identifying, evaluating and maximizing the capability of its human capitals in order to meet the increasing demands of its customers.

At the first stage in data collection process, the researchers begin with an interview, for which flexible interview questions covering three issues: motivational motive in

performance appraisal, punishment motive in performance appraisal and job satisfaction facets. A purposive sampling technique was used to identify six experienced interviewees that include one assistant human resource manager, two supervisors and three supporting staff who have more than ten years of working experience in the organization. They have adequate knowledge on performance appraisal politics practiced in the studied organization. The in-depth interview was conducted to obtain clear understanding about the nature of performance appraisal politics and job satisfaction characteristics, as well as the relationship between such variables in the organization.

Performance appraisal system is viewed as a critical success factor that may help the organization to stay competitive in marketplace. Information gathered from the interview shows the HR managers and/or managers conduct performance appraisal based on broad policies and procedures designed by the stakeholder (i.e., board of directors). In the appraisal system, immediate superiors (e.g., supervisors, assistant managers or managers) are given the responsibility to assess the job performance of their subordinates and inform them (the subordinates) of the assessment results and later, file reports to the top management who will then use it to decide on pay raises, promotions, or disciplinary actions.

In the administration of performance appraisal systems, HR managers and/or managers often use motivational motive and punishment motive as means to assess and develop employees' careers. Motivational motive is present when an immediate superior gives out high performance ratings to subordinates who had performed well according to the organizational policies and procedures. Conversely, punishment motive is at hand when an immediate superior gives out low performance ratings to subordinates who have shown poor job performance according to the organizational policies and procedures (e.g., absenteeism, deviant behavior and misconducts). The interviewed staff perceived the ability of appraisers (i.e., immediate bosses) to fairly treat appraises using implementing proper motivational motive (e.g., high ratings allocated for high performers or committed employees) and punishment motive (e.g., low ratings allocated for low performer or undisciplined employees) in allocating performance ratings had been important predictors of job satisfaction. The nature of this relationship is interesting, but not much is known about the nature and effect of performance appraisal politics because of the limited empirical data published in Malaysia.

Next, the information gathered from the interview was constantly compared to the related literature review in order to obtain a clear understanding of the particular phenomena under study and put the research results in a proper context. The results of the triangulated process were used as a guideline to develop the content and format of survey questionnaires for a pilot study. Finally, a pilot study was done through a discussion on the pilot questionnaires with the six staff interviewed before. Their views were sought to verify the content and format of actual survey

questionnaires. Back translation technique was used to translate the content of questionnaires in Malay and English Language in order to increase the validity and reliability of the instrument (Wright, 1996).

Measures

The survey questionnaire was divided into two sections. In the first, there were 7 items on motivational motive and 9 on punishment motive, all were developed based on performance appraisal politics literature (Poon 2003a, 2003b; Poon, 2004; Tahir Suliman, 2007; Thurston & McNall, 2010). Here respondents were given questions on performance rating criteria, procedures and consequences. In the last section, job satisfaction had twenty items that were modified from previous job satisfaction scales (Balzer, Kihm, Smith, Irwin, Bachiochi, Robie, Sinar & Parra, 1997; Janssen, 2001; Rutherford, Boles, Hamwi, Madupalli & Rutherford, 2009; Warr, Cook & Wall, 1979). In this section respondents were asked to answer the questions about satisfaction on intrinsic and extrinsic job characteristics. All the items used in the questionnaires were measured using a 7-item Likert scale ranging from “strongly disagree/dissatisfied” (1) to “strongly agree/satisfied” (7). Information on demographic variables was used as controlling variable because this study focused on employee attitudes.

Unit of Analysis and Sampling

The population for this study is 291 employees of NPCSRWK. Prior to conducting the survey, the researchers consulted the HR manager to seek clarification on the rules for distributing survey questionnaires. Upon consideration of organizational rules and for confidentiality reasons 270 survey questionnaires were distributed using a convenient sampling technique to employees to every department in the organizations through the HR office. Of the number, 150 usable questionnaires were returned, yielding 55.6 percent response rate. This figure met the acceptable requirements for inferential statistics (Leedy & Ormrod, 2005; Sekaran, 2000).

Data Analysis

Analysis on the data from the questionnaire was performed using a Statistical Package for Social Science (SPSS). The process begins with exploratory factor analysis (EFA) to assess the validity and reliability of the measurement scales (Hair et al., 1998; Nunally & Bernstein, 1994). Next, factor analysis with direct oblimin rotation was done for all items representing the research variables, followed by, Kaiser-Mayer-Olkin Test (KMO), Bartlett’s test of sphericity (BTS), eigenvalue, variance explained and Cronbach alpha (α). The value of factor analysis for all

items representing each research variable was 0.4 and more, indicating the items met the acceptable validity standard. All research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin's value of 0.6 and were significant in Bartlett's test of sphericity, showing that the measure of sampling adequacy for each variable was acceptable. All research variables had eigenvalues larger than 1, signifying that the variables met the acceptable standard of validity (Hair et al, 1998). All research variables also exceeded the acceptable standard of reliability of 0.70, indicating the variables met the acceptable standard of reliability (Nunally & Bernstein, 1994). Variables meeting the acceptable standard of validity and reliability analyses were used in testing the hypotheses. Next, Pearson correlation analysis and descriptive statistics were performed to analyze the constructs and the usefulness of the data set (Cohen & Cohen, 1983). Finally, Stepwise regression analysis was used to assess the direct relationship between variables as well as show the causal relationship and the nature of relationship between variables. Stepwise regression can accurately quantify the magnitude and direction of many independent variables and one dependent variable (Aiken et al., 1991; Berenson and Levine, 1992; Foster et al., 1998).

5. Findings

Participant Characteristics

Table 1 shows the characteristics of participants in the studied organization. Majority respondents were male (75.4 percent), aged between 26 to 35 years old (30.7 percent), Malaysian Certificate of Education (54 percent), working experience of less than 5 years (26% percent), and non-management employees (56.7 percent).

Table 1. Participant Characteristics (N=150)

	<u>Age (%)</u>	<u>Education (%)</u>	<u>Length of Service (%)</u>	<u>Position (%)</u>
<u>Gender (%)</u> Male=75.4 Female=24.6	18-25=29.3 26-35=30.7 36-45=15.3 >46 =24.7	Diploma =11.3 STPM =8.7 SPM =54.0 SRP/PMR =26.0	<1 years =14.0 1-5 years =26.0 6-10 years =18.7 11-15 years =9.3 16-20 years =6.7 > 21 years =25.3	Management =43.3 Non-management =56.7

Note:

SRP/PMR: Sijil Rendah Pelajaran Malaysia/Penilaian Menengah Rendah;
SPM/MCE: Sijil Pelajaran Malaysia/ Malaysia Certificate of Education (O-levels);
STPM/HSC: Sijil Tinggi Pelajaran Malaysia/Higher School Certificate (A-levels).

Validity and Reliability Analyses for the Measurement Scales

Table 2 shows the validity and reliability analyses for measurement scales. The factor analysis with direct oblimin rotation was done on 36 items covering the four variables: motivational motive (7 items), punishment motive (9 items), and job satisfaction (20 items). Kaiser-Mayer-Olkin Test (KMO), a measure of sampling adequacy, was conducted for each variable and the results indicated that it was acceptable. The results of these statistical analyses showed that (1) all research variables exceed the minimum standard of Kaiser-Meyer-Olkin’s value of 0.6 and were significant in Bartlett’s test of sphericity, (2) all research variables had eigenvalues larger than 1, (3) the items for each research variable exceeded factor loadings of 0.50 (Hair et al., 1998), and (4) all research variables exceeded the acceptable standard of reliability analysis of 0.70 (Nunally & Bernstein, 1994). These statistical results confirm the validity and reliability of measurement scales used for this study as shown in Table 2.

Table 2. Validity and Reliability Analyses for Measurement Scales

Measure	No. of Item	Factor Loadings	KMO	Bartlett’s Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Motivational motive	7	0.62 to 0.83	0.84	421,53, p=.000	4.41	63.05	0.93
Punishment motive	9	0.56 to 0.87	0.93	934,17, p=.000	5.47	60.74	0.86
Job satisfaction	20	0.59 to 0.81	0.90	2042,22, p=.000	9.20	45.99	0.94

Analysis of the Constructs

Table 3 shows the Pearson correlation analysis and descriptive statistics. The mean values for the variables are from 5.1 to 5.2, signifying the levels of motivational motive, punishment motive, and job satisfactions ranging from high (4) to highest level (7). The correlation coefficients for the relationship between the independent variable (i.e., motivational motive and punishment motive) and the dependent variable (i.e., job satisfaction) were less than 0.90, indicating the data were not affected by serious collinearity problem (Hair et al., 1998). The measurement scales that met the validity and reliability requirements were used to test research hypotheses.

Table 3. Descriptive Statistics and Pearson Correlation Analysis

Variables	Min	Standard Deviation	Pearson Correlation (r)		
			1	2	3
1. Motivational Motive	5.2	1.20	(1)		
2. Punishment Motive	5.1	1.32	0.76**	(1)	
3. Job Satisfaction	5.1	1.06	0.65**	0.69**	(1)

Note: Significant at ** $p < 0.01$ Reliability estimation are shown diagonally (value 1)

Outcomes of Testing Hypothesis 1 and Hypothesis 2

Table 4 shows the results of testing research hypotheses using the stepwise regression analysis.

Table 4. Results for Stepwise Regression Analysis

Variables	Dependent Variable (Job Satisfaction)	
	Step 1	Step 2
<u>Control Variables</u>		
Gender	0.14	0.21
Position	0.01	0.03
Age	0.19	0.35
Education Level	0.27	0.24
Length of Service	0.04	0.14
<u>Independent Variables</u>		
Motivational Motive		0.28**
Punishment Motive		0.46***

R	0.26	0.73
Adjust R Square	0.04	0.51
R square change	0.07	0.46
F	2.09	23.06***
F Δ R Square	2.09	70.43***

Note: Significant at **<0.01; ***p<0.001.

Table 4 shows the results of testing hypotheses in Step 2. Motivational motive and punishment motive significantly correlated with job satisfaction ($\beta=.28$, $p<0.01$; $\beta=.46$, $p<0.000$, respectively), therefore H1 and H2 were supported. In terms of explanatory power, the inclusion of these variables in Step 2 explained 73 percent of the variance in dependent variable. Statistically, this result confirms that performance appraisal politics (i.e., motivational motive and punishment motive) act as important predictors of job satisfaction in the studied organization.

6. Discussion and Implications

The findings of this study confirm that performance appraisal politics act as important determinants of job satisfaction in the studied organization. In the context of this study, HR managers and/or managers have been using the standardized policies and rules set up by the stakeholder to determine equity (i.e., justice or fairness) in performance appraisal systems. In the administration of performance appraisal system, the majority of the employees perceive that the ability of appraisers to appropriately use motivational and punishment motives in allocating performance ratings have strongly invoked employees' job satisfaction in the organization.

There are three major implications of this study: theoretical contribution, robustness of research methodology, and practical contribution. In terms of theoretical contribution, the findings of this study reveal that performance appraisal politics (i.e., motivational motive and punishment motive) act as important determinants of job satisfaction. This result is consistent with the findings by Vigoda (2000) and Poon (2003a, 2003b). With respect to the robustness of research methodology, the survey questionnaire data used in this study have exceeded the minimum standards of the validity and reliability analyses. Therefore, a more accurate and reliable findings could be expected.

In terms of practical contribution, the findings of this study could serve as guidelines by managers to improve the design of performance appraisal systems in organizations. In order to achieve the objectives, management needs to consider the suggestions: firstly, participation style should be highly encouraged in order to

appreciate employees' voices and encourage them involve in making decisions about performance appraisal systems. The implementation such participation styles may help employees to understand the reasons and justifications used by managers in determining their performance ratings. Secondly, managers who conduct performance appraisal exercises need to possess certain skills such as good interpersonal communication, counseling and problem solving. In doing so, any misconceptions pertaining to the systems could be addressed and in return, appreciation towards the policies and procedures of performance appraisal system could be better inculcated. If these suggestions are heavily considered this may positively motivate employees to support organizational and human resource department's strategies and goals.

7. Conclusion

This study proposed a conceptual framework based on the performance appraisal politics research literature. The measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. Outcomes of testing research hypothesis confirmed that performance appraisal politics (i.e., motivational and punishment motives) did act as important determinants of job satisfaction. This result support and broaden research literature mostly published in Western organizational environments. Therefore, current research and practice within performance appraisal politics need to consider motivational and punishment motives as a key dimension of performance appraisal systems. These findings further suggest that the ability of appraisers to treat appraises through properly implementing motivational and punishment motives in allocating performance ratings will strongly increase positive attitudinal and behavioral outcomes. Thus, it may lead to sustained and increased organizational competitiveness in an era of global competition.

8. References

- Adams, J.S. (1965). *Inequity in Social Exchange*, in Berkowitz, L. (Eds). *Advances in Experimental Social Psychology*. New York: Academic Press.
- Aminuddin, M. (2008). *Human Resource Management: Principles and Practices*. Oxford University Press.
- Armstrong, M. & Baron, A. (1998). *Performance Management: The New Realities*, Institute of Personnel and Development, London.
- Baron, R.M. & Kenny, D.A. (1986). This Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic and Statistical Considerations. *Journal of Personality and Social Psychology*, Vol. 51, No. 6, pp. 1173-1182.
- Blum, N.L. & Naylor, J.C. (1968). *Industrial psychology: Its Theoretical and Social Foundation*. New York: Harper and Row.

- Boswell, W.R. & Boudreau, J.W. (2002). Separating the developmental and evaluative performance appraisal uses, *Journal of Business and Psychology*, Vol. 16, pp. 391-412.
- Cohen, J. & Cohen, P. (1983). *Applied Multiple Regression/Correlation Analysis for the Behavioral Sciences*. Hillsdale, NJ: Erlbaum.
- Cook, J. & Crossman, A. (2004). Satisfaction with Performance Appraisal System: A Study of Role Perceptions. *Journal of Managerial Psychology*, Vol. 19, pp. 526-541.
- Cropanzano, R. & Folger, R. (1991). *Procedural Justice and Worker Motivation*. In Steers, R.M. and Porter, L.W (Eds). *Motivation and Work Behavior*. New York: McGraw-Hill, 131-43.
- Cresswell, J.W. (1998). *Qualitative Inquiry and Research Design: Choosing Among Five Traditions*. London: SAGE publications.
- Dulebohn, J.H. & Ferris, G.R. (1999). The Role of Influence Tactics in Perceptions of Performance Evaluations' Fairness. *Academy of Management Journal*, Vol. 42, pp. 288-303.
- Desimone, R.L., Werner, J.M., & Harris, D.M. (2002). *Human Resource Development* (3rd ed.). Harcourt, Inc.
- De Waal, A.A.D. (2003). Behavioral Factors Important for the Successful Implementation and Use of Performance Management Systems, *Management Decision*, Vol. 41, pp. 688-97.
- Fried, Y. & Tiegs, R.B. (1995). Supervisors' Role Conflict and Role Ambiguity Differential Relations with Performance Ratings of Subordinates and the Moderating Effect of Screening Ability. *Journal of Applied Psychology*, Vol. 80, pp. 282-91.
- Foster, D.P., Stine, B. & Waterman, R. (1998). *Business Analysis Using Regression: A Casebook*. Springer-Verlag.
- Fletcher, C. (2001). Performance appraisal and management: The developing research agenda, *Journal of Occupational and Organizational Psychology*, Vol. 74, pp. 473-87.
- Fletcher, C. (2002). Appraisal: an individual psychological analysis, in Sonnentag, S. (Ed.), *Psychological Management of Individual Performance*, Wiley, Chichester, 115-35.
- Hair, J.F., Anderson, R.E., Tatham, R.L. & Black, W.C. (1998). *Multivariate Data Analysis* (5th Ed.). New Jersey: Prentice Hall International, Inc.
- Ismail, A., Rafiuddin, N.M., Mohamad, M.M., Pei Zhen, K.W., Yew, J.S., & Kuan, K.L. (2009). Mediating variable of justice features in the relationship between transformational leadership, transactional leadership and trust in the leaders. *Proceeding of International Conference on Teaching & Management of Higher Education (ICITM)*, Concorde Hotel Shah Alam/UiTM Terengganu, Malaysia, 2009, Dec 21-23.
- Jaccard, J., Turrisi, R. & Wan, C.K (1990). *Interaction Effects in Multiple Regression*. California: SAGE Publications, Inc.
- Janssen, O. (2001). Fairness perceptions as a moderator in the curvilinear relationships between job demands, and job performance and job satisfaction. *Academy of Management Journal*, Vol. 44, No. 5, pp. 1039-1050.
- Lefkowitz, J. (2000). The role of interpersonal affective regard in supervisory performance ratings: a literature review and proposed causal model, *Journal of Occupational and Organizational Psychology*, Vol. 73, pp. 67-85.
- Locke, E.A. (1976). *The Nature and Causes of Job Satisfaction*. In Dunnette, M.D. (Eds). *Handbook of Industrial and Organizational Psychology*. Rand McNally, Chicago: IL, 1297-349.

- Leedy, P.D. & Ormrod, J.E. (2005). *Practical Research: Planning and Design*. Pearson Education Ltd.
- Marchington, M. & Wilkinson, A. (1996). *Core Personnel and Development*. Institute of Personnel and Development: London.
- Moorman, R.H. (1991). Relationship between organizational Justice and organizational citizenship behaviors: Do fairness perceptions influence employee citizenship? *Journal of Applied Psychology*, Vol. 76, pp. 845-855.
- Noe, A.R., Hollenbeck, J.H., Gerhart, B. & Wright, P.M. (2009). *Fundamental of Human Resource Management*. McGraw Hill.
- Nunnally, J.C. & Bernstein, I.H. (1994). *Psychometric Theory*. New York: McGraw-Hill.
- Pettijohn, C., Pettijohn, L.S., Taylor, A.J., & Keillor, B.D. (2001a). Are Performance Appraisals a Bureaucratic Exercise or Can they be Used to Enhance Sales-Force Satisfaction and Commitment?, *Psychology and Marketing*, Vol. 18, pp. 337-64.
- Poon, J.M.L. (2003a). Situational Antecedents and Outcomes of Organizational Politics Perceptions. *Journal of Managerial Psychology*, Vol. 18, pp. 138-55.
- Poon, J.M.L. (2003b). Situational antecedents and outcomes of organizational politics perceptions. *Journal of Managerial Psychology*, Vol. 18, No. 2, pp. 138 – 155.
- Poon, J.M.L. (2004). Effects of Performance Appraisal Politics on Job Satisfaction and Turnover Intention. *Journal of Managerial Psychology*, Vol. 33, pp. 322-334.
- Rutherford, B., Boles, J. G., Hamwi, A., Madupalli, R., & Rutherford, L. (2009). The role of the seven dimensions of job satisfaction in salesperson's attitudes and behaviors. *Journal of Business Research*, Vol. 62, No. 11, pp. 1146-1151.
- Ryness, S.L., Brown, K.G., & Colbert, A.E. (2002). Seven Common Misconceptions about Human Resource Practices: Research Findings versus Practitioner Beliefs. *Academy of Management Executive*, Vol. 36, pp. 577-600.
- Sabeen, Z. & Mehbob, A.A.A. (2008). Perceived Fairness of and Satisfaction with Employee Performance Appraisal and Its Impact on Overall Job Satisfaction. *The Business Review, Cambridge*, Vol. 10, No. 2, pp. 185-192.
- Salimaki, A., & Jansen, S. (2010). Perceptions of politics and fairness in merit pay. *Journal of Managerial Psychology*, Vol. 25, No. 3, pp. 229-251.
- Sekaran, U. (2000). *Research Methods for Business: A Skill Building Approach*. New York: John Wiley & Sons, Inc.
- Skinner, B.F. (1954). *Science of learning and the art of teaching*. Harvard Educational Review, Vol. 24, pp. 86-97.
- Snell, S. & Bohlander, G. (2007). *Human Resource Management*. Thompson.
- Tabachnick, B.G., Barbara, G., & Fidell, L.S. (2001). *Using multivariate statistics*. Sydney: Allyn & Bacon.
- Tahir Suliman, A.M. (2007). Links between justice, satisfaction and performance in the workplace: A survey in the UAE and Arabic context. *Journal of Management Development*, Vol. 26, No. 4, pp. 294-311

Thurston, P.W., & Mcnall, L. (2010). Justice perceptions of performance appraisal practices, *Journal of Managerial Psychology*, Vol. 25, No. 3, pp. 201 – 228

Tyler, T.R. (1994). Psychological Models of the Justice Motive: Antecedents of Distributive and Procedural Justice. *Journal of Personality and Social Psychology*, Vol. 67, pp. 830-63.

Vigoda, E. (2000). Organizational Politics, Jobs Attitudes, and Work Outcomes: Exploration and Implications for the Public Sector. *Journal of Vocational Behavior*, Vol. 57, pp. 326-347.

Vroom, V.H. (1964). *Work and Motivation*. New York : John Willey And Sons. Weiss, D.

Warr, P.B., Cook, J., & Wall, T.D. (1979). Scales for the measurement of some work attitudes and aspects of psychological well-being. *Journal Occupational Psychology*, Vol. 52, pp. 129-148.

Wong, C., Hui, C. & Law, K.S. (1995). Causal Relationships between Attitudinal Antecedents to Turnover. *Academy of Management Journal*, pp. 342-346.

Wright, I.L.(1996). Qualitative International Management Research, in Punnett, B.J & Shenker, O. *Handbook for International Management Research*. Oxford, UK: BlackWell Publishers Inc. 63-81.

General Aspects of the Economical Crisis

Assistant Professor Gina Ioan, PhD in progress
Danubius University of Galati, Romania
gina_ioan@univ-danubius.ro

Abstract: According to the economic theories, crises does not follow a general model, each of them, presenting unique aspects, representing actually an accident, generated by specific factors, at a certain socio-economic and political situation. Like a classification of the crisis we can specify: the crisis of liquidity in the banking sector, external balance of payments crisis, currency crisis, external debt crisis and the financial crisis. After we have analyze the causes of the major crisis in XIX-th and XX-th centuries, we broach the principal causes of the actual world crisis. The implications of the crisis in Est-Europe and in Romania are analyzed from the point of view of these economies vulnerability and a series of mistakes taken in the governance acts. The theory of State intervention in the adjustment of economic mechanisms, due to J.M. Keynes, is bring like an argument for exceed the negative effects of the crisis.

Keywords: crisis; currency; financial; debt

JEL Classification: H12; H63; H68

1. Introduction

Analyzing the evolution of human society it is observed that the economic process in a country of more than one country or even worldwide, pass in certain periods through a State of imbalance, known in the literature as the economic crisis.

Any imbalance of economic activity has adverse effects in the social plan. Under the terms of the phenomenon of globalization, interdependence of international relations, development of transnational companies, crises spreads more quickly from one country to another. As a rule, the contamination of national economies is strongest from developed economies by LDCs.

Fluctuations in economic activity may be seasonal, due to natural factors or social predictable, random fluctuations caused by natural factors or cyclical fluctuations and social unpredictable caused by internal factors and own economic activity which are repeated from time to time, without being able to be placed in a time-accurate, rigorous.

In the literature are known of the four phases of the economic cycle, namely: the phase of recession, depression, stage revival phase and phase economic growth. In the phase of recession there is a decrease in economic indicators (GDP and other indicators) in a given period, to a different reference period.

At the level of economic depression, maintaining low and this phase lasts until the level indicators analyzed begins to increase. Revival phase is characterized by a significant increase of economic indicators and it is maintained until this increase equals the level prior to the outbreak of the crisis. Driving momentum or the end of the crisis starts when there has been a real increase of the economy.

2. The Economic Crisis – Causality and Typology

Economic crisis is a situation in which the economy of a country falls down sharply, generated usually by a financial crisis. In an economy faced with an economic crisis, it is occur, cumulative drop in gross domestic product, a rise or fall down of the prices due to a inflation or deflation. Economic crisis may take the form of a recession or an economic depressions and sometimes may lead to economic collapse.

According to the economic theorists, crises does not follow a general model, each of them, presenting unique aspects, representing actually an accident, generated by specific factors, at a certain socio-economic and political situation.

The complexity of economic and financial crisis has increased depending upon development of capitalist society, the formation of relations of interdependence between the states of the world, reaching a point of maximum complexity in the current economic and financial crisis.

In economic reality, it is not easily to identify when a country enters into a crisis. Most of economists think that an economy step in a recession phase, when after two successive quarters a decrease of GDP took place.

National Bureau of Economic Research (NBER) defines the crisis as "a significant decline in economic activity for a few months reflected in the decline of GDP, decrease in individual incomes, the reduce the level of employment, the decrease of industrial production and consumption".

Crises are considered as events with low probability of occurrence, but they have large implications for society, being at the same time hardly predictable. Considering the crises, over time, were manifested in the most various fields and institutions, the necessity of understanding the mechanisms that generate the outbreak and spread them, caused a deep crisis analysis, making at the same time and a classification of them:

- *The crisis of liquidity in the banking sector* is generated by a shrinking liquidity, i.e., the failure of banks in payment of their obligations in the short term.
- *External balance of payments crisis* defined by Paul Krugman and Maurice Obstfeld is a situation where international reserve of a country falls

massively. Anticipating a depreciation of the exchange rate in the future, banks make use of the purchase of foreign currency operations. Kaminsky and Carmen Reinhart defined external balance of payments crisis being a fall down of international reserves. Assessment of the effects of such a crisis is base on rate of variation of a country's international reserves. The collapse of international reserve does not only happen because of speculation in the currency market but also due to a deficit of current account (in a given time period, imports exceed exports).

- *Currency crisis* is characterized by a significant depreciation of the exchange rate cause by a massive growth of demand for foreign currency. Jeffery Frankel and Andrew appreciate the currency crisis as a situation where the exchange rate is lower for a period of one year, more than 25%, and in the opinion of Gerardo Esquivel and Felipe Larraín currency crisis is manifested when there has been a higher depreciation of more than 10% of the real rate of exchange. Ilan Goldfajn and Poonam Gupta advancing the theory that the currency crisis is an imbalance between the actual and the estimated rate of exchange.
- *External debt crisis*. Rudiger Dornbusch defines for the first time this crisis as a situation in which a country is unable to pay its own external debt. The most important indicators on which it is analysed whether a country is faced with a crisis of the external debt is the amount of external debt in relation to gross domestic product.
- *The financial crisis* is based on a massive loss of investor confidence in the financial system. Because of this lack of credibility, capital are withdrawn from the financial markets and repatriated to their origin country, generating a decrease of liquidity in the stock exchange transactions, a pressure on the exchange rate (on the backdrop of increased demand for foreign currency required for conversion of the amount of money which were not invested any more, on the capital market) and a pressure on interest rates (the reduction in demand for securities).

3. A Brief History of the Economic Crisis

A foray into crisis history shows that no matter how different they were in the past, there is, however, and many common characteristics. The economic crises from yesterday and nowadays, it is considered most of the economists, are generated by a wrong management of a large amount of capital at company level, investment errors of investment having its sources in monetary expansion. Any excess of monetary on the credit market is a fictitious capital injection into the economic system encouraging consumption and indebted and discouraging the savings.

A crisis that had similar causes of the current crisis, by the granting of a large number of loans occurred in 1819 in U.S.A. The large number of loans was granted for the purchase of housing, which have never been returned. Keynes and other economists considered the crisis of 1819 as the first financial crisis of U.S.A. which led to the appearance and evolution of the economic cycle.

Another crisis that hit, this time, England, in 1825 spread quickly throughout Europe and in the countries of Latin America, was due, first of all, massive investments in infrastructure, strengthening of the industrial revolution and the costs of war.

At 18 years after the previous crisis, in 1837, U.S.A. repeating the mistakes of the past years, struggled on the background of real estate speculation, with another financial crisis.

Another crisis, considered by many economists first world economic crisis, occurred in 1857, generated by the massive decrease of trade in agricultural products and the bankruptcy of a large number of banks.

On 24 September 1869 was triggered official economic crisis known as "The Black Friday" or the scandal "Fisk/Gould", determined by the speculative shares with gold.

After a long period of prosperity, through the development of agriculture, in 1873, in the U.S.A. occurred another crisis as a result of speculation and huge costs. Because of panic who was installed and Jay Cooke & Company bank's bankruptcy, the stock markets have collapsed, and the New York Stock Exchange was closed for 10 days. Unemployment rate climbed to over 14%.

One of the biggest economic shocks in France represented the fall of the stock exchange of Paris in the year 1882. Because of the large requests of credits, as a result of the increase in prices of shares and not to be suspected of lack of funds, the banks have falsified public reports. Being unable to recover the money with proper interest, the banks have failed, stock exchange has closed and thus the crisis broke out, extended over a period of several years.

The financial crisis in 1884 was also determined of the fall of the stock exchange of goods and financial speculation which led to a massive drop in people's confidence in the banks' activity.

The crisis which has affected the financial system in the period 1893-1894 is considered by economists one of the most dramatic from the history of stock exchange. In 1894, value of the stocks of the most companies have reached the lowest level of 1878.

In 1907, there was another big financial crisis known as the "Banking Panic of 1907" when the New York stock exchange has lost more than 50% of the value of the goods, this affecting a large number of banks and investment companies.

One of the most interesting subjects from literature is the economic crisis of 1929-1933, which has triggered in the United States of America and it has spread throughout the world. All specialists who were in-depth analysis of the economic impact of 1929, economists, sociologists and historians have not reached an unanimously point of view about causes that have determined it.

The theory of monetarist supporters, including Milton Friedman, considered that the Great Depression was caused by monetary contractions as a result of unhealthy monetary policy carried by the FED, affecting the entire banking system. Another group of economists, taking it as exponent on J.M. Keynes, supporting a structuralize standpoint, giving the explanation for this crisis under consumption and over investments, while Marxist theory supporters place the origin of the crisis in the sphere of production.

Paul Krugman believes that the Great Depression of 1929 "has shown the lack of regulations and supervisor improperly on financial market." The crisis of 1929, known as the "Black Tuesday" or "The great Fall" was the only one which caused huge damage around the world.

Since the 1980s, the global economy experienced a quickly expansion, mainly, due to the economic development of East Asia countries. Because of the United States' economy was considered a safe place for those who wished to keep the savings, many foreigners have took out the savings in the U.S.A., passing into a guarantor of economic stability. The trade balance of U.S.A. was in deficit (imports were higher than exports) and this situation became worse. For adjusting the deficit, it is resorted to a policy of more permissive financial regulations to encourage exports, expanded during the late 9th decade also in the banking sector. These changes increased reduced the communication between the banks and borrowers.

The actual financial crisis triggered for the first time in the U.S.A. in 2007, being preceded by several crises which affected the world economy. Thus, in 1997, the global economy was devastated by the breakdown of foreign exchange market from Asia, and a year later, a similar crisis in Russia. In 2001, in The U.S.A. occurs the economic chaos caused by the massive development of firms who had centered activity on the Internet, so called crisis "dot-com". Shares of IT companies determined the growth of the stock market between 1998-2000.

In 2008, The United States of America faced the crisis again, after a rapid fall of prices on the estate and credit market, turning quickly into one global, considered by specialists much more devastating than the Great Depression.

Major impact on The U.S.A. economy was creating a favorable legislative framework for housing construction, as well as relaxed financial conditions, which allowed access to credits for a segment of the population with low income. Based on those regulations, more and more banks had provided considerable loans for the purchase of dwellings to the clients who lacked the solvency requirements. Thus, appeared the subprime loans that do not require advance payment of the debtor and having a promotional interest rate, too. Those who borrowed expected themselves an increase in value of properties in the future. When house prices fell, most beneficiaries of real estate loans were unable to pay the rates. At that time, the offer of housing has increased on the real estate, causing dramatic decrease in their prices. Investors in this sector gave up their projects being constrained construction activity.

Liquidity crisis that occurred affected institutions that provide direct loans, savings and credit banks (Washington Mutual was one of the most affected banks by the credit crisis and decline of the housing market in the U.S.A), institutions for financing and guarantee mortgage (The Federal National Mortgage Association and the Federal Home Mortgage Corporation, known as Fannie Mae and Freddie Mac) and investment banks. Losses suffered by those two institutions guarantee mortgage contributed to lower growth rate of the American economy, affecting system credit on the property market confronted with the greatest crisis of the last 25 years. The abundance of credits in competitive conditions, led to a reduction of exigency in lending them, cheaper loans and increasing risk-taking.

With the losses registered by the investors, it was recorded a decrease of shares on stock exchanges and transactions on the real estate market, also. Thus it began the fall in consumption, a reduction in the profit of companies, reducing of the investments, the reduction of operating costs and the increase of unemployment. The financial crisis has evolved into a very fast pace, affecting the world economy in all sectors.

4. The Implications of the Crisis in Est-Europe and in Romania

The year 2009 was one in which, under the influence of external and internal dramatic events, financial and economic crisis rapidly envelops the entire global economy.

On the internationally layout, the gross domestic product was decreased with 0.6%, decreasing that was more pronounced in the United States of America and Europe. In the old continent, the falling of the gross domestic product was more extensive, nearly 4%. Although incentives have been taken by central banks and authorities, the European Union recorded a deficit of about 7% of GDP and public debt increased by 12%.

Eastern Europe was the region most affected by economic crisis. Thus, since 2009, export markets began to fall due to withdrawals of foreign capitals, the International Monetary Fund's involvement was needed to help countries like Hungary, Romania, Latvia, Ukraine and Serbia. Almost two thirds of emergency loans from the IMF globally focused this part of Eastern Europe.

Up towards the end of 2008, the economic growth of Eastern Europe's countries was about 7-8%, which was due to the fact that in the 1990's, countries such Romania, Bulgaria, Hungary or Poland turn to the market economy and to a certain financial stability.

The experts, who have warned yet from 2006 that Eastern Europe will be most severely affected in terms of a future crisis, consider that the countries of this region (Estonia, Latvia, Lithuania, Belarus, Bulgaria, Ukraine) have made a big mistake by setting a fixed exchange rate. The safety of a fixed exchange rate has increased the incentive for the short-term borrow money from banks in Western Europe, which has given rise, increasing the pace of monetary expansion, an increase in inflation since 2006. Ukraine has witnessed the highest rate of inflation which, in May 2008, reached 31%.

Banking systems in Eastern Europe, born in the past two decades, have not yet reached the level of maturity of those in the West, being much more vulnerable in periods of crisis. A rise in bad loans, in the absence of capital injections from the parent institutions, have weakened banks in the region, which led to a crisis of liquidity, affecting the entire European banking system.

In Eastern Europe, the economic crisis was manifested and still manifesting differently depending on the policies of the Government of each country, local conditions and the anti-crisis plan of each State.

Country with the highest economic growth in this region is Poland, whose economy has increased, according to analysts, with 1.4% in the second quarter of 2009.

The economies of Bulgaria and the Czech lands fell by almost 5% in the mid of 2009, compared to the same period of 2008. Gross domestic product of Hungary decreased by 7.4% and of Romania by 8.8% and countries with the most dramatic decreases in Central and Eastern Europe are the Baltic States, which were faced with the dramatic decline of gross domestic product: Estonia - 16,6%, Latvia - 18,2%, Lithuania - 20.4%.

At the end of 2009, Romania's public debt was 23.7% of GDP (lying within the ceiling of 60% of GDP, according to the Treaty of Maastricht). A serious problem is, in this case, the pace of increasing public debt, with approximately 10% in one year.

In Romania, the economic and financial crisis was caused by decrease in export markets of Romanian products, the decreasing of foreign investors confidence on emergency economies, the depreciation of national currency, reducing lines of credit for private foreign parent banks, as well as the increase in loans in assets of banks.

The outperformance credits have increased (according to BNR' Report on the financial stability in 2010) during the period December 2008 to June 2010, from almost 1% to 8.9% for the Bank's portfolio of companies and from 0.8% to 4.5%, respectively for the population sector portfolio.

In 2009, the Romanian economy has fallen by 7,1%, and the fiscal deficit increased considerably. For the first half of the year 2010, financial analysts have forecasted a continuation of economy syncopation with 1,5% from the same quarter of 2009, which it was and happened otherwise.

This decrease was manifested as a result of a lower internal demand and the large number of raw materials and materials which are found in the composition of the Romanian export flows. The volume of investments decreased, too, a decrease of approximately 30% in 2009, keeping going to fall with the same intensity in 2010 also. This negative evolution in the investments takes place as a result of a reduction in profits of firms, decrease access to long-term financing and aggregate demand. Most affected were small and medium enterprises which have had to reduce the most investment.

A situation, also dramatic, has known labor market in Romania, the unemployment rate in June 2010, reaching a threshold of 7.4% (in December 2008, this threshold was 4,4%). The reducing of the number of jobs, as well as dwindling confidence in the safety of the workplace, led to the fall in consumption and the decrease in demand for credit from the population.

5. Conclusions

The phenomenon of crisis is inextricably linked to the economic activity, meaning that, except for the effects, often harsh, in economic, social or political, manifesting itself as a "surgeon" of development, resetting or revaluing the relations or arrangements for production-level territorial or global.

If at first, the economic crises have had more of a local nature (in particular until the Great Depression), with the emphasis on the phenomenon of globalization, they have expanded rapidly in both the area of action and the speed of propagation in time and space. Interlocking becoming more pronounced between the economies of the world have led to the causal chains, but longer and closer.

History of the economic crisis, in the last two centuries, has revealed a few somewhat heterogeneous causes that contributed to the occurrence thereof and, by default, an equally wide variety of ways exceeded them.

At a first glance, it seems at least paradoxical the fact that the majority of the economic crisis was triggered in the U.S. Studying the influence and the implications of American financial capital in most countries of the world, the phenomenon starts to articulate a coherent explanation.

New computers technologies have enabled both a faster scrolling of business and financial transactions, which have been constituted for in a “heel of Achilles” for the world economy.

Any malfunction manifested at the level of one of the influenced factors of the Planet, propagates in a speedy pace by all dependent economies.

The analysis of the crisis in the last century, reveals a certain repeatability of the causes thereof, and may highlight: un-sustaining economic growth, periods of speculative excess or monetary policies of the unhealthy over-estimating massive loans.

Despite some criticism to the theory of Keynes, the State interference in the adjustment of economic mechanisms is becoming more necessary, being already present in the traditional liberal economies such as that of the United States of America.

Sometimes cumbersome, the mechanisms of decisions factors, in particular at political level in some countries, may delay the limitation of the adverse effects of the crisis and the adoption of measures of exceedance, what, from the perspective of globalization, can increase and sometimes worsen, the duration of manifestation of macroeconomic imbalances.

6. References

Antonopoulos, Rania (2009). *The Current Economic and Financial Crisis: A Gender Perspective*. The Levy Economics Institute of Bard College, Working Paper No. 562.

Aslund, Andres (2009). *Implications of the Crisis for Eastern Europe*. Institute for International Economics.

Benetrix, Augustin & Lane, Philippe (2010). *International Differences in Fiscal Policy During the Global Crisis*. NBER, Working Paper 16346.

Berca, Alex (2009). Globalizarea și efectele ei – o continuă și actuală controversă/ Globalization and its effects - a current and continuous controversy. *Epoca Journal*.

Berca, Alex (2010). Crizele economice și ciclicitatea lor/Economic crises and their cycles. *Semăntorul Editura online/ Sower Press online*.

Boorman, Jack (2009). The Impact of the Financial Crisis on Emerging Market Economies: The Transmission Mechanism, Policy Response and Lessons. *Global Meeting of the Emerging Markets Forum*, India.

Brăilean, Tiberiu (2001). *Noua Economie. Sfârșitul certitudinilor/The New Economy. The end of all certainties*. Iasi: Institutul European.

Fota, Dionysius & Băcescu, Marius (2009). *Criza economică din România anului 2009: Cauze, efecte, soluții/The economic crisis in Romania in 2009: Causes, effects, solutions*. Bucharest: Universitară.

Gheorghe, Doglu (2009). *Criza: finanțe, teorii. Studii alese/Crisis: Finance theories. Chosen studies*. Bucharest: Editura Centrului de informare și documentare economică.

Glăvan, Bogdan (2009), *Împotriva curentului. Însemnări despre criza actuală/Against the current. Notes about the current crisis*. Bucharest: Universul Juridic.

Grossman, Richard & Meissner, Cristopher (2010). *International Aspects of the Great Depressions and the Crisis of 2007: Similarities, differences and Lessons*. NBER, Working Paper.

Keynes, John Maynard (2009). *Teoria generală a ocupării forței de muncă, a dobânzii și a banilor/ General Theory of Employment, Interest and Money*. Bucharest: Publica.

Krugman, Paul (2009). *The Return of Depression Economics and the Crisis of 2008*. W.W.Norton Publisher.

Păun, Cristian (2010), Cauzele, propagarea și efectele crizelor într-o lume din ce în ce mai globalizată/ The causes, spreading and effects of the crisis in an increasingly globalized world, *Revista Sfera Politicii/ The Policy Scope* no. 148.

Radocea, Alexandru (2009). România și criza economic/ Romania and the Economic Crisis. *Revista Română de Statistică/ The Romanian Journal of Statistics*, no. 11.

Reinhart, Carmen & Rogoff, Kenneth (2008). *This Time Is Different: A Panoramic View of Eight Centuries of Financial Crises*, NBER Working Paper No. 13882.

Stiglitz, Joseph (2006). *Mecanismele globalizării/ The Globalisation Mechanisms*. Bucharest: Polirom.

www.bnr.ro (2010), *Reports on financial stability*.

Western Balkans: State of Agriculture and its Opportunities on the Eve of EU Accession - I

Assistant Professor Tamás Mizik, PhD in progress
Corvinus University of Budapest, Hungary
tamas.mizik@uni-corvinus.hu

Abstract: The Western Balkan countries can be characterised by their shared goal, which is the quickest possible accession to the European Union. Agriculture is an important obstacle to achieving this goal. The role of agriculture differs widely among the analysed countries but is more important than the average of the EU. This study gives a comprehensive overview of the most important agricultural indicators related to both crop and livestock production. These indicators present a precise picture of the sector's relevance, production structure, efficiency and international relations. After demonstrating changes in input use, production structure, prices, terms of trade and agricultural policies, the next section identifies some of the reasons for these changes. The time horizon of the analysis goes back to the early nineties and tries to capture some transition effects. The consequences of the Yugoslav war can be easily recognised in every country involved. However, since the end of the war Serbia became the leading producer and the only net exporter of agricultural goods in the region. Nevertheless, the current situation is endangered by several issues, such as imbalanced sectoral production, fragmented production structure, relatively low yields, unfavourable export composition, and poor food hygiene and quality control, which anticipate painful and hard actions need to be carried out.

Keywords: Western Balkans; agriculture; trade balance; EU accession

JEL Classification: Q13; Q18

1. Introduction

The aim of this study is to give a comprehensive overview of the most important agricultural indicators related to crop and livestock production in the Western Balkan countries, Albania, Bosnia and Herzegovina (BiH), Croatia, the former Yugoslav Republic of Macedonia (FYROM), Montenegro, and Serbia. The time horizon of the analysis goes back to the early nineties and tries to capture some transition effects. One of its implications is that data for Montenegro and Serbia can not be always separated. The other exception is Kosovo, there are almost no data for this country in the main databases.

The recently passed twentieth anniversary of the beginning of the transition is a good opportunity to assess the developments in these countries' agriculture and evaluate the status of the sector in the light of initial expectations. What is the

actual state of these countries in the field of agriculture? Have agricultural productivity and competitiveness improved? How are their performances compared to the averages of the EU? Could these countries reach positive trade balance? What are the major challenges and policy lessons?

The Western Balkans has a long history of research carried out by academics or research institutes. The majority of them are basically social and political analyses. The chances of EU accession are also measured on these bases. It reflects to the higher, but not vital role of agriculture in these countries. The World Bank studies focus on specific issues like the state and problems of land and land rental markets (Swinnen et al., 2006), or the difficulties of the health and pension systems (Bredenkamp et al., 2008). The EBRD and FAO carried out country specific analyses (e.g. EBRD, 2007 and FAO, 2005). In addition to these, the FAO recently published two studies on the agriculture of the region in its regional studies series. The first one was about the new member states of the EU (Csáki – Jámbor, 2009), while the second one was on the Western Balkans (Mizik, 2010). The present topic is closer to the latter one, but the methodology is different. Instead of using milestones, it explores the whole time series and tries to dig deeper in some areas such as agricultural value added per worker, export structure or terms of trade. Meantime, newer data became available and they could overwrite the previous results in some cases. Academics and research institutes, mostly geographically close to or in these countries, also carried out deep analyses on this region. As a member of a European consortium, the Hungarian Agricultural Research Institute gave a detailed overview of agriculture and food industry of the Western Balkans (Arcotrass, 2006). One of its remarkable results was the lack of consistent and comparable data. In 2010 the IAMO published the results of the Agripolicy project supported by the European Commission under the 7th Framework Programme (Volk, 2010). In this study a detailed picture was given on the actual state of agriculture and agricultural policy of the Western Balkan countries by national experts and researchers. One of its messages was similar to the above mentioned one, as it was not always possible to gather reliable and precise data even for national actors. Erjavec, the former expert of DG Agri who was the member of this team, has been dealing with the integration of the Western Balkan countries for decades, especially with its agricultural aspects (e.g. Erjavec, 2010). Bojnec and Fertő also need to be mentioned for assessing the competitiveness of the agricultural and food industrial products of the region (Bojnec – Fertő, 2003, 2009). The aim of this study using the data for the last twenty years is to demonstrate changes and its reasons and to compare them to the same indices of the European Union.

The data used came from three main sources. Data on production, prices and yields are from FAO database. The basis of the trade connections is the WTO database. It contains only few data for the beginning of nineties, therefore the base year of

trade analysis was changed to 1996. Analyses on the relevance and role of agriculture are based on the World Development Indicators of the World Bank and national statistics.

The study has two sections. The first one gives an overview of the most important indicators in order to have a precise picture of the sector's relevance, production structure, efficiency and international relations. The second section identifies some of the reasons of the changes in the last twenty years by analysing input use (labour, land, and technology), production structure, prices, terms of trade and agricultural policies.

2. The Performance of Agriculture in the Western Balkans

The Role of Agriculture

The role of agriculture in the national economies is best characterized by the share of agriculture in GDP. The highest role of agriculture in the GDP among all selected countries was in Albania in 2008 with 21%.¹ It has dropped from a very high value as in 1992 even more than the half of the GDP came from this sector's production. Contrary to this, the agricultural GDP was the lowest in Croatia (6%). Table 1. summarises its values on country level.

Table 1. The agricultural value added in the Western Balkans

Countries	1992	2000	2008
Albania	52%	29%	21%
Bosnia and Herzegovina	36%*	13%	9%
Croatia	15%	8%	6%
FYROM	17%	12%	11%
Montenegro	N/A	12%	10%
Serbia	N/A	20%	12%

* Data for 1994

Source: World Bank database and Volk (2010) for Serbia

As a general phenomenon, the contribution of agriculture to the national GDP shows a declining trend in each country, but both of them are much higher than the EU's average which was 1.6% for EU-27 in 2009 (Eurostat database). Moreover, this value already contains Bulgaria and Romania, where the importance of agriculture is much higher than the average of the EU.

The next important indicator is the share of agricultural employment. In the Western Balkans all countries showed different tendencies between 2000 and 2007.

¹ According to the World Bank database, it was higher than the value added of the industry (19,7%).

But in Bosnia and Herzegovina and in the middle of the analysed period in Albania and FYROM it increased. The following table shows these values (Table 2.).

Table 2. Share of agricultural employment in the Western Balkan countries

Countries	1992	2000	2007
Albania	67%	72%	58%
Bosnia and Herzegovina	N/A	8%	12%
Croatia	20%*	15%	13%
FYROM	19%*	24%	18%
Montenegro	-	-	9%**
Serbia	-	-	21%

* Data for 1996

** Data for 2005

Source: World Bank database and author's calculations based on national statistics

It is not surprising that the highest value can be found in Albania, as the importance of the sector is far the biggest among the Western Balkan countries. But what is food for thought is its value. It means that 58% of the total employees can produce only about 20% of the value added. It indicates huge efficiency problems, where were also reflected in BiH where value went down and employment increased from 2000 to 2008. The same value in the EU was only 6% in 2007. The long term decreasing trend shows high fluctuations and slowed down in the second half of the observed period. Figure 1. illustrates it.

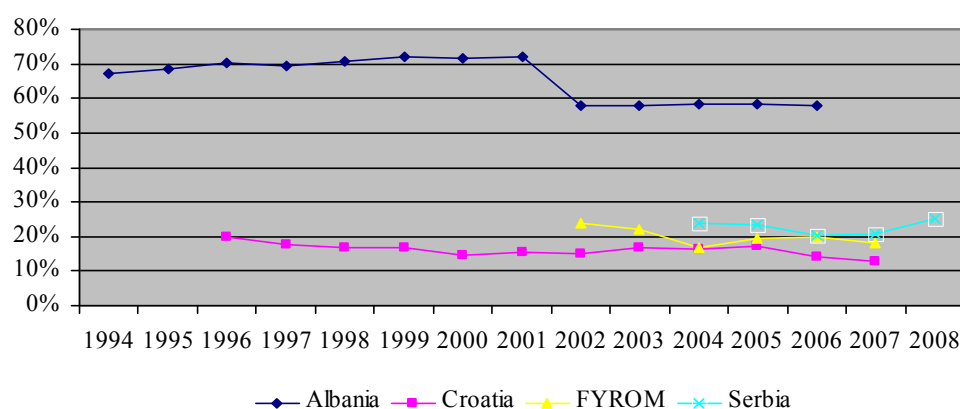


Figure 1. The changing share of agricultural employment

Source: Author's composition based on World Bank database

In order to have comparable results, the figure above contains data only for those countries that can be found in the WDI database of the World Bank.¹ In Albania the index showed slight upward trend until 2001. After a large drop in 2002 it seems to be stabilised around 60%. It indicates data problem as there was no change before and after it. Both the classification and the data provider (Ministry of Labor, Social Affairs and Equal Opportunities instead of General Directorate of Taxation) changed from 2000 to 2001. A continuous decreasing trend can be seen for Croatia, which broke between 2000 and 2006. The last three observed years show the general decreasing trend again. In FYROM and especially in Serbia the results are ambiguous. In the latter case the share of agricultural employment significantly increased in the last two years from 21% to 25%. According to the turnover of the sector, this trend probably continued in 2009.

The relevance and importance of agriculture can be measured by its share from the total export and import.² The used WTO International Trade Statistics database contains SITC (Standard International Trade Classification) Rev. 3 sections 0, 1, 4 and divisions 21, 22, 23, 24, 25, 26 and 29 of agricultural food and raw materials. The next figure illustrates the development of agricultural export (Figure 2.).

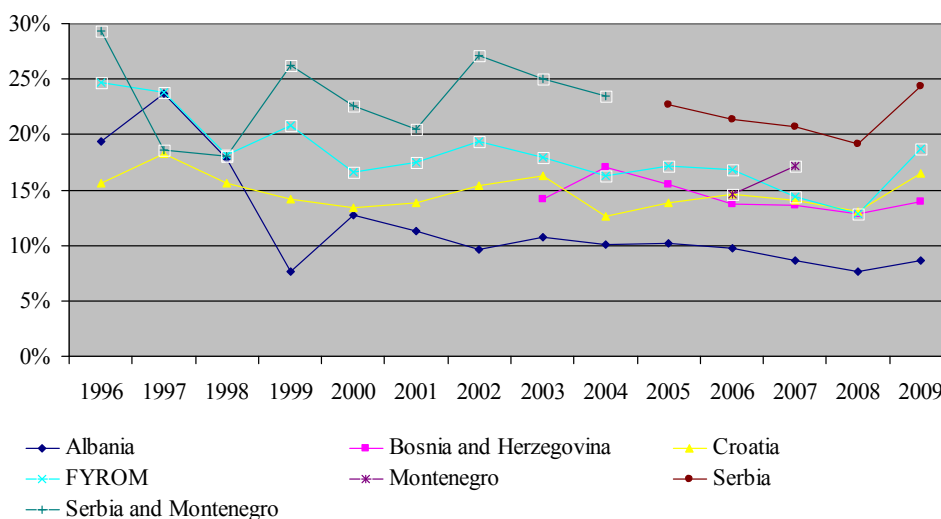


Figure 2. The development of agricultural export within the total export

Source: Author's composition based on WTO database

¹ Regarding Montenegro, only two data can be found in the database for 2003 and 2005 and they are the same.

² The relevance of the region can be demonstrated by using Hungary as a benchmark. According to the WTO database, the agricultural export of the Western Balkans is about two thirds of that, while their total export is less than one third of the Hungarian one.

The decreasing trend on the figure means that the expansion of agricultural export was slower than the expansion of total export. It spectacularly happened in Albania, but the Macedonian one was also remarkable. On the contrary the last value was around the initial one in Croatia. Serbia is a special case and the diagram shows clearly why agriculture is a key sector. It generated almost 25% of the foreign revenues in 2009. However, it has historical roots as the initial Serbian-Montenegrin value was almost 30%. The closest value to average of the EU (EU-27: 10.8%, EU-12: 9.6% calculated from the WTO database) is the Albanian one.

Taking a closer look to the relative importance of agricultural import, generally lower values can be seen (Figure 3.). It is not surprising because when the agricultural export is significant in a given country, it is less likely for the agricultural import too. Serbia, the only country in the region with agricultural trade surplus, is a good example of this with the lowest, 7.5% rate. The previous downward trend shattered in 2009 when the agricultural import increased more than the total import. The significant growth of national production resulted a huge drop in import dependency in Albania, although the value of the index is still around 18%. It enhances the above mentioned efficiency problems. This value is very high itself, but the fact that agriculture contributes to the GDP with about 20% makes it even higher. In this case the Croatian value is the closest to EU-27 average (11.1%), while the slightly lower Serbian one is in accordance with the average of the new member states (8.3% calculated from the WTO database).

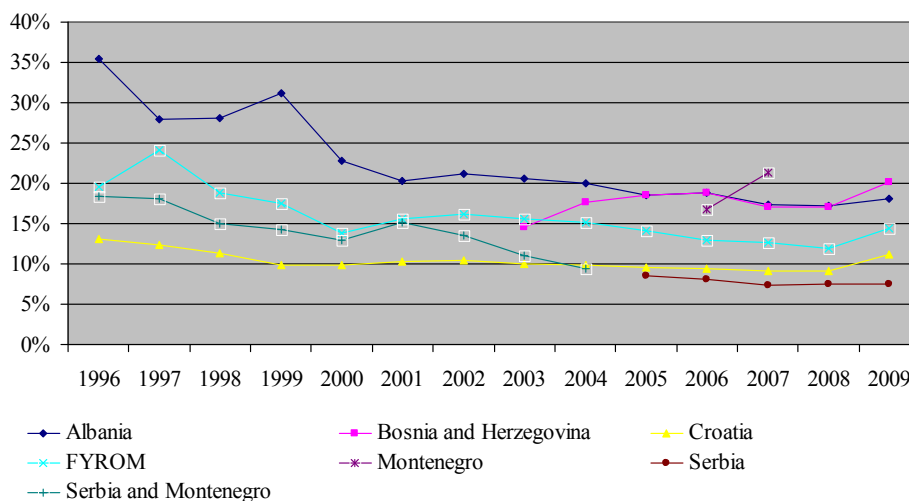


Figure 3. The development of agricultural import within the total import

Source: Author's composition based on WTO database

Besides the relative share of agricultural export and import, it is important to take a closer look at their structure. It gives answer to the question whether it is

dominated by raw materials or processed products. In case of exports, the latter one is more desired, because the value added is much higher and competitiveness is not linked almost entirely to the price. Figure 4. demonstrates the structure of agricultural export.

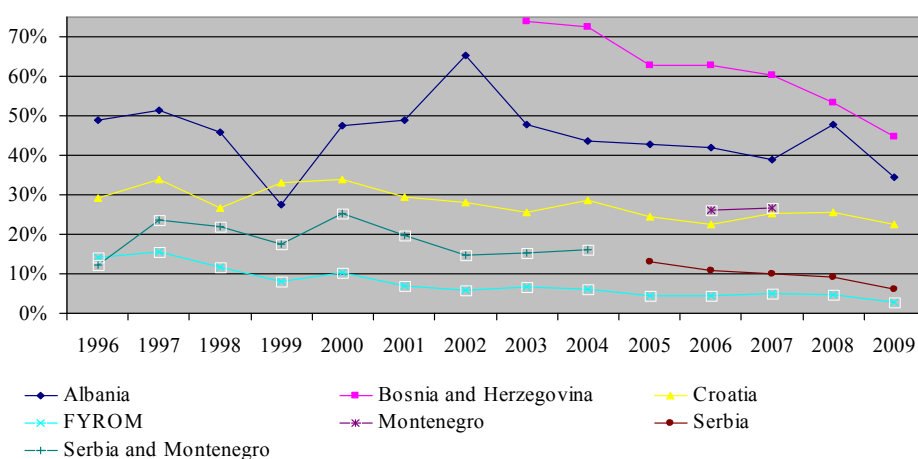


Figure 4. The share of raw materials in the agricultural export

Source: Author's composition based on WTO database

The Albanian index fluctuates the most, but generally it can be stated that the structure of the agricultural export is shifting toward the good direction as the share of raw materials shows decreasing trend. The Serbian and Macedonian values are even on a lower level than the average of the EU (EU-27: 13.9%, EU-12: 15.2% calculated from the WTO database). But one should note that these values are still on a high level in the other countries, for example they surpass 30% for Albania and Bosnia and Herzegovina. The latter one has the worst situation with almost 45%. It is even worse in the light of the less favourable endowments of the country. Bosnia and Herzegovina should make more efforts to produce higher value added agricultural goods. According to the national endowments it should focus on organic production instead of input intense goods (Bojnec, 2005).

Regarding the agricultural import, the opposite judgement used: the higher the share of raw materials, the better the import structure is. Figure 5. illustrates it for the Western Balkan countries.

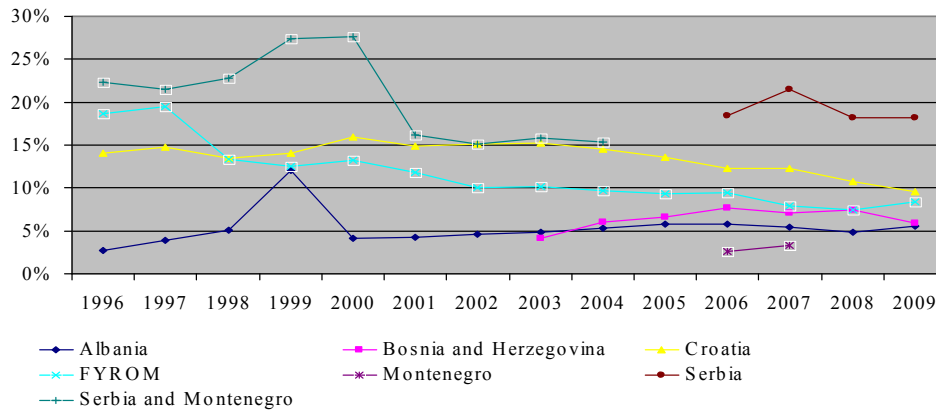


Figure 5. The share of raw materials in the agricultural import

Source: Author's composition based on WTO database

The general picture shows mostly decreasing trend over the last 14 years. The share of raw materials within the agricultural import are mostly between 5% and 10%, except in Serbia, but they are generally on a lower level than for exports. In the EU these shares are almost the same as they were for the agricultural export with no significant differences among the member states (13.6% for the EU-27 and 13.4% for the EU-12 calculated from the WTO database). The unfavourable export and import composition, when the share of raw materials in the export is higher than in the import, was proven by several studies (e.g. Bojnec – Fertő, 2003; Volk, 2010) and so by this analysis. From this aspect Bosnia Herzegovina has the worst position, while Serbia and especially FYROM can be found on the other side. A serious contingency is embedded in this phenomenon because under the given circumstances the competitiveness of the export is determined by the price.

Taking into consideration the relatively high transportation costs of mass products, it can easily result a significant decline in quantities and therefore in export revenues.

But it is a fact that agriculture plays an above average role in human nutrition. It can be confirmed by the high share of food products and beverages in the households' expenditures. Therefore food security is often translated as satisfactory food supply in this region. The next table shows these shares (Table 3.).

Table 3. The share of food products and beverages in the households' expenditure, 2008

Countries	Food	Beverages & tobacco	Together
Albania	N/A	N/A	57.8%
Bosnia and Herzegovina	32.0%	3.2%	35.2%
Croatia	33.9%	4.1%	38.0%
FYROM	39.4%	3.9%	43.3%
Montenegro	42.5%	4.0%	46.5%
Serbia	39.0%	4.4%	43.4%

Source: USDA database, national statistics, Sisevic (2009) for Montenegro

Despite of the continuously decreasing trend, households still spend notable part of their incomes on food products and beverages. It has the highest share in Albania (57.8%), while the lowest one is in Bosnia and Herzegovina (35.2%). However, even the latter one is much higher than the 19.4% average of the EU which contains an even higher 50% for Romania (Eurostat database).¹ The real problem behind these values is undoubtedly bigger because the averages obscure the huge differences between the lower and higher income groups within each country.

3. The Agricultural Output

The agricultural turnover can be assessed by total production and its sectoral structure. Table 4. shows the total output of agriculture.

Table 4. Total production of agriculture [1000 int. \$]²

Countries	1992	2000	2009
Albania	539 687	734 136	827 142
Bosnia and Herzegovina	744 075	609 590	907 920
Croatia	1 170 797	1 158 024	1 315 790
FYROM	634 896	609 807	676 066
Montenegro	-	-	131 593
Serbia	-	-	3 992 315
Serbia and Montenegro	3 947 030	3 566 626	-
Total	7 036 485	6 678 183	7 850 826

Source: Author's calculations based on FAO database

¹ In addition to this, the price elasticity of food products and beverages is high. According to the USDA database, Albania has the highest value (0.69), but it is above 0.6 in Bosnia and Herzegovina and Croatia either. It means if households gain one additional unit of income, they will spend more than half of that on these products. This value is about 0.3 in the EU-15, but even the average of EU-10 is under 0.5, although the Bulgarian and Romanian data are above 0.6 (USDA database).

² International dollar is a theoretical currency used by FAO, World Bank and IMF. It shows the purchasing power of the US dollar in the given time. Therefore it is better for comparisons, but can not be directly converted to other currencies.

In the observed period Albania reached the largest growth which was 53% compared to the initial value of production. Besides that, the 22% growth of Bosnia and Herzegovina needs to be mentioned. During this time the total production of the region increased by only 12%. Although it counts high, as the EU's production did not changed during this period (FAO database). The most significant producer was Serbia who provided more than the half of the region's turnover in 2009. Probably this proportion was even higher earlier. Due to the large differences between the nominal data, the development of the values is illustrated by using 1992 as a base year (Figure 6.).

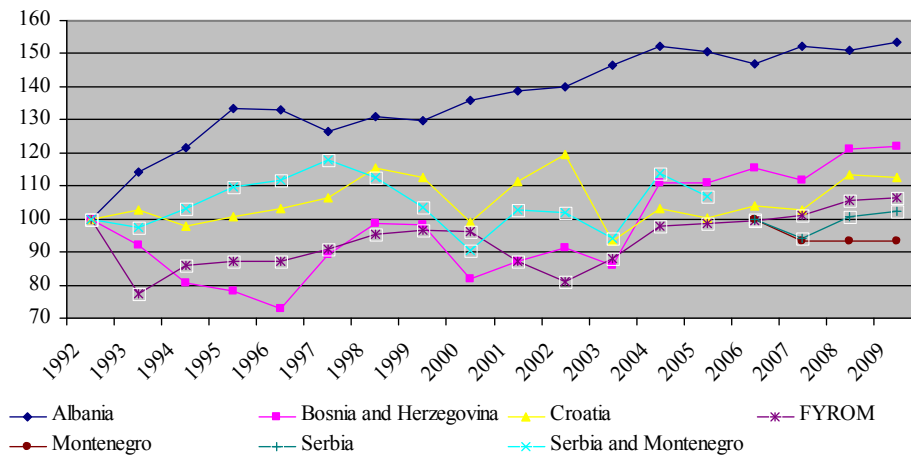


Figure 6. The development of agricultural production [initial year = 100]

Source: Author's composition based on FAO database

The first half of the period was dominated by the negative effects of the Yugoslav war. As Albania was not involved in that, it was able to remarkably increase its output. Since the first part of the war was mostly on the territory of Bosnia and Herzegovina, the decline of its production was not surprising. The Bosnian gross crop production stabilised around 80% of the value of 1992, while livestock production dropped heavily to 49% of that (FAO database). After signing the Dayton Agreement, gross agricultural output reached its initial value within two years due to the quick recovery of crop production. Contrary to this, the second part of the war effected exclusively Serbia and Montenegro, where the production touched its bottom in 2000. In the period of piece natural forces replaced the war machines. The clearly visible declines in 2000 and 2003 were the consequence of serious droughts. A smaller brake in production can be seen in 2007, when the region faced with very dry weather. It effected mostly the maize production, but this effect was party compensated by the other commodities. Despite all these issues, the decline in agriculture was not as severe as in many CEE and former Soviet Union countries.

The sectoral structure of production is an important issue. Figure 7. illustrates the development of crop production within the agricultural output. As the rest of production is livestock, it summarises the changes of sectoral proportion as well.

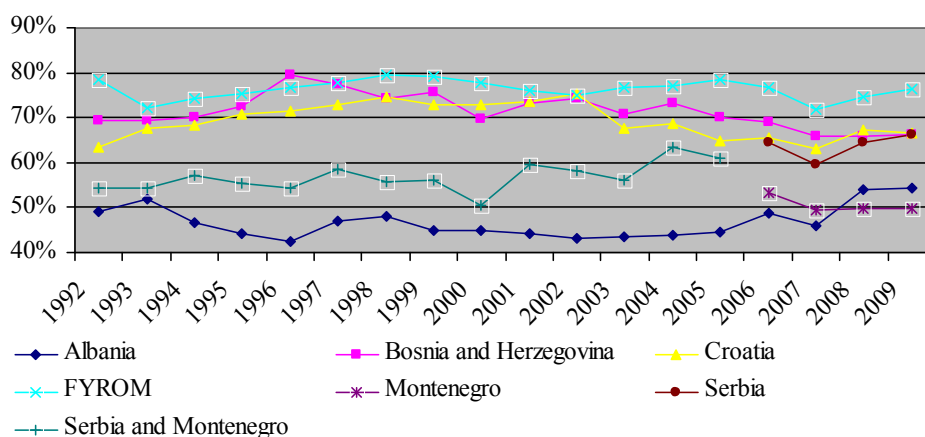


Figure 7. The share of crops in the agricultural production

Source: Author's composition based on FAO database

The crop production is more than 50% in every country except Montenegro. For instance in FYROM it gave 76% of the total production. It is interesting because Montenegro and FYROM are geographically similar countries characterised by mountains. The value of this ratio is 2/3 in the three biggest countries (Serbia, Croatia and Bosnia and Herzegovina). Only the Albanian output was dominated by livestock products from 1994 to 2007, when the line was below 50%. Taking a look at the sectoral production of the EU, that is balanced over the years despite the huge differences among the countries (e.g. crops are dominant in France or Italy, while UK or Denmark can be characterised by the dominancy of livestock production).

The comparison between the outputs of the sectors is carried out by using base indexes normalised to 1992. The following figure shows these values (Figure 8.).

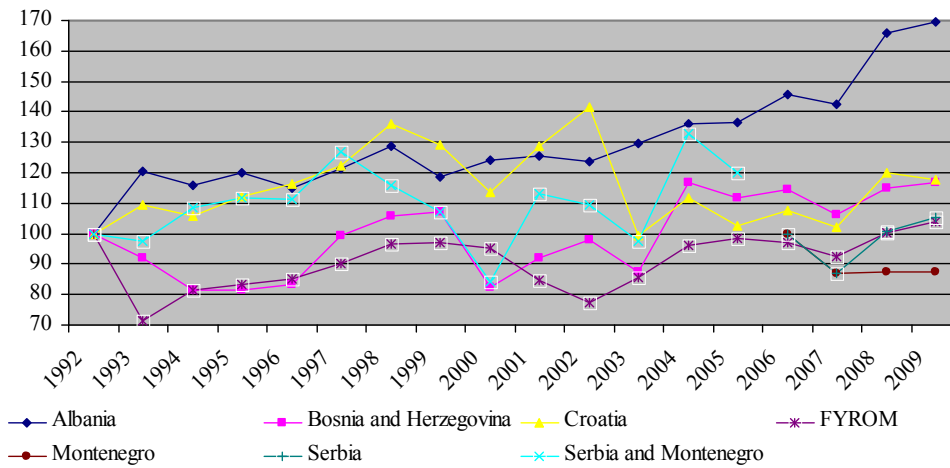


Figure 8. The development of crop production [initial year = 100]

Source: Author's composition based on FAO database

Albania showed the most dynamic growth, while FYROM was able to surpass its initial value only in 2009. Compared to the development of total output, it is clearly visible that its engine was the crop production as the dominant sector. But one might notice that these curves show higher amplitudes than the total outputs' ones. The above mentioned droughts in 2000 and 2003 caused 45% and 33% loss respectively.¹ As the biggest producers are dominated by crops, the lack of irrigation can cause huge losses in production under unfavourable natural conditions. From this aspect FYROM has the best position, where 2.7% of UAA is irrigated, while in case of Croatia and Serbia this share is only 0.25% and 0.51% respectively (World Bank database). But even the Macedonian value is fairly low. According to the Eurostat database, irrigation is more common in the EU (around 10%), especially in the Mediterranean countries (e.g. 40% in Greece). The lack of irrigation is the main reason behind the higher fluctuation of crop production, while in case of livestock production an almost linear trend can be obtained (Figure 9.).

¹ The drought in 2007 affected mostly Serbia. Due to that, the production went down from 6 million to 3.9 million tonnes.

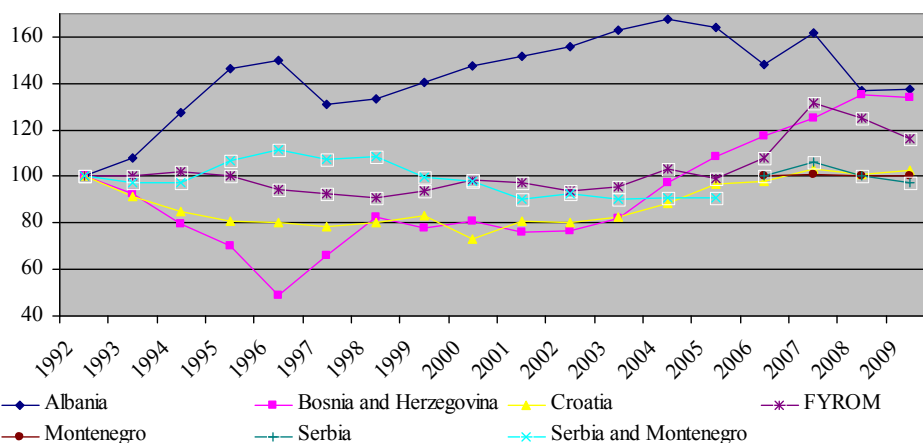


Figure 9. The development of livestock production [initial year = 100]

Source: Author's composition based on FAO database

Again not surprisingly, Albania showed the highest growth, but what is really worthy of note is the development of Bosnian turnover. After reaching its bottom with 49% in 1996, the livestock output went up to 134% of the base value in 2009.

4. The Development of Efficiency

One of the possible tools to measure efficiency in agriculture is the value added per worker. Moreover it can be compared directly without further calculations. Table 5. gives an overview of it.

Table 5. Value added per worker [constant 2000 USD]

Countries	1992	2000	2008
Albania	958	1542	1663*
Bosnia and Herzegovina	3216**	4902	11647
Croatia	5545	8798	16123
FYROM	2413	3371	4644
Montenegro	-	-	2196
Serbia	-	-	N/A

* Data for 2006

** Data for 1994

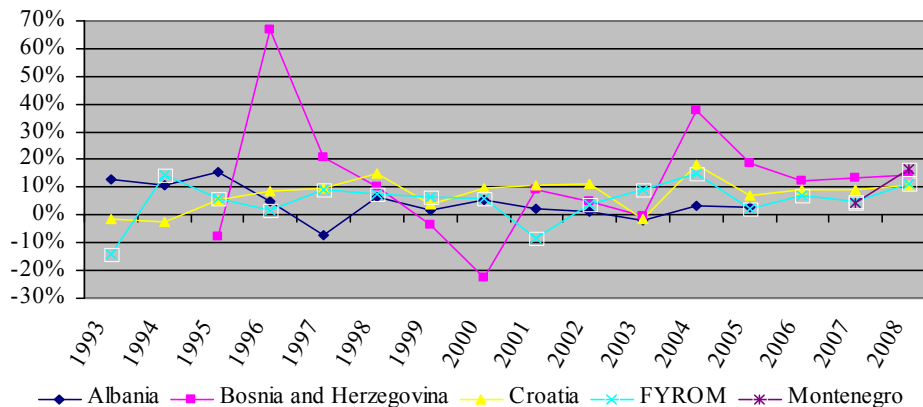
Source: World Bank database

Where data was available for all three selected years, a continuous increase can be registered. As it could be anticipated by the previous datasets, Albania has the

worst situation followed by Montenegro (1663 and 2196 USD respectively). It indicates enormous efficiency problems. Bosnia and Herzegovina showed the most notable growth but even that was not enough to catch up with the best performing country, Croatia. According to the World Bank database, the Croatian 16123 USD value counts really high as the average of the euro zone is 23700 USD. On the other hand it is more than two fold of the Hungarian or Romanian values (7006 and 6952 USD respectively).

Examining the changes of the value added per worker, the whole picture is less favourable. The indexes show large fluctuations over the years (Figure 10.). It is closely related to the turnover of the sectors. Natural disasters can significantly influence crop production and reduce efficiency. Moreover, it is aggravated by the dominance of crops and the low level of irrigation.

Figure 10. The changes of the value added per worker [%]



Source: Author's composition based on World Bank database

It can be seen on the figure above that all countries faced declines at some time except Montenegro, which has only two years of data as a separate country. The highest declines can be linked to Bosnia and Herzegovina. The first one in 1995 was the consequence of the Yugoslav war, while the second one in 2000 was caused by the earlier mentioned drought. It would have had so serious effect because crop productions gave two thirds of total production. Again the drought was the reason of low or even negative growths in the region in 2003.

The key areas of efficiency of the agricultural performance are agricultural production and yields of the main commodities. In the following part the three main products (maize, pork and cow milk) of the countries will be examined. The reason of choosing these commodities is their dominancy in production in the

region.¹ First of all maize production of the Western Balkan countries will be checked upon. Table 6. provides detailed data on maize production and yields.

Table 6. Maize production and yields

Countries	Production (1000 t)			Yield (t/ha)		
	1992	2000	2009	1992	2000	2009
Albania	156.1	205.7	265.1	2.49	3.88	5.57
BiH	630.0	472.0	962.9	3.99	2.27	5.10
Croatia	1537.7	1526.2	2182.5	4.15	3.93	7.35
FYROM	130.3	125.4	154.2	2.98	3.38	4.75
Montenegro	-	-	6.9*	-	-	2.52
Serbia	-	-	6396.3	-	-	5.29
Serbia and Montenegro	4513.0	2968.0	-	2.98	2.46	-
Total/Average	8139.4	6425.7	11356.1	3.32	3.18	5.10

* Data for 2008.

Source: Author's calculations based on FAO database

As it can be seen from table 6, the most significant cereal producer of the region is Serbia. According to data for 2009, this country produced 64% of maize production of the region. The next highest one for maize is Croatia with production over 2 million tonnes and Bosnia and Herzegovina with almost 1 million tonnes. The “war effect” can be clearly seen when the Serbian production fell by one third. Due to the drought in 2000 the Bosnian and Serbian maize production halved. The other drought in 2003 caused 34% decline in production. Despite these negative effects, the maize production has significantly increased in the last 18 years by 30% compared to 1992 and by 47% compared to 2000.

Maize yields show huge differences in the countries. The highest numbers were observed in Croatia (7.35 t/ha), while the smallest ones were in Montenegro (2.52 t/ha) in 2009. With similar endowments to Montenegro, FYROM were able to reach higher yield (4.75 t/ha). The three other countries (Albania, Bosnia and Herzegovina and Serbia) can be characterised by yields around the regional

¹ On country level there are some differences: wheat production is higher in Albania and FYROM than maize; beef is more significant in Albania, BiH and Montenegro than pork. Cow milk is dominant in every Western Balkan country. Goat and sheep are important in Albania and FYROM but they have only a bit more than 10% share in total milk production (FAO database).

average. According to the data, only Albania was able to continuously increase its yields. One of its reasons is the small initial value. Every other country faced with declines over the years. Compared to year 2000, the average yield of maize went up by 60%. But these values are relatively low, even the Croatian one, they are far below the average of the EU-15, which were 9.26 t/ha in 2009 (Eurostat database). It indicates that use of proper production techniques (quality seeds, proficiency, high-tech machinery, etc.) can result higher output via increased yields even if the agricultural area is not extended.

The second important output to discuss is pork production. In order to take a deeper look into the production of the countries, it is important to examine the livestock headcounts of pig. As the cattle population provides the basis of milk production, it is important to show them too (Table 7.).

Table 7. Headcounts of cattle and pig population in the Western Balkans [1000 animal]

Countries	Cattle			Pig		
	1992	2000	2009	1992	2000	2009
Albania	616	728	494	90	103	160
BiH	550	462	458	430	450	529
Croatia	590	427	447	1 183	1 233	1 250
FYROM	282	270	253	171	226	194
Montenegro	-	-	109*	-	-	10*
Serbia	-	-	1 002	-	-	3 631
Serbia and Montenegro	1 975	1 427	-	3 844	4 087	-
Total	4 013	3 313	2 763	5 718	6 099	5774

* Data for year 2008

Source: Author's calculations based on FAO database

The cattle population decreased by 30% (from 4 million to 2.8 million) in the last 18 years. Its main reason was the huge Serbian decline. On the contrary, the pig population seemed to be stable; the initial value was more or less the same as the final one. Although the Serbian stock declined, the increase in the other countries' population compensated that. Besides the later analysed milk, the pig sector was able to avoid the "war loss".

In accordance with the headcount data, Serbia was the most dominant pork producer in the Western Balkans. Table 8. shows pork production and yields.

Table 8. Pork production and yields in the Western Balkan countries

Countries	Production (1000 t)			Yield (kg/animal)		
	1992	2000	2009	1992	2000	2009
Albania	10.6	7.8	12.5	65	67	67
BiH	10.0	6.3	9.7	70	53	67
Croatia	65.0	63.7	131.0	74	72	76
FYROM	10.4	9.3	8.3	95	93	98
Montenegro	-	-	2.4	-	-	102
Serbia	-	-	528.0	-	-	98
Serbia and Montenegro	591.7	634.5	-	77	78	-
Total/Average	687.7	721.6	691.9	76	73	85

* Data for year 2008

Source: Author's calculations based on FAO database

Pork production showed high correlation with the headcount data, after a small increase in the middle of the observed period, it went back to its initial value. The production structure changed a bit, the lower Serbian production was replaced by the doubled Croatian one. Yields of pork production declined in 2000, but increased by 12% at the end of the period. The high Serbian, Montenegrin and Macedonian values should be mentioned. Essentially they contributed to the remarkable growth from 73 to 85 kg/animal. This value is around the average of the EU where only Italy could realize 125 kg, but for instance Belgium and the Netherlands remained under 100 kg/animal (FAO database).

As third point, the cow milk production of the countries will be discussed. Among the Western Balkan countries Serbia produced the largest amount of milk, but Albania were able to continuously increase its production and almost reached one million tonnes output in 2009 (Table 9.). In the light of decreasing Serbian and increasing Albanian production, Albania would become the biggest milk producer of the region.

Table 9. Cow milk production and yields in the Western Balkan countries

Countries	Milk (1000 tonnes)			Milk yield (kg/animal/year)		
	1992	2000	2009	1992	2000	2009
Albania	486	807	908	1 542	1 801	2 572
BiH	450	544	757	1 257	1 810	2 580
Croatia	708	607	818	1 920	2 382	3 850
FYROM	121	220	343	1 248	2 318	2 636
Montenegro	-	-	169*	-	-	2 305
Serbia	-	-	1 509	-	-	2 647
Serbia and Montenegro	1858	1803	-	1 789	2 126	-
Total/Average	3 623	3 981	4 504	1 551	2 087	2 765

* Data for year 2008

Source: Author's calculations based on FAO database

The region showed a growing tendency: 24% more milk was produced in 2009 than in 1992. The FYROM had the most significant increase with 2.8 times more production, but Albania and Bosnia and Herzegovina had also more than 60% growth from 1992 to 2009. The main reason of this large expansion in production was due to the 80% growth of average milk yield. There were no exception from this trend and FYROM and Bosnia and Herzegovina topped this list. The Croatian yield is by far the highest (3850 kg/animal/year), but even this topping value was below the average of the EU. It was 6707 on the level of EU-27 and 5567 for the new member states (EC, 2010). It also indicates enormous efficiency reserves which could be activated by using leading-edge technologies.

5. The Agricultural Trade of the Western Balkans

Basically trade issues can be analysed by export, import and the trade balance. The export increased in every country but this process speeded up spectacularly in the second half of the examined period. The least product to sell abroad was available in Albania, but this country also more than doubled its export value. Altogether the region exported 3 times more in 2009 than in 1996 and its value was almost 5000 million USD. Although there is no separated Serbian data before 2005, but taking into consideration the latest available Montenegrin data, which was 127 million USD in 2007 (WTO database), this impressive growth can be linked mostly to Serbia (Table 10.)

Table 10. Agricultural export of the Western Balkan countries [Mio USD]

Countries	1996*	2003	2009
Albania	42	48	94
BiH	N/A	189	546
Croatia	727	1010	1727
FYROM	283	245	504
Montenegro	-	-	N/A
Serbia	-	-	2031
Serbia and Montenegro	592	662	-
Total	1643	2155	4903

* There were only a few data available for the earlier years.

Source: Author's calculations based on WTO database

Of course the export shows high correlation with the production, therefore the Serbian export was able to be increased only after the end of Yugoslav war. This process was so successful that Serbia became the number one exporter of the region by 2007 depriving this title from Croatia. Serbia exported 300 million dollar more than Croatia in 2009. Taking a look at the individual data, all Western Balkan countries could maintain growing export from 2000 to 2008. But the world financial crisis remarkably affected all of them, which caused a brake in their export expansion.

As the value of the agricultural export, the value of import also increased significantly in all countries but it was less dynamic. The import level became 2.8 times more in 2009 than it was in 1996. From the overall 6860 million USD in 2009, Croatia itself imported 2373 million USD and with this amount it was the leading agricultural importer of the region, while the smallest one was FYROM with 728 million USD (Table 11.).

Table 11. Agricultural import of the Western Balkan countries [Mio USD]

Countries	1996	2003	2009
Albania	332	384	822
BiH	N/A	702	1771
Croatia	1020	1414	2373
FYROM	318	361	728
Montenegro	-	-	N/A
Serbia	-	-	1164
Serbia and Montenegro	752	872	-
Total	2422	3733	6860

Source: Author's calculations based on WTO database

The growth rate of import was around the same as export's one, but its initial values were much higher. The negative tendencies were stronger in the second half of the period. The Croatian import was the biggest even from 1996, while Bosnia and Herzegovina came before Serbia in 2004 and became the second biggest importer of the Western Balkans.

The import expansion was also broken by the global financial crisis, but its decline was bigger than what could be observed for the export (-18% compared to -6%). In value it resulted better trade balance by almost 1.2 billion USD compared to the previous year.

Based on the analyses above, it is worthy to calculate agricultural trade balances for the countries. It is clearly visible that only Serbia was able to gain a surplus from its agricultural trade, but only in the second half of the examined period. Before the disintegration, the trade balance of Serbia and Montenegro was negative, but Serbia as an independent country had positive trade balance already in 2005 with the value of 123 million USD. It increased to 867 million USD in 2009 which makes more offsetting the growing trade deficit of the region. But it should be mentioned that Bosnia and Herzegovina made 63% of it with the value of -1225 million USD (Table 12.)

Table 12. Agricultural trade balance of the Western Balkan countries [Mio USD]

Countries	1996	2003	2009
Albania	-291	-336	-728
BiH	N/A	-512	-1225
Croatia	-294	-404	-646
FYROM	-35	-115	-224
Montenegro	-	-	N/A
Serbia	-	-	867
Serbia and Montenegro	-160	-210	-
Total	-780	-1578	-1957

Source: Author's calculations based on WTO database

The overall deficit of the region was 1957 million USD in 2009. Besides Serbia, all the other countries were net importers of agricultural goods in all the selected years. Their deficit was growing continuously. It is remarkable that Serbia's surplus more than doubled compared to 2008. It means that its agriculture was undoubtedly the winner of the global financial crisis. To have a clearer picture on the net importer countries position, figure 11. gives an overview of the development of their agricultural trade deficit.

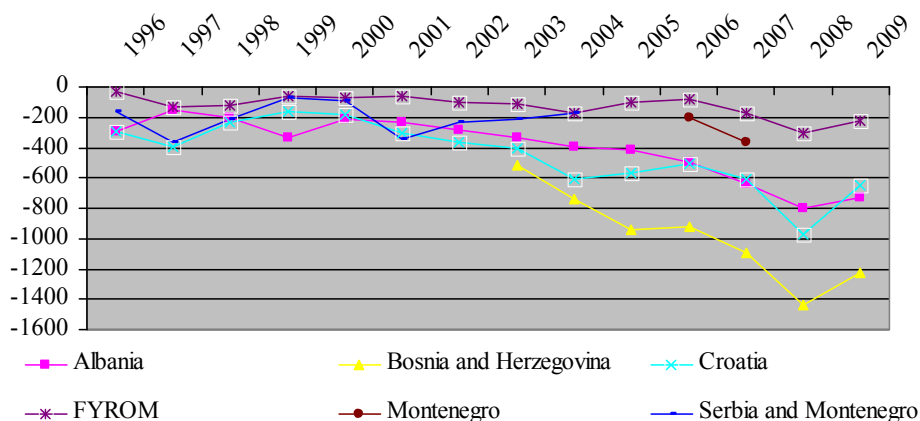


Figure 11. The development of agricultural trade deficit [Mio USD]

Source: Author's composition based on WTO database

Trade data were available for Bosnia and Herzegovina only from 2003 in the WTO database, but this country had the largest agricultural trade deficit from the very beginning. Regarding both export and import, EU is the most important trading partner of the region. From this aspect it is worth highlighting that out of six Western Balkan countries three is not yet member of the WTO. Bosnia and Herzegovina, Montenegro and Serbia have observer status. The EU pays special attention to the WTO's Sanitary and Phytosanitary Measures, so need to do these countries. Upon the high relevance of the European Union, the earliest implementation of the EU rules on food hygiene and official quality control is essential for these candidate and possible candidate countries (Mizik, 2010). It is a question of market access and export competitiveness. A special pricing system, which encourages farmers to produce high-quality products, could be an element of it (EBRD, 2007). However remarkable steps have been made, there are independent food safety agencies in some countries (Croatia, Bosnia and Herzegovina, FYROM) and some of them have already been acknowledged by the EU (Mizik, 2010). For example the Croatian Food Agency got the ISO 9001:2008 certificate in January 2009. Serbia seems to be lagging behind as the food safety law has not been adopted yet and the food safety agency is not established (Rasavac – Cuk, 2009). But is should be kept in mind that the establishment of food safety agency itself can not solve the food safety problems if it does not have sufficient resources like qualified and well-paid staff, financial resources for testing, well-equipped laboratories with satisfactory capacity, etc.

References

- Arcotrass (2006): Study on the State of Agriculture in Five Applicant Countries. http://ec.europa.eu/agriculture/analysis/external/applicant/index_en.htm
- Bajramovic, S. (2010). Rural Employment in Bosnia and Herzegovina – an Overview and Outlook. *World Bank Conference on Western Balkans' Poverty and Inclusion*. 14-15 December, 2010, Brussels, Belgium.
- Bogdanov, N.; Bozic, D. & Muncan, P. (2007). Agricultural and Rural Policy of Serbia – Institutional Framework and Implementation. *LIAE Conference "Influence of EU support on structural changes in agricultural and food sector"*. Vilnius, Lithuania.
- Bredenkamp, C.; Gragnolati, M.; Ramljak, V. szerk. (2008). Enhancing Efficiency and Equity: Challenges and Reform Opportunities Facing Health and Pension Systems in the Western Balkans. *HNP Discussion Paper No. 46706*. World Bank, Washington, DC, USA.
- Bojnec, Š. (2005). Agriculture in Post-War Bosnia and Herzegovina: Social Buffer vs. Development. XIth EAAE Congress, 'The Future of Rural Europe in the Global Agri-Food System', August 24-27, 2005, Copenhagen, Denmark.
- Bojnec, Š. & Fertő, I. (2003). *Southeastern European Agrofood Trade Specialization*. *Eastern European Economics*. Vol. 48, no. 3, May–June 2010, pp. 23–51.
- Bojnec, Š. & Fertő, I. (2009). *Agro-food trade competitiveness of Central European and Balkan countries*. *Food Policy*, Vol. 34, Issue 5, October 2009, pp. 417-425.
- Csáki, Cs. & Jámbor, A. (2009). The Diversity of Effects of EU Membership on Agriculture in New Member States. *Policy Studies on Rural Transition* No. 2009-4, FAO Regional Office for Europe and Central Asia, Budapest, Hungary.
- EBRD (2007). *A Systematic Analysis of the Agribusiness Sector in Transition Economies: The Montenegrin Dairy Sector*. London, United Kingdom.
- EC (2010). *EU Diary Farms Report 2010*. European Commission, May 2010, Brussels.
- Erjavec, E. (2010). *Issues, lessons and strategies for Western Balkan agriculture*. *SWG _ InWent Seminar, 20-24 September 2010*, Durres, Albania.
- FAO (2005). *Rural Development Strategy, Croatia*. Terminal statement. TCP/CRO/2801.
- Lampietti, J. A.; Lugg, D. A.; Van Der Celen, P. & Branczik, A. (2009). *The Changing Face of Rural Space: Agriculture and Rural Development in the Western Balkans*. World Bank, Washington, DC, USA.
- Lerman, Z.; Csáki, Cs. & Feder, G. (2002). *Land Policies and Evolving Farm Structures in Transition Countries*. World Bank Policy Research Working Paper No. 2794.
- Mizik, T. (2010). The Diversity of the Agriculture in the Selected Former Soviet and Western Balkan Countries. *Policy Studies on Rural Transition* No. 2010-2, FAO Regional Office for Europe and Central Asia, Budapest, Hungary.
- MonStat (2003). *Census of Population, Households and Dwellings 2003*. Montenegro Statistical Office, Podgorica
- MonStat (2008). *Statistical yearbook*. Montenegro Statistical Office, Podgorica.

Njegovan, Z. & Bošković, O. (2006). Agriculture of Serbia and Montenegro. *Agora without Frontiers*, Vol. 12 (2), pp. 110-145.

Rasavac, S. & Cuk, I. (2009). Main Achievements and Key Regulatory Features of Food Safety Systems in Western Balkans. IFC Conference "Reforming Food Safety Regulations in Ukraine: International Best Practices and Proposals for Policymakers", 18 May 2009, Kiev, Ukraine.

Sisević, R. (2009). *Montenegro in Figures*. Montenegro Statistical Office, Podgorica

SSO (2007). *Census of Agriculture. Book III „Individual agricultural holdings grouped by total available land, by regions”*. State Statistical Office of Republic of Macedonia, Skopje.

Swinnen, J.; Vranken, L. & Stanley, V. (2006). Emerging Challenges of Land Rental Markets. *A Review of Available Evidence for the Europe and Central Asia Region. Europe and Central Asia Chief Economist's Regional Working Paper Series*, Vol. 1, No. 4, March 2006. The World Bank, Washington D.C., USA.

Volk, T. ed. (2010). *Agriculture in the Western Balkan Countries. Studies on the Agricultural and Food Sector in Central and Eastern Europe* Vol. 57, IAMO, Halle/Saale, Germany.

World Bank (2006). *Status of Land Reform and Real Property Markets in Albania*. The World Bank Office, Tirana, Albania.

Websites and databases:

Eurostat database: <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>

FAO database: <http://faostat.fao.org/default.aspx>

ILO LABORSTA database: <http://laborsta.ilo.org/>

USDA database: <http://www.ers.usda.gov/>

World Bank database (World Development Indicators): <http://devdata.worldbank.org/data-query/>

WTO website and database: <http://www.wto.org>

Levers and Effects of Socioeconomic Transformations on the Quebec Union Actor

Professor Walter Gérard Amedzro St-Hilaire, PhD
Researcher on Strategy and Organization' Governance
HEC Montréal & ENAP Québec, Canada
walter-gerard.amedzro@hec.ca

Abstract: Beyond the conflict bitter at the end for workers, what is the health of the Quebec labour movement? The purpose of this article is to highlight the major trends sweeping the world of work and employment, and to identify their effects on the union actor. Following this, we adopt a prescriptive approach, primarily based on the writings of Levesque and Murray (2003) to demonstrate that unions are not entirely unprepared for this new situation.

Keywords: conflict; trade union; labour; employment; new deal.

JEL Classification: R10; R11

1. Introduction

Once upon a time... a Union in Montmagny

March 2002. The workers of the factory Inglis Montmagny learn with dismay that the multinational Whirlpool intends to close the factory in March 2004 ranges. To a small town like Montmagny, the loss of 500 jobs will have serious consequences. However, the Montmagny plant is at the cutting edge of technology and, moreover, is profitable. According to the regional coordinator of the Central Democratic Union (CDU), Mark Lee, the Whirlpool decision is purely protectionist, just like American philosophy. To increase the profitability of its two factories based in the United States, Whirlpool decided to repatriate the Canadian production and redistribute its two U.S. plants. And there is nothing more to add to this decision (interview conducted by our team February 22, 2005). Besides the shock and before the closing time of the plant in two years, Inglis employees won't struggle with the company. The energies of the two parties will be further concentrated to prepare staff to face closure and to find a potential investor who could buy the factory and recreate lost jobs. To do this, a committee is established, exploration and several city agencies involved. When negotiating the renewal of the last collective agreement in August 2002, concrete actions are planned to help workers prepare to face the loss of their jobs. Thus, training projects are defined and approved by the employer and the union to ensure that they adequately meet the needs of the employees.

The article first explains how globalization and the changes in the organization of production are major trends affecting the world of work and employment. Then, we analyze

the effects of these changes on the union actor, particularly in terms of membership and bargaining power, based on the literature, statistical data, but also very real situations. Finally, autonomous levers on the one hand, and heteronomous other hand, that can enhance the influence of trade unionism, will be identified. To this end, we paid particular attention to two major unions in Quebec, namely the Confederation of National Trade Unions (CSN) and the Quebec workers Federation (FTQ).

2. Changes Affecting the World of Work and Employment

Meanwhile, they now have to long-term training leave to upgrade their knowledge in their field or, again, to explore a new one. Unpaid leave short and long term are also permitted. Within this same convention, are expected salary increases, the introduction of performance incentives for employees to receive additional income, the severance pay based on seniority as well as subsidized by the employer's contribution to group insurance. This demonstrates the willingness of the employer to be ethical in their decision making. Moreover, employees accept the employer's offer in a proportion of 90.5%. The climate is collaboration, not conflict. Until March 2004, continuing efforts have been put in place to find a potential investor. However, Whirlpool retains a right of scrutiny. The Chinese manufacture Haer is particularly interested in buying the plant in Montmagny, Whirlpool puts an end to discussions, however, since the purchaser is a competitor that manufactures similar products. Whirlpool will act the same way with any prospective buyer who is a competitor. On May 17, 2004, the CSD organizes a demonstration through the city of Montmagny under the theme "Reinventing Our Future Together" to honour the workers of the Inglis factory, but also to promote public awareness of the urgency to act to protect jobs in the region. Currently, the plant has found no potential buyer and the assets were liquidated at a discount in an auction. There remains only from the presence of Whirlpool at Montmagny a building, built in 1897 by Amable Belanger, founder of "Belanger stoves", on which was plastered a poster "for sale".

One may not understand the evolution of trade unionism without first understanding the importance of changes in its environment. In recent decades, the term "globalization" that is at the forefront of the talk of those who attempt to explain the socioeconomic and political transformations. *"The widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life, from the cultural to the criminal, the financial to the spiritual"* (Held et al. 1999: 2). This definition goes beyond the purely economic and financial idea seems better incorporate the reality it tends to describe. Globalization is there based on three elements. The first, material, comes from the acceleration of the movement of goods, services, capital and people between countries. The second, space-time, is about the relationship between time and space, the relations amended by the explosion of new information and communications technologies (ICT). Finally, the impact of the two aspects disrupts the order and stability of society, affecting, for example, culture and identities of peoples. In light of these developments, it seems necessary to adapt to our business the institutional framework in which they occur.

Should be more emphasized the role played by new technologies in these transformations. Chaykowski and Giles claim that *"l'un des facteurs les plus importants facilitant le processus par lequel les activités économiques et sociales des pays sont devenus de plus en*

plus liées est l'avancement technologique" (Chaykowski and Giles, 1998: 3). And for Plihon, *"les nouvelles technologies de l'information et de la communication (NTIC) constituent l'une de ces vagues technologiques fondamentales qui ponctuent l'histoire du capitalisme et que les historiens qualifient de révolutions industrielles"* (Plihon, 2003: 6) giving wings to the capital and facilitated the liberalization and globalization of cultures and markets. Moreover, globalization calls for a redefinition of the role of the state and its interventions in a context of increased competition as nations, anxious to maintain their well-being and standard of living, want to attract and retain investments perceived as a source of wealth. However, this trend runs the risk of a dangerous erosion of the welfare state and human rights. To use the terminology of Thevenot, the commercial logic is the register used to define the *meaning of fair* (Thevenot, 1997: 93). Similarly, Powell argues that *"fickle international financial markets have become the judge and jury of policymaking"* (Powell, 2001:45). In this new context, it is not uncommon for the State to adopt an entrepreneurial narrative built around the central notion of "competitiveness" as a tool of analysis and reflection on the world and its evolution.

In this vein, especially Western countries, and the rest of the world, to some extent followed the lead of the neo-liberal economic theories in the 1980s. The goal is to foster the development of financial capitalism and curb the explosion of spending and budget deficits inherited from the politics of "*Welfare State*" as was done in earlier decades. The deregulation of markets (goods, services and capital), privatization, balanced budgets, tight control of inflation and reducing taxes on companies formed the five-point plan to restore national economic prosperity. Therefore, the priority of the state is that companies may be able to minimize production costs to maximize return to investors. Finally, Levesque and Murray for their part argue that globalization is a multidimensional process, incomplete and contradictory, which also leads to *"changements dans les modes d'organisation de la production des biens et des services, bouleverse les pratiques, les coutumes et les modes de fonctionnement des acteurs"* (Levesque and Murray, 2003, pp. 4-5). What is important about the Levesque and Murray is that this new context has profound implications for trade unionism. The three traditional players in the industrial relations system namely the State, businesses and unions, will revise *"leurs modes d'action"* and *"renégocier le cadre dans lequel se développent leurs échanges"* (Levesque and Murray, 2003, p. 5). In their view, globalization is having significant effects on the union actor, although they admit that the unions are not entirely without resources. But we shall return later to the question of possible levers of union power.

Moreover, the liberalization of trade and the greed of shareholders, we recall, are forcing organizations to become more productive and competitive. But also, we find that consumers demand more personalized products, more reliable and better quality, and the customer service is, for example, a key to stay ahead of competitors. Here goes that these changes pose challenges to businesses so that the Fordist model with its rigid and bureaucratic organizations producing standardized goods are no longer able to successfully cope. This being, innovation and flexibility have become the watchwords of the new models. As Castells today: productivity is primarily based on innovation, competitiveness and flexibility. Firms, regions, countries, economic units of all sizes ensure that their relations of production can get more innovation and more flexibility as possible (1999: 404). The search for flexibility in production will affect the organization of work, and will be implemented by two types of resources.

The first way is quantitative. They are designed to regulate the amount of work required in the production by the use of external market (e.g. temporary or peripheral workers) or modify the number of hours worked by staff of the organization (e.g. working hours change). In an unstable and changing environment, business leaders no longer believe in lifetime employment. In the short term, the work (as opposed to capital) is the prime factor of production to adjust to fluctuations in demand, so that job insecurity is growing. The second is qualitative. The privileged ways are versatility, delegation of responsibility and teamwork, which signify a rupture with the separation between conception and execution, and hyper-rigid classifications and detailed positions of the Fordist era. Companies are thinking of involving more employees in fulfilling their objectives and assigning them more responsibility and autonomy. According to some sociologists, the model of the *subject contractor* becomes predominant. The control of the company to ensure the productivity, competitiveness and innovation no longer goes through the discipline and direct threat to force obedience. Subtly, it teaches and directs the individual to forge an alliance between his personal aspirations and management needs. For example, the labour world has been reconceptualized to link the productivity, quality and innovation with commitment and performance of employees. It is thus binding upon need, desire for self-realization of a worker to company goals. Thus organizations get more from their employees, not by streamlining management to maximize efficiency but by fostering autonomy and creativity while canalizing them in the pursuit of excellence and success in the firm. This expertise, in turn, plays an intermediary role between the objectives that are economically desirable and those that appeal to people, teaching the art of self-realization which will develop the individual both as an individual and as a worker (Rose, 1998). Belanger et al., in an effort to generalize, have identified two major trends in the application of basic principles of the new production models: the first highlights the potential of high performance labour systems based on commitment. The focus is then on the enhancement of skills, high wages and commitment (...)

In contrast, lean organizations are seeking to become competitive by reducing labour costs, increasing digital flexibility and radically abandoning traditional employment relationships security (Belanger et al. 2004: 50). For their part, and Gunderson Chaykowsky note the existence of a "core-periphery" model, usually implemented by large multinationals, which integrates these two streams into one productive network. In this model, the firm retains a "nuclear" workforce composed of full-time workers, which are offered training opportunities and job security increase, but, in addition, the organization has a set of numbers in the "periphery", more in a precarious situation than the first, to make adjustments on the labour required by fluctuations in product demand (Chaykowsky et al., 2001, p. 38). This new reality leads Heckscher to argue that workers must learn to live with the flexibility, since it will persist and even spread further. (2001, p. 64). Furthermore, it is unclear how to harmonize the new models with traditional unions, in which skilled and full time workers hired by means of permanent contracts have prevailed during the Fordist period. It is obvious that instruments in the service of managerial flexibility, such as flexibility and the consideration of the merits or individual skills for promotions and determining salaries, are contradictory, respectively, with the detailed identification of positions and tasks as well as the standardization of working conditions advocated by unions, where seniority and hierarchy, determined by the first, are the eligible only criteria to make distinctions among employees.

3. The Effects of Transformations on the Union Actor

3.1 On the Composition of Trade Unions

It has been a weakening labour in several Western countries, and the figures confirm this. In Europe between 1993 and 2003, most countries experienced a substantial loss of union membership, notably Austria (-12.9%), Germany (23.9%), Greece (-11, 4%), Sweden (-12.6%), and the United Kingdom (-12%) (EIRO, 2004). Australia, meanwhile, has also experienced a significant decline in union coverage: from 45% to less than 25% (Levesque and Murray, 2003: 14). In the United States, union membership fell from 23.2% to 15.7% between 1980 and 2003 (LRA, 2004). In Canada, the rate of unionization, however, remained fairly stable for over 50 years, especially when compared to other Western countries. But it still decreased from 34.8% to 30.4% between 1990 and 2004 (Henry, 2004: 43), as can be observed in the graph below.

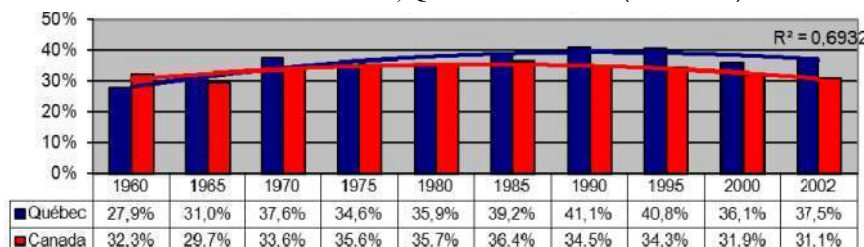
Canada's unionization rate (% of population of all non-farm payroll)

Years	Unionization rate
1951	28,4 %
1970	33,6 %
1990	34,5 %
2004*	30,4 %

Source: *Henry, 2004 and RHDCC, 2001.

Also, note that the rate of unionization in the public sector in Canada is much stronger (72.8%) than the private sector (17.8%) (CAW, 2004). Given the pressures exerted by government on trade unions in the state sector through deregulation, privatization and outsourcing, there are good reasons to be sceptical about the future of Canadian unionism (Murray, 2001, p. 245). However, the graphics on the unionization of Quebec have shown that unionism is there in a better situation. However, the polynomial trend line shows that the rate of unionization in Quebec has been decreasing since 1995.

Unionization rate's evolution, Quebec and Canada (1960-2002)



Source: Ministry of Labour, "La présence syndicale au Québec en 2003", Alexis Labrosse, 2004, p. 3

According Chaykowsky and Gunderson, the decline in union membership is due to a combination of factors, among which we mention the effects of international competition and internationalization of production, the increasing capital mobility, changes pejorative in

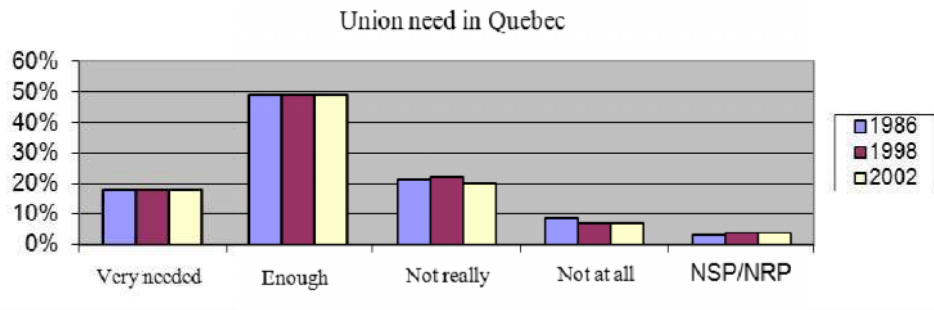
social legislation and the transformation of the composition of the economy due to the expansion of services and the decline of manufacturing. They add: the industrial restructuring in developed countries away from primary and manufacturing industries toward high- and low-end services has meant a relative employment shift away from areas of traditional union strength to areas where unions have had fewer members and, in the case of some industries (...) employees have been more difficult to organize (2001:42-43). These same authors find that the membership difficulties also stem from of the growing number of small businesses and non-standard employment that new production models created.

The Chrysotilde LAB case

February 2004. Chrysotilde Lab leaders offer office staff, miners and Bell LAKE (Lake Asbestos of Canada), a restructuring and development plan. This plan could be achieved only by the reopening of three collective agreements (USW) of these groups of workers that expire in autumn 2005 and 2006 to recover 25% in wages. The company cites losses of \$ 57 million over the last 5 years, including 9.8 million in 2004, production costs the highest in the world and increased international competition with China, Russia and Brazil. And as if that was not enough, the Quebec Liberal government saved from bankruptcy of its main competitor in Quebec, Jefferey Asbestos Mine, after the Caisse de depot et placement du Quebec has signed an agreement with him. As pointed out Mr. Normand Boutet, Assistant to the Chair in Chrysotilde Lab: "On finance de notre poche un compétiteur qui a reçu un beau cadeau de 80\$ millions de dollars du gouvernement du Québec et ainsi vu sa dette effacée en entier" (Le Soleil, 2005). Faced with this reality, the employees of the Bell mine, the LAKE mine, and office workers have had to make important decisions. International competition, the bias of the Government of Quebec on this issue (before the difficulties of this business, why not help the whole mining industry?), the desire to save the jobs caused employees to have little breathing space. The Bell mine workers agreed to 86% to open their collective agreements, those of LAKE mine have also agreed in a vote by show of hands and office staff has also accepted this proposal to 76%. Asked by the newspaper Le Soleil, Mario Ouellet, worker at the LAKE mine said: "Dans les circonstances, nous n'avions pas le choix d'accepter ! Nous écopons, car nous avons été traités injustement par le gouvernement du Québec, qui a maintenu en vie artificiellement notre compétiteur, la mine Jeffrey d'Asbestos, pour lui permettre maintenant d'effacer ses dettes et de repartir à zéro"(Le Soleil, 2005). By agreeing to reopen their respective collective agreements, the restructuring and development plan offered by the company may eventually allow the mining company to work for 6 years LAKE and Bell mines alternating or operating the first in winter and the second in summer. The company hopes that this delay may allow the international market of asbestos to recover. Currently, the LAKE mine is closed since November 2004 and no date had been specified to recall workers.

Also, more individualistic attitudes of workers, particularly the most skilled, lessen their degree of involvement in the process of social demands, framed by the unions. Levesque and Murray state that "en raison des changements importants des circonstances sociales et matérielles, la génération du nous a été remplacée par la génération du moi" (Levesque & Murray, 2003, p. 6). Similarly, Groux stated that: One of the causes of union crisis stems from the conflict between cultural issues that arise in universal terms and are shaped by the legacy of symbolic representations from the past, and the step by step defense of interests

singular because increasingly compartmentalised by technological and economic change (Groux, 1998, p. 28). The figures show however that the thrust of individualistic trends in Quebec society doesn't question the existence of unions, since over two thirds of the population feel they are needed.



Source: CROP Inc. (Claude Gauthier and Jean Martin), *Survey of Quebecers on their perception of unions, the FTQ Solidarity Fund and the workers of Quebec*, Montreal, July 1986, p. 31; CROP poll for the FTQ, June 1998, p. 25; Leger and Leger for the Solidarity Fund, July 2002, p. 5.

In short, in terms of their composition, the unions in Quebec don't seem to have been as severely affected as one may have expected. But what about their ability to negotiate terms of employment and work meeting the expectations of their affiliates? On its bargaining power. The popular belief among theorists, remember, is that contemporary globalization weakens union power. To quote Groux: "*L'avenir des syndicats reste incertain et le syndicalisme se conjugue mieux au présent qu'au futur*" (Groux, 1998: 18). It seems that building a successful and competitive economy in an era of globalization, doesn't accommodate what appears to some as an impediment to the desired progress.

A historical explanation for the decline of unionism is the putative link between unionism and economic prosperity. According to Keynesian thought, unions, supporting the growth of wages and mass consumption, were expected to provide some aggregate demand and limit the arrival of major economic depressions. This macro-economic rationality of collective bargaining was also well established in the National Labour Relations Act of 1935, legislation that led to the mass, phenomenon of trade unionism in the United States. However, in an economy of free trade, there is no guarantee that unionized workers will spend their earnings in household products. The wage increases demanded by unions can equally well be used to purchase imported goods. Thus, awareness campaigns for the purchase of Union Label have failed in the United States and Canada. Jacoby argues that "*whereas traditional wage bargaining and generous social welfare benefits once were regarded as public goods, they are viewed now as a drag on national efficiency, and not only by conservative economists*" (Jacoby, 1995, pp. 8-9).

However, it is important to qualify that because, according to Dwayne, Gunderson and Riddell, the reality is quite different: in specific industries union labour has been found to be more productive, in some cases substantially so, than comparable non-union labour (...). The direction and magnitude of the effect appears to depend on the management response to unionization, the quality of labour-management relations, and perhaps the degree of

product market competition. But Hodson and Sullivan show that unions reduce profits of companies, creating a negative attitude on the part of capitalists and their representatives (Hodson and Sullivan, 2002: 162). On the other hand, unions have historically imposed their demands on employers through collective bargaining to the extent that local markets allowed them to take WAGES out of competition (Jacoby, 1995: 8, Sexton, 2001: 80). But "*l'expansion des marchés a rendu difficile pour les syndicats d'accomplir une de leurs missions classiques qui est d'empêcher la concurrence sur les salaires*" (Chaykowski & Giles, 1998, p. 6). Such a commitment is possible only in the context of a national economy where firms have little mobility.

Today, markets are no more sheltered from international competition and trade unions are unable to equalize wages at this level, especially since the laws governing union certifications differ so much from one country to another that it is difficult for the union to extend its power. Moreover, the disparity of existing social legislation allows companies to place the states in competition for standards and social protection. Benchmarking allows companies to obtain concessions on work rules in exchange for promises of future investments (Levesque and Murray, 2003: 5). It is generally accepted that the modern corporation can relocate its production without incurring undue hardship. Employers now have the power to threaten workers to relocate production in the event of unionization or to extract concessions from the union during negotiations (Bronfenbrenner, 2000, p. 8).

How can a union protect its members if the company is able to evade the requirements of the country by relocating? This mobility reduces the bargaining power of unions (and also the number of their members). Just think of the Shermag of Disraeli company who, after three labour disputes, wanted to transfer part of its production in China under the pretext of the inflexibility of the unionized workforce. Today, businesses demand greater flexibility to adapt quickly to change. But as argued by Hyman, "*flexibility is [...] a slogan of those who wish to weaken and restrict labour-market protections, asking workers more disposable and more adaptable to the changing requirements of the employer*" (Hyman, 1999: 108). Several authors stress the importance of the problem of asymmetry between capital mobility and labour mobility (Mehmet, Menders & Sinding, 1999, p. 17-18). Companies are in a strong position and may seek competitive advantages in selecting locations governed by advantageous working, policies or, significantly lower cost of labour. A recent advertising campaign of the multinational Nike adequately illustrates this new world order. We see hockey players (it could just as well be businesses) play their way outside the boundaries of the rink while the goalkeeper (the union) and the arbitrator (the government) are limited in their movements. Specifically, companies are able to play "global" while the unions are confined to "act locally" (Cairo, 2000, p. 29).

However, remember that all authors do not put the same size: The effective mobility of capital is far more limited than one might think, because of the local overlapping investments, markets and expertise. Companies are prisoners of their own strategies and have to contend with the constraints inherent in the implementation of these strategies (Murray, 2001, p. 245). For Caire, workers in developed countries fear that globalization has negative effects such as rising unemployment, reduced wages, deteriorating working conditions and the loss of their freedom of action (2000, p. 21 - 22). And in the long run, globalization should lead to wage convergence at the international level for workers with similar productivity. But at the same time, it is likely that globalization leads to greater

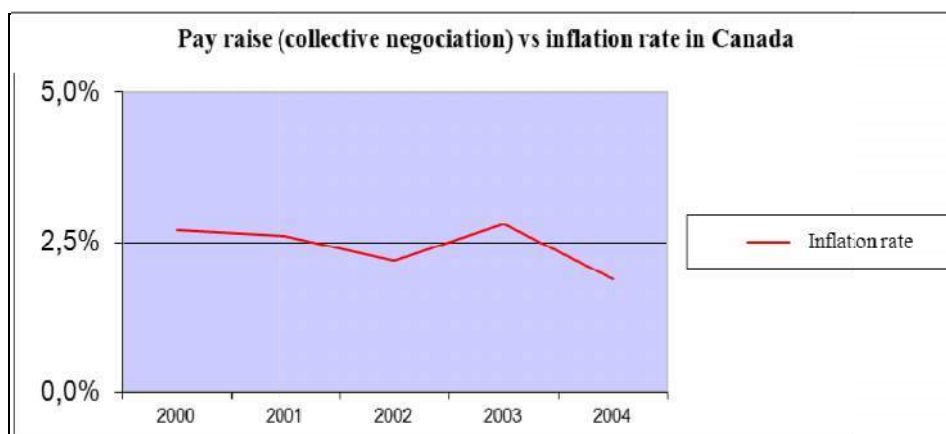
wage diversity in developed countries: wages of less skilled workers will decline (because of competition from the South), while those of most qualified and competent employees will increase as demand for these services is growing (Chaykowski & Gunderson, 2001, p. 31-36). Consequently, in most industrialized countries, high wages can be sustained on the basis of higher productivity and development of higher skills and qualifications of workers. This presents both new challenges and new opportunities for trade unionism. Although unions seem to slowly lose their influence in the determination of wages, emphasize that Canadian workers still get an average \$ 5.00 more per hour of work when they are represented by a union (CTC, 2005). Similarly, the wage gap is even greater among women, while unionized female workers earn on average 60% more than the others (Ibid).

More generally as regards North America, Kuhn shows that unionized workers earn on average 15% more than non-unionized (Kuhn quoted by Gunderson and Hyatt, 2001: 392). Similarly, Bourque contends that union members earn on average 10% more than non-unionized workers, but the gap has decreased since it was 15% a few years ago (Bourque, 2005: Business p .2). From the 1980s, the loss of union power is also evidenced by a decline in the purchasing power of employees. This means a break with the trend observed since the early twentieth century until the late 1970s, a period during which the real wages of workers had increased from 9% to 55% per decade (Rouillard, 2004, pp. 271-272).

Table 1. Growth in average real wages per decade in Quebec, 1980-2000 (in percentage)

	Weekly wage (whole industries)	Weekly wage (manufactures)	Hourly wage (whole industries)	Hourly wage	Collective agreement wage
1980- 1990		- 10,3		- 4,5	- 4,6
1983- 1990	- 3,6	- 3,4	- 5,2	- 3,1	- 5,6
1990- 2000	3,6	- 3,6	- 2,5	- 0,5	- 3,0

Similarly, in recent years, pay raises obtained through collective bargaining have closely followed the rate of inflation, which was surpassed by the first only twice (2001 and 2002). This trend highlights a rather defensive attitude of unions, which would be satisfied to simply maintain the status quo.



Source: Statistics Canada

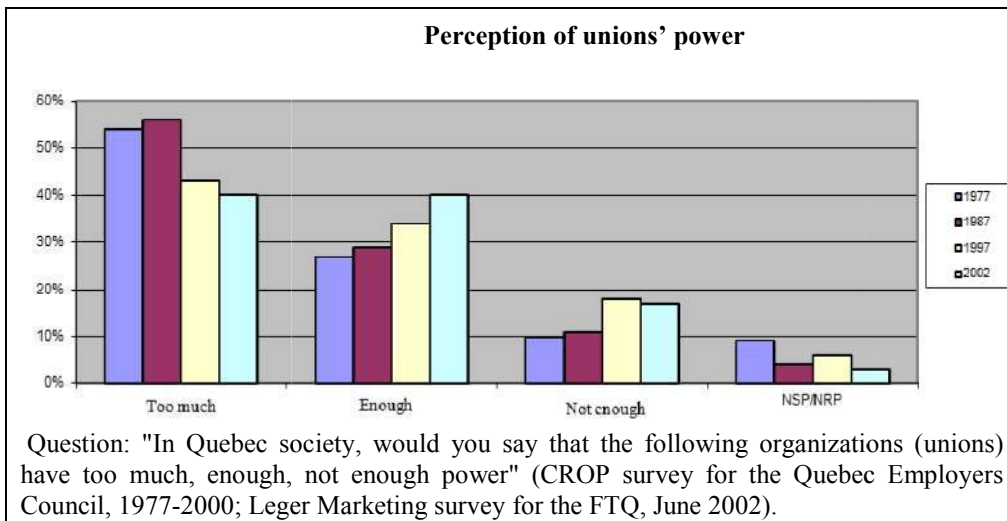
Finally, and in another vein, a sign of the times that highlights the decline of union power is the evolution of labour conflicts during the past decades. Assuming that the right to strike is one of the measuring instruments of union power, the figures show that unions are more than before, in a position that makes it difficult to use his weapon.

Table 2. Labour disputes in Quebec (1966-2000): Annual averages per period of 5 years

Periods	Days/persons	% lost time	Number	Length/working days
1966-70	1 546 004	0,35	143,2	26,3
1971-75	2 430 440	0,46	260,8	24,4
1976-80	3 572 051	0,61	343,0	35,0
1981-85	1 541 356	0,26	297,6	40,0
1991-95	481 200	0,06	145,2	41,6
1996-00	486 673	0,06	122,2	50,5

Source: *Strikes and lockouts in Quebec, Ministry of Labour of Quebec (Boivin, 2002, p. 11)*

In short, borrowing the ideas of Lapointe (1998), we can say that traditional sources of union power, namely "*sa capacité de soustraire les salaires et les conditions de travail à la concurrence du marché et d'obtenir des améliorations par les grèves ou le simple fait d'en brandir la menace*", have been seriously affected by economic developments mentioned above, the new balance of forces is now more favourable to employers. However, it is interesting to note that in the eyes of public opinion in Quebec, the power of unions seems not affected. In fact, despite the decrease from the 1970s, a large majority still believes that the union actor has a fairly significant and even excessive power.



3.2 Autonomous Levers

The FTQ-FUND College

Since January 17, 2000, there is the *Quebec FTQ-FUND College*, a new labour 'college' devoted to advanced training and professional development of trustees of the affiliated unions (FTQ, 26th Congress). The training program aims to equip those advisors to the new realities of the labour market, particularly with regard to the reorganization of companies internationally, precarious employment, declining rates of unionization and increased poverty due to the phenomena mentioned above. Being better equipped to face the new labour realities, union advisors strengthen their influence by their presence and leadership. They'll, therefore, become actors proactive and able to represent the interests of workers and, therefore, to influence the political-economic agenda in Quebec. In addition, the FTQ-Fund College is also a strategy for trade union succession planning and activists of tomorrow.

We have seen that the union actor is a victim of globalization and changes in employment resulting there from. However, some more optimistic authors oppose the view of the unambiguous weakening of union power. The unions would then be well able to develop new power resources to counteract the current imbalance. Levesque and Murray (2003) also speak of a *strategic triangle for union action*. It would consist of three resources that are able to develop an independent project, the internal solidarity and the external solidarity (Levesque and Murray, 2003: 9). These three resources are mutually reinforcing dynamic in the revival of the collective power of workers (Levesque and Murray, 2003: 10). Regarding the first factor, it should be noted that for some authors, and in reality, trade unions play a protective role for workers but also a role of social change agents (Boivin & Guilbault, 1989, p. 77). If the union actor seeks to draw on different values and to propose alternative projects, it must develop its capacity to promote them in the same way that companies have been able to do so. It goes without saying that suggesting projects generates less defensive

results. It is up to unions to take autonomous positions to help strengthen a renewed collective identity and different from that of the employer. That's when the unions would possess more power to feed the development effort to organize the current context.

Similarly, always in critic and alternative view of system, unions will have to convince workers and citizens that the trade union agenda reflects their concerns to get them to become more involved in the movement. They must spread the idea that a profound social transformation in favour of fairness, the "common good" or of "living together" is not only possible but preferable to the dominant speech based around the concept of Competitiveness notion which, according to Petrella, only serves to fuel the dream of the dominant (Petrella, 2004: 64). In short, it is important that companies are not the only ones to tell the world and to convey ideas. Moreover, the debate between a radical socio-economic transformation and adaptation of unionism to the existing system is well known by the trade unions in Quebec. Note, for example, that the rather radical guidelines of largest Quebec trade unions during the 1970s. In a report of the FTQ, the title speaks for itself, *L'État rouage de notre exploitation* (1971), the president of the Central Association virulently denounced the system in place: "*L'État libéral (fédéral et québécois) renforce avec notre argent le pouvoir économique privé, ce qui permet d'accroître chez-nous le développement du capitalisme et la mainmise de l'impérialisme sur notre vie économique*"(in Solasse, 1994: 137). Moreover, in 1976, still in a line dedicated to the establishment of socialism in Quebec, the FTQ openly manifest themselves in favour of "*d'un contrôle accru de la collectivité sur ses moyens de production présentement aux mains d'intérêts privés pour la plupart étrangers*"(in Solasse, 1994, p. 138).

For its part, the CSN was no less radical in its thinking, as evidenced by the manifest *Ne comptons que sur nos propres moyens* (1971) outlining the cleavage between the ideology of the Union and the system in which it fits. According to Marcel Pépin, President of the Union at the time, "*les travailleurs doivent posséder l'économie*". It then proposes an agenda that seems to be focused on self-management (Solasse, 1994, p. 143). The effects of changes occurred from the mid-1970s will be felt on the agenda of trade unions, resulting in large ideological swings and new programs of action, particularly since the 1990s. The criticism of the system will soften and Unions will begin to qualify their positions of adversarial type. Pragmatically, they now promote a more harmonious coexistence with the employers. This time, Mr. Godbout, President of the FTQ, said in 1995 that: In this new dynamic, he says, the philosophy of 'them against us' is an old shot. (...)

In general, models of nasty grumbling union and capitalist exploiter correspond less and less to the reality of today's Quebec. While these models will screen between the social partners and the new reality, we fail in our cooperation efforts. Let's dare to act differently (in Rouillard, 2004, p. 228). Then in 1998, during a speech to members, this same President expressed his concern for business productivity with the phrase "*pas d'entreprise, pas de travail, pas de travail, pas de syndiqué: l'équation est simple et implacable*"(in Rouillard, 2004, p. 227). As it is concerned, the CSN adopts a similar approach but keeps a prudential distance vis-à-vis the business goals in order to preserve its independence. During the 1990s, the CSN moves towards a position in favour of "compromise" with companies, at that time known as the old saying "confrontational dialogue."

The Alcan case

1993. *The Alcan smelter opens a new subsidiary in Laterrière. It is the group's first subsidiary operating with the latest technology and autonomous teams of workers. This successful partnership in the production management is due, for Belanger (Belanger, 2001), to three principles: equity, efficiency and independence. Working in self-managed teams, workers perform their job functions under positions whose duties have been clearly defined. In addition, each worker within the team performs a rotation of duties. Everyone knows exactly what he has to do, depending on each position. In addition, each team member is accountable for decisions taken in respect of production operations. The team members agreed on a method of working, and moreover, it doesn't exist within the company, different work bodies or differential wage treatment: each member was given the same remuneration. The effectiveness of plant operation is based on the experience of workers and their decision-making capacity. The plant supervision is accomplished through a highly sophisticated technology; it allows supervisors to monitor productivity of each worker and team operations from their offices. In short, supervisors are not present in plant and importantly, they wisely analyze the information they have, that is to say they use these data to ensure production operations and not as an instrument of control over workers. The independence of workers, unlike direct supervision of production, enhances their skills and, as such, does not refer to a merger with the employer. As one worker in the factory: "ils ont l'usine pendant 8 heures, nous on l'a pendant 16 heures" (Belanger, 2001, p. 163). In short, the study at Alcan by Belanger concludes that the cooperation in business does not necessarily mean loss of autonomy for a union and may even be a source of power and legitimacy.*

However, as regards the public sector, this position will be dropped later at the end of the decade because of pressure from disillusioned members of cooperation attempts involving too expensive concessions (Rouillard, 2004, pp. 233-234). At present, we find that the overthrow of the capitalist system is no longer the agenda of the trade union. But the questions on their part vis-à-vis neoliberalism are no less numerous, as evidenced by the campaigns and protest of the CSN, for example in respect of the Labour Code amendments initiated by the government of Jean Charest. In this way, despite the abandonment of the radical positions of the 1970s and 1980s, Quebec unionism reaffirms its social and remains far from the U.S. business unionism. Moreover, for some authors, the search for new ways to organize the actor requires a thorough reform of the system.

In fact, it is possible that trade unions, confronted with this new reality, decided to cross the Rubicon, not to wage war, but rather to cooperate with their old adversary and fit into a virtuous cycle of cooperation - Partnership - which would cause it to generate profits for workers and profits for businesses, while promoting the general interest of society (Rubinstein, 2001: 582-583). According to Rubinstein, "*Unions will survive in the long run only if their forms 'fit' the structure of the economy and industrial organization and they contribute to the strength of the economic system in ways that also promote the interests of their members*". The comments above are part of the current "value added unionism" (Nissen, 2003). The followers of this current suggest that unions are redefining their purpose, to become organizations offering earnings to businesses and whole economy. Also according to this thinking, the unions must abandon their traditional claims (seniority rules, fixed wages, job classification, etc...) and their "adversarial" nature. By means of training

and participation in company management, unions can find a new place to better represent the interests of workers.

By helping to increase productivity and profitability, and therefore to economic growth, trade unions may strengthen their social legitimacy (Nissen, 2003, pp. 134-138). In this line of argument, Heckscher has enough persuasive arguments "*(unions) have to push their specialized interests in a way that also maximizes the interests of the whole...In the New Deal era they were linked to the Keynesian economics of demand stimulus. Since the late 1970s, however, the public focus has shifted to concern about inflation and competitiveness. Higher wages for union members are no longer widely seen as translating into prosperity for all; this is a fatal weakness that tends to isolate unions during defining moments of conflict. Second, and related, unions can succeed only if they essentially contribute to good management, not if they fundamentally undermine it. In fact, they have functioned by making deals that are in the long-term interests of management as well as employees... [Emphasis added]*" (2001, p. 62).

Fondaction

"Fondaction" is a response to socio-economic involvement of the CSN and its concern for maintaining employment. The latter relies on the collective savings and investment. Since its creation in 1996, Fondaction aims to stimulate the Quebec economy by investing in Quebec companies and, therefore, contribute to maintaining and creating jobs in Quebec. The fund has a preferred orientation with respect to the so-called participatory management companies, as well as social enterprises, for example, cooperatives and enterprises concerned with the environment. Fondaction has supported more than 25 companies since 1998 in Quebec City and Chaudière-Appalaches, and nearly a hundred in Quebec. Take, for example, the ambulance cooperative of the Mauricie (ambulance service), the labour cooperative Débitek (manufacture of particle board), Kirouack Group (retail of toys), ice hotel of Quebec Canada (adventure tourism) Platform (CPT manufacturing recycled flooring), and many others (Source: www.fondaction.com).

Notwithstanding, the partnership is not the panacea to the imbalance of power between the company and the union because it can weaken worker solidarity. The partnership establishes a high interlocking between the company and the union of its own workers. The link made between the existence of two social actors may place the union in a perfect position of dependence vis-à-vis the company. Therefore, the partnership may lead to disconnection of any claim outside the firm, and therefore the labour movement in general, and adoption of a *micro-corporatism* undermining the possibility of taking the working conditions and wages from competition. To cite Levesque and Murray: Such unions [speaking of micro-corporatism] are more often than not isolated. Horizontal linkages with other unions established in the same area or community are virtually non-existent and vertical linkages with regional branch structures, national and international, often appear unsophisticated (Levesque & Murray, 2003, p. 17). It does not take much for the partnership to ruin any form of solidarity and sense of community within the labour movement. Moreover, the duality of roles induced by the partnership places the union at a disadvantage because of the conflict that may arise between its position as business partner and patron and claimant of the employee rights (Bourque & Rioux, 2001, p. 349). The

difficulty for the union to maintain a balance between these two divergent roles can lead it to a weakening.

In short, is to be feared the creation of puppet unions subject to the interests of the company and completely disconnected from the labour movement. Also note the comments of Ms. Lamoureux, an economist at the CSN. She upholds that the development of partnerships is now part of the trade union agenda because unions are convinced that it is in their interest to ensure economic development and prosperity of businesses. However, according to Ms. Lamoureux, a successful partnership is based on mutual trust and transparency of the employer; otherwise it will be doomed to failure. In fact, this new approach is the premise of the functioning of Fondation allowing the CSN to establish partnership arrangements with companies. A Fondation team of professionals in economy is part of the Board of Directors of the Company (CSN, 2005).

The second resource of union power by Murray and Levesque is the internal solidarity. It relies heavily on the democratic aspect of the union structure. This solidarity is power because it strengthens the internal cohesion and revives the confidence of workers towards the association that represents them. When a union is listening to its members and they have the opportunity to engage in union activities, claims ideas emerge from the base and is not only an important step in the formation of a specific union agenda, but also in building an independent identity. As Levesque and Murray argue, "*le syndicat d'établissement qui jouit d'une grande légitimité auprès de ses adhérents, en raison de la vitalité de sa solidarité interne, exerce une plus grande influence sur l'employeur*" (2003, p. 16). The democratization of trade unions is therefore a sine qua non for the emergence of internal solidarity. A union is democratic if it has rules that help to counterbalance the powers of the union executive and promote the existence of opposing factions and electoral competition of different candidates.

But the real union democracy should not comply with a "representative" character. It should also mean a direct involvement of members in the process of making decisions. To this end, it is desirable that the members are directly engaged in the formulation of union rules, in the collective bargaining process, in monitoring the union administrators and in the organization and activities of the union. But is such a commitment still possible? In fact, it seems that the vocation trade unionism is no longer the preferred. During our interview with Ms. Lamoureux, she confirmed that: the members can't give much time, and therefore, long-term involvement in union life, since they already have too little time to spend with their families. They are more likely to take on short terms and to participate in causes that are important to heart.

Faced with this lack of participation, the CSN has done "a tour of the executive" in all regions of Quebec to inspire the mobilization of its troops and to solicit workers to participate and become involved in the association action. It has also established a National Youth Committee in 1985 with a mandate to promote exchanges within the organization about issues relevant to young adults (source: www.csn.qc.ca). Finally, the third resource of power is external solidarity. However, binding to the outside is not a new phenomenon among unions. Just think of the expansion of union representation in all schools nationally, for example in the automotive industry in order to take the working conditions and wages out of the competition. However, unions have had little success in building international alliances able to lead to significant results (Chaykowski & Giles, 1998).

As Hyman argues, "*it is easy to recognize that an urgent current need is for new models of transnational solidarity and for enhanced capacity for transnational intervention*" (Hyman, 1999: 112). To counter the globalization forces, trade unionism must, first, overcome its local divisions and, on the other hand, exceed its national structure to acquire a size comparable to the companies with which future negotiations will take place about working conditions and social protection. Hyman's remarks are relevant to the issue: In an epoch when the traditional arena of trade union intervention – the national/sectorial level – has diminished in relevance in the face of the challenges from above (global market forces and transnational capital) and below (decentralization to the individual company and workplace), traditional recipes are often ineffective [...] *What is necessary is the development of new channels for the production and communication of trade-union intelligence* [Our italics.] (Hyman, 1999, p. 111).

Ravenswood Aluminum Corporation

The U.S. company Ravenswood Aluminum Corporation refuses to yield to the demands of Local 5668 of United Steelworkers of America (USWA) and then proceed to hire scabs to continue its activities. However, the Local persuades the union to organize a national campaign to boycott goods produced by this company, and this by using new information technologies and communications (including Internet). Subsequently, the National Union obtained after exposing the criminal behaviour of the conglomerate's major shareholders which include Ravenswood, the allegiance of other unions at the international level as well as the support of politicians. Here, several groups rallied to the cause and considerably pressured companies within the conglomerate in question. And ultimately, the company had in its own interest, resolve the labour conflict in a hurry (see Herod, 2002, pp. 89-92).

However, Herod believes that while globalization may mean tougher competition between workers of different countries, it can also facilitate the matching of workers throughout the world and generate new opportunities for solidarity (Herod, 2002, p. 96). In this regard, Giles reminds us that: unionism, despite its many national variations, is an international phenomenon par excellence: national trade union movements were not constructed out of whole cloth, but were each shaped, from their very origins, through the transnational diffusion of ideas, practices and organisational forms (2000, p. 187). In fact, international solidarity is the origin of the formation of unions at the global and regional levels. Globally, we must mention the existence of three confederations, whose action system is considered by Caire as "*un lieu de production symbolique visant à mobiliser des soutiens, légitimer des options, redéfinir des utopies*" (2000, p. 22).

1. The International Confederation of Free Trade Unions (ICFTU), originally anti-communist, then oriented towards social democracy, is described by Noblecourt (2004) as "*un colosse aux pieds d'argile...qui a renforcé son hétérogénéité idéologique*". He argues that the ICFTU includes 233 organizations in 152 countries and 151 million members.
2. The World Confederation of Labour (WCL), originally Christian (CISC), but unchristianized in 1969. According to Noblecourt (2004), it boasts 144 member unions, located in 116 countries and 26 million adherents, and seems torn between

a South American progressive wing and conservative anti-communist east-European wing.

3. The Federation of Trade Unions (WFTU), parentage Communist and, Caire, now moribund.

Currently, the ICFTU (the CSN is a member) and the WCL established a Joint Permanent Forum and initiated negotiations which should lead to their merger and the creation of a new global confederation (Noblecourt, 2004). In this way, workers throughout the world will have the support of a "mega-union" able to establish itself as a more powerful social interlocutor against international agencies, governments of various countries in the world and multinational companies. Probably he will play an important role in the establishment of an international legal framework designed to ensure effective respect for fundamental rights of workers. In fact, we can affirm that the international instruments adopted within the ILO, OECD and certain international trade agreements (social clauses) should suffice for this purpose if the States finally agree to give them mandatory. But now, they still belong to the category of "soft law", so that until today, the interests of capital have prevailed on the international stage.

But while we are witnessing the construction of stronger global union organizations, victorious battles are taking place against the transnational corporations, as shown by Herod (see Ravenswood case). In some cases, the strategy is to develop international activities that mobilize workers in different places on the planet.

In other cases, the key to success is well articulated in campaigns at the local level benefitting from the Achilles heels of new production systems adopted by transnational corporations (Herod, 2002, 89-99). In this regard, Van Liemt says that (workers) should feel stronger in firms that rely more on just-in-time production and outsourcing, as they are more vulnerable to disruption of supplies. After all, are needed just a few people working to manufacture a key component to stop all production (2004: p. 236). To Herod, the high speed that employers have imposed on the production is a double-edged sword, because it gives them less time to react in case of conflict (2002, p. 88). Even ICTs that promote the exacerbated mobility of capital may be at the service of employees to bring new links of solidarity.

In this regard, Hyman provides a quite interesting example: Modern information technologies offer the potential for labour movements to break out of the iron cage which for so long has trapped them in organizational structures which mimic those of capital. The Liverpool dockers, in their long but ultimately unsuccessful struggle against a ruthless employer, used e-mail and the world-wide web to great effect in campaigning for international solidarity. In more routine ways, intelligent use of new modes of information and communication can assist in the work of consciousness building and representation (Hyman, 1999: 112). By cons, Johns warns, however, on the various facets of international solidarity, distinguishing between "*accommodationist solidarity*" and "*transformatory solidarity*". The first is actually a disguised protectionism to avoid relocation, which could mean job transfer from North to South, for example by encouraging workers to unionize the South so they are less attractive to potential investors. In contrast, the second involves the

principles claims formulation for workers without regard to their country of origin (Herod, 2002, p. 96).

Similarly, unions can take an additional force of any alliance being formed with an external support network allowing them to extend the impact of their action and coordinate it with other forces of dispute, including community groups, students, anti-globalization, environmental, feminist, religious, civil rights, etc... For example, UNITE has mobilized many of these groups and promoted the adoption of ethical codes in the garment industry to protect workers. By diametrically attacking the image of fashion companies, the strategic alliance between protest groups experienced a significant success. For example, Levi Strauss claims to have discontinued contracts with thirty of his sub-contractors for breaches of code (Cavanagh, 1997, p. 41). Only by developing international alliances that unions can adopt an effective takeover on the global market. They need all the available forces, in all continents, to find as much power as they once held at the national level and on which they had been able to rely for the satisfaction of working class claims. Moreover, the federations of the CSN have begun in recent years the establishment of networks of international scope. For example, the Federation of Workers of the Paper and Forest (FTPF-CSN), became affiliated to an international federation of the ICFTU, namely the International Federation of Chemical, Energy, Mines and General Workers' Unions. The aim was for the Federation to have an international look at the pulp and paper because paper companies have become multinationals. And as pointed out by Sylvain Parent, president of the FTFP: "*on ne pouvait plus se limiter à notre connaissance du Québec. Nos syndiqués voulaient savoir ce qui se passaient dans le papetières d'Abitibi-Consol en Angleterre et aux États-Unis, ainsi que dans celles de Cascades et Kruger en France, au Venezuela, et en Colombie*".

Heroic resistance and disempowerment of the State

"11 janvier 1999. Heure bleue. La nouvelle résonne sur le jour qui tombe. En pleine négociation, Bell Canada offre un contrat à ses 7 200 techniciens, mais demande aux téléphonistes, membres de la même unité d'accréditation (SCEP), de se débrancher. Les services seront vendus à une multinationale de l'Arizona, propriétaire de centres d'appels. Dorénavant, on n'entendra plus les voix de ces femmes du « 0 » ou du « 411 », de la téléconférence et de l'aide aux malentendants"(www.onf.ca/dernier).

This affiliation greatly facilitates the exchange of information and allows Quebec paper firms to better respond to international competition (Kishka, 2004). Before concluding about the autonomous levers of union power, let's specify that Hyman did not fully share the optimism of Levesque and Murray when he questioned not the possible expansion of the solidarity of the labour movement, but the very survival of the latter. By compartmentalizing the workers, unions have traditionally compartmentalized solidarity. Also according to Hyman, it must then reinvent labour solidarity (Hyman, 1999: 107). Thus, mechanical solidarity that reflects and reproduces the Fordist production mode, that is to say that based on a male workforce, homogeneous and working in a large institution, must give way to an organic solidarity, that is to say which replaces the Fordist organizational compliance by coordinating the diversity of workers (Hyman, 1999:107). Building organic solidarity is not impossible since the unions concentrate their activities on new concerns that can unite the fragmented interests from unifying principles. According to

Hyman, this can be done, for example, by pointing to the contradictions generated by the theme of flexibility, developing mechanisms to promote security and employability of workers in the labour market, and building structures for career advancement opportunities and occupational mobility. The three issues mentioned above would bring the workers together. Hyman concludes by arguing that "the logic of all these themes is the reassertion of rights of labour as against the imperatives of capital " (Hyman, 1999, p. 111).

3.3. Heteronomous Levers

According to Rouillard, union crisis is also linked to the absence of a legislative framework in harmony with the socio-economic developments of recent decades: both Quebec and federal (laws), they change little while the labour market is changing significantly. Employees find themselves less protected, more subject to market rules. The greater freedom accorded to economic forces probably generates wealth, but the workers, unionized or not, do not benefit (Rouillard, 2004, p. 279). In fact, our work regulation is based on a traditional work model, i.e. function of an employment relationship of indefinite duration with the same employer within his company.

Specifically, at present, one of the most controversial aspects that occur in respect of Quebec work policies is the concept of "employee"¹. In order to benefit from social protection provided in respect of certain laws, the worker must meet the definition of "employee" found in the legislation. The employee is defined as someone who works for an employer in a particular place for an indeterminate period and remunerated². Thus, by the Labour Code, "employee" gets the right to belong to an association of employees to participate in the formation of this association, its activities and its administration. Thus, workers who do not meet the definition of employee, as provided in the various labour laws, do not enjoy social protection. At the same time, the Quebec laws do not restrict the right of companies to use the so-called atypical workforce. All forms of work remain accessible, virtually without restriction, fixed-term employment, part-time work, casual employees or on call. There are no rules limiting the use of agency employees, temporary help. So, depending on their needs, employers have decided to use a labour-time, called non-traditional, in order to obtain greater flexibility and lower costs of labour. These practices explain that a significant proportion of the workforce, i.e. atypical workers or contractors, can't be protected by various social laws or measures negotiated in collective agreements.

Thus begins the long struggle of the Bell Canada telephone operators, mostly women (99%) with an average seniority of 20 years, "presque la moitié de leur vie active" within the company (ditto). Convinced of the importance and value of their work, they moved into battle again. They had already fought in 1979-1980, during a first strike, then again in 1985-1992, to achieve pay equity. Not only do they see whole years of work being annihilated, but in addition, they believe in a misogynistic act against them: women have

¹ In particular the Labour Code, the Labour Standards Act, the Workers 'Compensation Act and Workers' Compensation and Occupational Diseases.

² The Bernier report makes welfare status of the worker clear: "la première constatation qui s'impose est qu'en général l'accessibilité (aux régimes de protection) se détermine par le statut de salarié (inclusion) par opposition au statut de non salarié (exclusion) ".

no right to be treated as equals with their male counterparts, so the company decided to cheaply "sell" (Martel, 1999). In 1985, operators were able to obtain the establishment of a Committee on Pay Equity. The committee's mandate was finally achieved in 1988 and in 1992 he filed a report striking: there is a disparity in pay between male jobs ranging between 11% and 20% and female jobs. To fill this gap, Bell had to increase the salary of the operators of \$ 4.18 per hour and it cost him three million dollars to settle this matter on equity (at the same time, the company has made profits of \$ 1.2 billion). This moment is the beginning of the end for the operators.

Despite these remarkable benefits, the company offers to the negotiating table in 1993, 1% pay equity adjustment, which boosted the telephonists. They then filed 1049 individual complaints to the Canadian Commission on Human Rights. The procedures are lengthy and hearings in this matter began only in 1996. We now know the reply from Bell: in January 1999, it announced to its operators that there would be no more calls...

Through a loophole in the Quebec labour code that Bell divested its operators to the benefit of a U.S. multinational. Indeed, the Quebec Labour Code is silent as to the sale of a federal company to a provincial. Thus, the bargaining unit and working conditions are not part of the agreement between the parties concerned. In contrast, the Code provides, where an enterprise of provincial jurisdiction is acquired by a federal firm, that the union certification and working conditions are maintained.

To justify its action, Bell argues its decision in favour of competition in the telecommunications sector and relies on economic reasons. We learn later that Bell and the U.S. multinational created a subsidiary called Nordia whose major shareholder Bell will be. The loophole will allow Bell to create new working conditions for its operators since it is not related to any union or collective agreement: no benefits and a pay cut of 50%. For Bell Canada, the sale of "telephonists" to Nordia saves labour costs, no matter how slight it is, when we know that the president of Bell Canada Enterprises wins in a day's pay an operator yearly wage, which is \$ 35,000.

The struggle of the Bell operators is presented by Caroline Martel in a film titled "Dernier appel, téléphonistes sur la ligne de front". The director powerfully demonstrates the results of this era of productivity race, this race for profits at the expense of working conditions and new technologies that dehumanized job in the name of sacrosanct performance. This struggle of Bell operators also demonstrates a major weakness in the Quebec Labour Code and the disempowerment of the state. Despite the public announcement of the Minister of Labour of the time, Diane Lemieux, on its willingness to amend the Labour Code in order to preserve the jobs of Bell operators, it will withdraw its support a few months later, leaving telephonists to their fate. Even co-workers and members of the same bargaining unit, technicians, will not take part in struggle for their sisters. Bell Canada has managed to divide the aspirations of technicians and operators. The technicians also obtained during the same round of negotiations, the union protections guaranteed in case of subcontracting.

May 12, 1999. "Au terme d'une grève de 36 jours, les téléphonistes ont réussi à sauvegarder 1 000 emplois et à bonifier les primes de départ. Malgré cela, Bell ferme 50 bureaux de téléphonistes au Québec et en Ontario" (Martel, 1999). The acquisition of the telephonists by Nordia has enabled Bell Canada to impose its own conditions, and with the help of new technologies, develop performance measures. The operators then see their

break timed as well as the time spent online with each client. Performance awards are granted in accordance with standards of "acceptable" response times for each answered customer.

The heroic struggle of the telephonists for equal work, equal pay had a painful end. These activists fought against Goliath, the telecommunications multinational and big opponents, the Quebec government, new technologies and globalization. In such an environment, the balance between the parties doesn't exist. There is no more service to the number you have dialled...

Thus, the failure in the regulation of temporary and atypical employment is obvious. For example, how to admit any longer that just 20% of part-time workers are represented by a union or even less than 11% of youth 15-24 years are (Vosko, 2000: 33)? In fact, a large proportion of new employment status develops in the service sector, where unionization is difficult (Valle 1996: 296). The accentuation of economic exchange has given new opportunities to the private services sector, which averaged growth of 2.4% per year between 1966 and 1995 (Ministry of Industry and Trade, 1996). Thus, Vosko (2000) warns that unionism is strong with declining jobs (e.g. manufacturing) and weak with growing jobs (services sector). Indeed, Canadian unions are experiencing difficulties with regard to accreditation procedures given the increasing heterogeneity of the workforce: the determination of the bargaining unit and assessing the representative character of an association of employees are more complex tasks (Vallee, 1999, p. 297). In another vein, the current institutional arrangements requiring decentralized bargaining, collective agreements may limit the ability of unions to protect workers and help improve their living conditions. The reduction in contract negotiations for work at the enterprise level limits their scope and prevents the establishment of national, regional or sectorial strategies able to respond to both market constraints and legitimate requirements of protection of employment and income for atypical workers (Moreau & Trudeau, 1998).

Finally, another juridical problem that must be highlighted is the limitation of its scope. While the effects of labour legislation are felt only in the country, trade is supposed to regulate it more than ever to play in the world (Murray, 2001: 247). Similarly, the regulatory mechanisms of supranational work are powerless. For example, the North American Cooperation (NAALC) does not allow complaints concerning freedom of association beyond simple collaborative consultation (Blouin and Morpaw). For its part, the International Labour Organisation (ILO) has been qualified with rectitude of "dog with a soft bark and not much of a bite" (Mehmet, Menders & Sinding, 1999, p. 10). Ultimo, the emergence of companies within the United Nations ('Global Compact') clearly shows the influence they are able to exert on the functioning of the single means of expression of human rights existing at the moment worldwide.¹ This finding regarding the inadequacy of the existing legislative framework highlights that, notwithstanding the resources still available to the unions, the State must become more involved in creating an environment more favourable to organized labour. On the one hand, this seems unlikely as long as the government of Jean Charest is in power; on the other hand, let's not forget that the Parti Quebecois, which has made possible the reduction of Bell operators working conditions by

¹ The Global Compact is an agreement between the companies and the UN to finance the organization since many countries no longer pay their dues.

its legislative inaction. Therefore, the actuality of the heteronomous lever depends greatly on the ability of unions to exert effective pressure on the State and build strategic alliances with political actors.

4. Conclusion

Contrary to popular belief, don't oversize the effects of political, socio-economic and organizational changes, which have deepened since the early 1980s, on the Quebec union actor. In fact, statistics show that the decline in union density does not reach the dramatic levels of other countries. Moreover, despite the critical attitude common in the media, the fact remains that trade unionism is still perceived as a social need in the eyes of the majority of the population. Of course, fewer conflicts and loss of purchasing power of union members are there to show the relative weakness of trade unions at the moment. However, slowing the fall in wages since the year 2000 can be regarded as a sign that the worst is already past.

Furthermore, it is clear from the writings of Levesque and Murray (2001, 2003, 2004) that unionism is not without resources facing the transformations mentioned. However, the development of these resources is conditional on the adoption of a more proactive stance in speeches and proposals of the unions. They should be concerned about democratization, participation and involvement of members in their activities beyond their national structure and to gain the weight necessary to balance the forces. Overall, this transformation will require a refocusing of the union struggle on common goals rather than supporters. But even if the union actor was able to make internal adjustments, they would be insufficient without the reform of a legal framework, which is inadequate and even hostile towards the unions, hence the importance of a repositioning of the State in its relationship with the social partners.

Ultimately, it was shown that workers need an organized voice capable of asserting their interests and rights. And as long as the capitalist mode of production is in effect, the unions and their claimant role will be required. But is this role incompatible with efficiency and growth of the economy? We answer in the negative. If willing, the trade union actor can establish itself as an indispensable strategic partner in innovation, a protagonist of the training and mobilization of knowledge, a proponent of employability and, therefore, the employment. In this way, the unions will be legitimate not only in the eyes of employees, but for society as a whole, including its employers counterpart, since it will contribute to improving the cohesion of society, but also social performance and economic enterprises.

Bibliography

Bélanger, J. (2001). *Autorégulation du travail et division sociale: observation dans une aluminerie québécoise*. Sociologie du travail. vol. 43. no. 2. pp. 159-177.

Bélanger, J.; Giles, A. & Murray, G. (2004). *Vers un nouveau modèle de production: possibilités, tensions et contradictions. L'organisation de la production et du travail: vers un nouveau modèle*. Murray, Gregor et collègues. Quebec: Presses de l'Université Laval, pp. 13-62.

- Blouin, R. & Morpaw, M. (1998). *L'accord nord-américain de coopération dans le domaine du travail. L'intégration économique en Amérique du Nord et les relations industrielles*. Les Presses de l'Université Laval. pp. 177-199.
- Boivin, J. & Guilbault, J. (1989). *Les relations patronales-syndicales*. 2e édition. Boucherville: Gaëtan Morin.
- Bourque, R. & Rioux C. (2001). *Restructuration industrielle et action syndicale locale: le cas de l'industrie du papier au Québec*. *Industrial Relations/Relations industrielles*. vol. 56. no. 2. pp. 336-364.
- Breitenfellner, A. (1997). *Le syndicalisme mondial: un partenaire potentiel*. *Revue internationale du travail*. Vol. 136. n° 4. pp. 579-607.
- Bronfenbrenner, K. (2000). *Uneasy Terrain: The Impact of Capital Mobility on Worker, Wages, and Union Organizing*. U.S. Trade Deficit Review Commission.
- Caire, G. (2000). *Le syndicalisme dans la mondialisation*. Les Éditions de l'Atelier.
- Castells, Manuel (1999). *L'ère de l'information, tome III, Fin de millénaire*. Paris: Librairie Arthème Fayard. p. 492.
- Cavanagh, J. (1997). The global resistance to sweatshops. No Sweat. *Fashion, free trade and the rights of garment workers*. Andrew Ross (ed.). London: Verso, pp. 39-50.
- Langlois, Marc (2005). *Democratic unions Central (CSD) Regional Coordinator in Chaudière-Appalachian*. February 22.
- Lamoureux, Josée (2005). *Centrale des syndicats nationaux (CSN) Montreal*. February 26.
- Chaykowski, R. & Gunderson, M. (2001). *The implications of Globalization for Labour and Labour Markets. Globalization and the Global Economy*. Chaykowski, Richard ed. Canadian Workplace Research Network. Kingston: School of Public Studies. Queens University. pp. 27-61.
- Chaykowski, R. & Giles, A. (1998). *La mondialisation, le travail et les relations industrielles*. *Industrial Relations/Relations industrielles*, vol. 53, no.2, pp. 1-12.
- CSN/Fondation. «*À propos de Fondation*» et «*Les investissements en entreprise de Fondation*». www.fondation.com.
- Youth CSN, link «*National Youth Committee CSN*». www.csn.qc.ca.
- CTC. «*Les syndicats: vivez la différence*», <http://www.congresdutravail.ca/syndicat.html>.
- «*La tertiarisation de l'économie du Québec*». http://cms.mdergouv.qc.ca/mdercontent/000021780000/upload/publications/pdf/Entreprises/etat_econo/tertiari.pdf.
- EIRO. «*Trade union membership 1993-2003*», <http://www.eiro.eurofound.eu.int/2004/03/update/tn0403105u.html> enterprise culture: Routledge, London et New-York: The Moral Debate.
- Courteau, Denis (2005). *Fédération des travailleurs du Québec (FTQ)*. Quebec and Chaudière-Appalachian. February 26.
- Freiche, J. & M. LeBoulaire. (2000). *L'entreprise flexible et l'avenir salarial*. Paris: L'Harmattan; Montréal: L'Harmattan.
- Giles, A. (2000). *Globalisation and Industrial Relations Theory*. *Journal of Industrial Relations*. vol. 42. no 2. pp. 173-194.

- Groux, G. (1998). *Vers un renouveau du conflit social?* Bayard Éditions.
- Gunderson, M. & Hyatt, D. (2001). «*Union impact on compensation, productivity, and management of the organization*». *Union Management Relations in Canada*. Under the direction of Morley Gunderson, Allen Ponak and Daphne Gottlieb Taras. Toronto: Addison, Wesley, Logman.
- Heckscher, C. (2001). *Living with Flexibility. Rekindling the Movement*. Under the direction of Turner, Lowell, Harry Katz and Richard Hurd. Ithaca: ILR Press. pp. 59-81.
- Held, D.; McGrew, A.; Goldblatt D. & Perraton, J. (1999). *Global Transformations*. Cambridge: Polity Press.
- Henry, M. (2004). *Union member in Canada*. *Workplace Gazette*. vol. 7. no. 3. pp. 42-48.
- Herod, A. (2002). *Organizing globally, organizing locally. Union spatial strategy in a global economy*. Harrod, Jeffrey & O'Brien, Robert (2002). *Global Union? Theory and strategies of Organised Labour in the global Political Economy*. Londres: Routledge. pp. 83-89.
- Hodson, R. & Sullivan, T. *The Social Organization of Work*. Toronto: Wadsworth – Thomson Learning.
- Hyman, R. (1999). «*Imagined Solidarities: Can Trade Unions Resist Globalization?*» *Globalization and Labour Relations*. Peter Leisink (ed.). Edward Edgar Publishing Limited. pp. 94 –115.
- Hyman, R. (2000). *Le syndicalisme dans la mondialisation*. Coordinated by Annie Fouquet Udo Rehfeldt and Serge Le Roux. Paris: Les éditions de l'Atelier.
- Jacoby, S. (1995). «*Social Dimensions of Global Economic Integration*». *The Workers Nations: Industrial Relations in Global Economy*. New York: Oxford. pp. 4-29.
- L'économie*. *Industrial Relations/Relations industrielles*. vol. 53. no.1. pp. 55-89.
- La Presse. (2005). «*Recul ou adaptation du mouvement syndical?*». February 28. Les Affaires section, p. 2.
- Lapointe, P-A. (1998). «*La CSN et la démocratie au travail: de l'exclusion à la participation*». *La CSN 75 ans d'action syndicale et sociale*. Under the direction of Bélanger, Yves and Robert Comeau. Quebec: Presses de l'Université du Québec.
- Le Soleil (2005). «*Les trois syndicats acceptent de rouvrir leurs conventions*». February 14. Section A. p. 1 and 2.
- Le Soleil (2005). «*LAB Chrysotile veut réduire de 25% les salaires et les avantages sociaux*». February 7. Section A, p. 1 and 2.
- Lévesque, C. et Murray. G. (2003) «*Le pouvoir syndical dans l'économie mondiale: clés de lecture pour un renouveau*». *Revue de l'IRE*. no. 41. pp. 1-28.
- Maroussia Kishka. «*Fédérations de la CSN: amorce de réseaux internationaux*». www.csn.qc.ca.
- Martel, Caroline. (1999). «*Dernier appel: Téléphonistes sur la ligne de front*». Office nationale du film du Canada (ONF). duration 52 min.
- Mehmet, O., Menderd E. et Sinding, R. (1999). «*The Emerging Global Labour Market*» dans Ozay M. et al. *Towards a Fair Global Labour Market*. New York: Routledge. pp. 3-39.
- Moreau, M-A. et Trudeau, G. (1998). «*Le droit du travail face à la mondialisation de l'économie*».

- Murray, G. (2001). «*La reconstruction des institutions du travail dans les sociétés mondialisées*». *Une société-monde? Les dynamiques sociales de la mondialisation*. Daniel Mercure (dir.). Les presses de l'Université Laval. pp. 239-251.
- Nissen, B. (2003). «*Alternatives Strategic Directions for the U.S. Labor Movement: Recent Scholarship*». *Labor Studies Journal*. vol. 28. N° 1. pp. 133-155.
- Noblecourt, M. (2004). «*Le big ban du syndicalisme international*». Paris: Le Monde. le 11 juillet.
- Office national du film du Canada (ONF). (1999). «*Dernier Appel: Téléphonistes sur la ligne de front*». www.onf.ca/dernierappel/
- Petrella, R. (dir.). (1995). *Limites à la compétitivité: Pour un nouveau contrat mondial*. Éditions Labor.
- Petrella, R. (2004). *Désir d'humanité: Le droit de rêver*. Éditions Labor.
- Plihon, D. (2003). *Le nouveau capitalisme*. Paris: Éditions La Découverte.
- Powell. (2001). «*The Capitalist Firm in the Twenty-First Century: emerging patterns in western enterprise*». *The Twenty-First-Century Firm: Changing Economic Organization in International Perspective*. Edited by Paul DiMaggio. Princeton University Press.
- Rouillard, J. (2004). *Le syndicalisme québécois: deux siècles d'histoire*. Montréal: Boréal.
- Rubinstein, S. 2001. «*Unions as Value-Adding Networks: Possibilities for the Future of U.S. Unionism*». *Journal of Labor Research*. vol. XXII. N° 3. pp. 581-598.
- Sexton, J. (2001). *Initiation à la négociation collective*. Les presses de l'Université Laval.
- Solasse, B. (1994). «*Les idéologies syndicales*», *Les relations industrielles au Québec: 50 ans d'évolution*, sous la direction de R. Blouin, J. Boivin., E. Déom et J. Sexton. PUL. pp. 167-201.
- Stroobants, M. (2002). *Sociologie du travail*. Bruxelles: Nathan.
- TCA/CAW Canada. «*2004 Update: Membership in Canada*».
- The Labor Research Association. «*U.S. Union Membership, 1948-2003*».
- Thévenot, L. (1997). «*Tensions critiques et compromis entre définition du bien commun: L'approche des organisations par la théorie de la justification*». *Décentralisation de organisations et problèmes de coordination: Les principaux cadres d'analyse*. L'Harmattan Inc.
- Vallée, G. (1999). «*Pluralité des statuts de travail et protection des droits de la personne: quel rôle pour le droit du travail ?*» *Industrial Relations/Relations industrielles*. vol. 54. no. 2. pp. 277-310.
- Van Liemt, G. (1992.) «*La mondialisation de l'économie: options des travailleurs et stratégies des entreprises dans les pays à coûts salariaux élevés*». *La mondialisation. Origines, développements et effets*. Thwaites, James. Québec: Presses de l'Université Laval. pp. 221-242.
- Vosko, L. (2000). «*Labour is not a Commodity: Shifting Employment Norms and the Modern Labour Market Intermediary*» *Temporary Work: The Gendered Rise of a Precarious Employment Relationship*. University of Toronto Press. pp. 14-44.

Management of the Romanian Police Training

Valeria-Liliana-Amelia Purda-Nicoară (Netotea-Suciu), PhD in progress
The Tulcea County Police Inspectorate, Tulcea, Romania
amelia.netotea@man.ase.ro

Abstract: In today's dynamic economic environment it is very important for organizations to view their employees as a priority, since they may represent one of their most valuable assets. Although many companies acknowledge the importance of the human factor for the success of the organization, there is sometimes a discrepancy between the company's belief and the way it is implemented. Even in periods of economic recession, organizations must not perceive the costs of training and retraining of staff as arbitrary, a cost which may be reduced or eliminated, according to the budget available, but as an investment in a strategic resource, the results of which become more and more evident in time and that determine the ability of survival, adaptation and development of the company in a rapidly changing environment. Since over the last two decades the image of the Ministry of Administration and Interior, and thus the image of the Romanian Police has depreciated considerably in the public opinion, it is indispensable for the institution to focus intensely on staff training activities. For this reason, it must attract the loyalty of skilled and motivated workforces that have the knowledge and ability to perform the tasks required. The investment in people may not be sufficient for ensuring the quality and efficiency of services provided, but it certainly is a must.

Keywords: training; initial training; professional development; training methods

JEL Classification: L84; M53

1. Introduction

In a fine approach, like a spider web whose equilibrium is maintained by each of the elements of the "network" of which it is built, staff training is reflected as a "part" in all other components of human resource management (Pânișoară & Pânișoară, 2007). As the further development of an organization depends crucially on the quality of the human factor, professional training proves to be one of the most profitable investments which one may choose to make.

In the current period - perhaps the most difficult period since 1989, it is necessary that the Romanian police should reconfigure or redefine its vision and improve the training of its staff, establish clear values and objectives, evaluation methods, specific practices and role models in senior positions of leadership. All this will make it more likely to attract and retain the best people and achieve their full potential.

In this context, this present article aims at a theoretical approach to training employees of the Romanian Police, in terms of specificity of its activity.

2. Conceptual Definitions

Professional training is a complex and lengthy process, resulted in an individual's qualification for a profession.

The process of *training* of employees includes all training and development actions planned by the employer, in order to change behavior, the acquisition of theoretical knowledge, practical skills and motivation necessary for participants so that they can exercise their profession in the most efficient way. Through the process of professional training, the organization seeks to establish a balance between employee characteristics and job requirements in order to satisfy current and future competence needs of the organization's staff as effectively as possible.

Training management is designed to ensure the continuity and the development of the natural heritage of talent, knowledge and experience that it operates, through human resources training and by providing a sustained system for the transmission of knowledge and experience gained (Manolescu, Lefter, & Deaconu, 2007)

The quantity and quality of training activities differ from one organization to another, depending on the following factors:

- changes in the external environment (technological, legal framework etc.);
- internal changes (new technologies and processes included in their activity, new markets etc.);
- the degree of adaptability of the workforce;
- the organization's vision in terms of internal career development;
- the management's point of view on the idea that training is an essential element for economic success;
- the extent to which the management considers education a motivator in the workplace;
- the knowledge and skills of those responsible for conducting the training (Manolescu, Lefter, & Deaconu, 2007).

Professional training is a planned process that can take place both at the workplace, and outside of it, in one of the following situations:

- to upgrade knowledge, skills, abilities, acquired behaviors, job-specific abilities;
- to obtain new professional qualifications for developing the basic training;
- to acquire advanced knowledge on modern techniques and working methods;
- employee adaptation to job requirements;
- job promotion and career development etc. (Pânișoară & Pânișoară, 2007).

Regarding the content of the concept of professional training, according to the specialized literature, it has two components: initial training and professional development, while other authors believe that professional development is a stage of training. In an attempt to define these concepts, some authors (Tripon & Dodu, 2009) summarize their features shown in the table below (see Table 1) and stress that their main difference is that "the former prepares the employees for the present position in the organization while the latter prepares them for possible future opportunities."

Table 1. Characteristics of initial training and professional development

Initial training	Professional development
<ul style="list-style-type: none"> - initial qualification - acquiring a new trade 	<ul style="list-style-type: none"> - the acquisition by employees already skilled in a particular area of new knowledge and work skills, recognized as part of the job content - Poliquification - retraining

Most authors believe that professional training involves work mainly with information held in educational institutions or organizations seeking to develop new abilities, while professional development aims at improving existing capabilities.

There is a remarkable uniformity of opinion in the specialized literature on the stages of the training course. According to the majority of works consulted, to achieve goals through training or education (improving the quality of products or services, using methods or techniques more effectively, improving the activity), one needs to take a series of interrelated steps, as follows:

- establish a training policy, in which to formulate objectives and indicate the resources needed to support the learning process;
- staff training needs assessment;
- trainer's choice;
- planning training, which consists of establishing techniques and content of the training process and the personnel to be trained;
- effective conduct of training, within the parameters established in advance;
- evaluation of training activities in order to establish the extent to which program objectives have been met and feedback.

The sequence of these steps is shown schematically by some authors as in the figure below (see Figure 1).

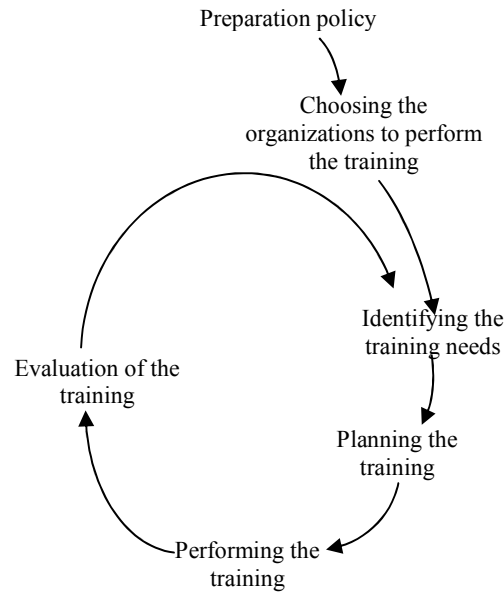


Figure 1. Stages of the training process (Tripon & Dodu, 2009)

According to the same authors, "once completed the 6th step and based on its findings, there is a return in a" loop "that closes the 3rd stage, which actually means the training cycle is repeated most of the times. Steps 1 and 2 take more than policy or long-term organizational strategy, which does not mean they cannot have their improvements when appropriate. In addition, these two phases are strongly marked by organizational culture, and, obviously, some conservative tendencies, as manifested in local tradition."

Methods of training of the human resources fall into many *categories*, according to the following criteria:

a. according to the persons involved in performing the training, there is external and internal training; choosing the method of training shall take into account the politics of relationships within the organization, the object of the training, the experience of the trainers, the projected profitability;

b. according to their duration, training processes can be made longer or shorter, depending on the importance of the message, the sums allocated for each operation and the availability of the people included in the process. The best choice in this regard is the training sessions with a duration equivalent to one full month of interruption of the work process. With less obvious effects, training sessions taking

less time and which have not been repeated, proved not to be valuable in a learning process;

c. according to their pace, training processes may take the form of: seminars, with the participants' advantage due to increasing concentration, their placement in a new context; periodic conferences, characterized by the fact that they do not interrupt productive activities; evening classes, held concurrently with participation in development of manufacturing activity, full-time internships, which take the place of current activities and activities have replaced the same duration. There has not been a preference of the participants in training activities for one of these, with both adherents of the compact training sessions, as well as supporters of the planned training processes, depending on their type of activity. Over time, there was a lower result rate in the case of the training a long time apart;

d. according to the venue there are:

- training activities carried out within the organization;
- training activities taking place outside the organization.

Training activities taking place within organizations have some particular features over other forms of training, consisting of:

- they are considered a means of strengthening the organization's performance;
- planning and monitoring the training process is the responsibility of the organization and not that of the participants;
- they are activities that take place only once, (on joining the organization, usually) and not continuously;
- they largely affect the working time, especially when addressing directly productive workers.

Among the types of training undertaken within the organization, we can distinguish:

- apprenticeship, addressing in particular young workers;
- formalized education procedures, such as courses, internships, seminars;
- workplace training, which is a formalized way of acquiring knowledge of great importance to every employee, regardless of the type or level of activity that they do hierarchically.

e. according to the participants to the training, we have:

- Training for directly productive workers;
- Training activities to the masters and foremen;
- Training for managers and officials.

f. according to the operations covered by the training process, we may speak of:

- productive techniques;
- management techniques;
- methods of management and human relations.

g. according to participants and the group size, training may be addressed to specific groups:

- numerous individuals, coming from the same background;
- numerous individuals, coming from various backgrounds; different departments of the organization;
- few participants, with homogeneous origin.

Training activities taking place in organizations are of great diversity, and they can be combined in different ways, from a training process to another. However, for the possibility of using standard procedures for control, evaluation and analysis of results, in practice, training activities are often grouped according to: characteristics of participants, type of activities covered and the size of the group. The types of training are presented in the table below (see table 2), based on which one can formulate the following principle: „ the farther we move away from the basic sequence of directly productive workers, ADG - skilled in production techniques- who are numerous, and coming from homogenous backgrounds, the more difficult it is to control and measure the effects of the training. The most difficult thing is to measure the overall profitability of the actions aimed at training a group of highly dispersed business managers - CFI (Manolescu, A., Lefter, V. & Deaconu, A., 2007).

Table 2. Types of training

Individuals involved	Training domains	Group size
A. directly productive workers	D. productive techniques	G. numerous- homogenous background
B. masters/ foremen	E. administration techniques and methods	H. numerous - different compartments
C. managers/ officials	F. management techniques; human relationships	I. few - homogenous background

Human *resources training needs* represent the gap, recorded in the present or provisioned for the next period, between the performance desired to be achieved and the actual performance resulting from the activities carried out, gap which can be minimized through training programs.

To identify and highlight the training needs of staff, one can gather information from various *sources*, including:

- predicting human resources management, which provides information on training needs caused by adjustment and conversion;
- analyzing the labor outcomes, as well as the data relating to: delays and absenteeism, staff turnover, complaints and disciplinary proceedings, waste and scrap, accidents, employee attitude, efficiency;
- introducing new work procedures or technologies;
- anticipation of promoting certain employees;
- replacement of employees due to retirement or resignation;
- hiring new workers and their need to join the team;
- job requirements analysis, specification of duties of each position, knowledge, attitudes, and qualifications the occupant must hold for the job;
- differences between the actual assessment activities, and the activities which should be conducted on each item;
- asking employees about their training and development needs;
- informal discussions;
- consultation with managers and performers;
- studying the behavior of workers at all hierarchical levels;
- performing analysis of the activities.

For the gathering of this information, useful for determining the need for training, one can use several *methods* that differ in terms of the advantages and disadvantages they involve, including:

- observation, which involves the major advantages of minimal disruption of ongoing work of the organization and provision of relevant information, and the disadvantages of the risk of error due to inadequate training of observers;
- questionnaires, with the advantages of the possibility of widespread distribution, low cost of research and honest answers, as long as the respondent is ensured their anonymity. The disadvantages of this method are the existence of limited space for free expression of participants, the call for professionalism in developing the questionnaire, and the opportunity to have a low return rate to the researcher;
- consulting authorized persons, which stimulates communication and is easily applied, but has some disadvantages related to the incomplete nature of bias and incomplete conclusions, as well as a dose of subjectivity; publications, which provide current and useful information, but often difficult to synthesize;
- interviews offers vast possibilities for finding solutions, but their drawbacks are related to time consumption, difficulty in quantifying and analyzing the information obtained, also requiring a good training of interviewers;
- group discussions are similar to interview. What is specific to this method is the broad approach and the use of group techniques: brainstorming, consensus and stimulating;

- tests are actually a variant of the questionnaires and will produce easily quantifiable and comparable results;
- reports and records (organizational charts, planning documents, policy manuals, audit reports, Budget Reports, evaluations of performance) are readily available, identifying problem areas and providing data on the impact of problems found with the organization, their main disadvantage is that they relate to the past and not the present, requiring an analyst with appropriate training to identify trends.

The existence of problems of efficiency within an organization, need not necessarily be translated into the existence of a need for training, because decreased performance can also be due to structural problems, which are outside the individual, such as poor technical equipment, operation of inadequate equipment or facilities, overloaded work schedule, low number of employees compared with the workload.

To achieve effective human resource training it is necessary, in addition to training needs and operational objectives to establish learning objectives, which indicate what should be done to meet the learning needs.

Initial training has many *advantages*, which can be seen in:

- organization:
 - motivated and competent staff;
 - more motivated and effective managers;
 - improved quality of labor results;
 - profit growth;
 - development of a "professionalism in the profession";
- individual:
 - manager:
 - training is a long term strategic investment for success;
 - a more efficient and effective department;
 - increased confidence in the professionalism of employees and its impact on the delegation of tasks;
 - developing their managerial skills;
 - increasing the reputation of "trainer of men";
 - decreasing time necessary for solving the urgent problems;
 - obtaining promotions and salary increase;
 - enforcement personnel:
 - increased professionalism;
 - improving knowledge;
 - skills development;
 - increased job satisfaction;
 - increasing interest to perform their service;

- increasing independence and responsibility for work done;
- developing the ability to perform more diverse, challenging and interesting tasks, getting promotions and salary increases. (Prună, 2007).

The most important *disadvantage* of the process of professional training is its expenses. Since all activities for initial training and employee training involve costs (payment of instructors, paying for the external courses that the staff are attending, paying for the preparation of training materials used during the courses, the training courses location, internal administrative costs, costs due to total or partial disruption of the activities of participants in courses, etc.), it is desirable that training requirements should be established in a rational proportion to the actual needs of the staff, checking whether the knowledge and skills acquired through training are helpful in their work and whether they can be implemented in the organization.

Allocating resources to support training programs should be made only if the organization has previously defined and explicitly expressed need for training and only for those training programs that ensure the utmost achievement of the objectives.

3. Romanian Police - A Tool of Government Policy

The Romanian police is part of the Ministry of Interior and it is a specialized institution of the state, which is involved in protecting the rights and freedoms of the individuals, private and public property, in preventing and discovering crime, in respecting public order and safety in terms of Law no. 218/2002 on the organization and functioning of the Romanian Police.

The Romanian Police activity is specialized public service and it is performed in the interest of the community, and in support of state institutions on the sole basis of the law. General legal provisions referring to police work, as community service were completed and detailed by Law no. 360/2002 on the Statute of the police officer.

Thus, Article 1 of this law stipulates that the police officer is a public officer with special status, armed, usually wearing a uniform and performing the duties established by the law for the Romanian Police, as a specialized agency of the state.

The provisions relating to police work, partially contained in other laws for the organization and functioning of state institutions, have been supplemented by special laws aimed at combating a particular type of crime.

4. Features of the Romanian Police Professional Training

Training of staff of the Romanian Police aims at providing trained personnel, competent, honest, goal-oriented, and dedicated to the organization interests, able to fulfill their responsibilities as stipulated by law with professionalism and respect for social values and institutions.

Currently, the management of human resources and, therefore, initial and continuing vocational training of staff within the Romanian Police is governed by the concept of development of the initial and continuous training of personnel of the Ministry of Administration and Interior 2008-2012 developed by the General Department of Human Resource Management in the Ministry of Administration and Interior.

According to this document, in the context of increasingly diverse training needs which enter the field of interest of the MAI, a priority should be the rethinking of the field in question, both for institutions as a whole, and for the staff.

Conceptual redefinition requires, in essence, the following changes in approach, designed to cause the proper response on the part of the initial and continuing vocational training system to the shortcomings that still persist in the field:

- rethinking the system from a marketing perspective - directing, organizing and conducting training activities on the basis of actual supply and demand;
- connecting to the environmental requirements as well as a constant surveillance of the latter, so as to cope with difficulties arising and to optimally exploit the opportunities occurring; orientation towards satisfaction of beneficiaries, ensuring efficiency and effectiveness;
- repositioning the training function by providing its due importance between activities carried out by the structures of all categories;
- restructuring the formative system, so as to suit the organizational and functional aspect, the dynamic demands of the beneficiaries;
- supporting the establishment within the institution of a culture of planning, monitoring, evaluation and results;
- promoting logical links between training, performance, results and career management;
- training of human resources quality, stable and adaptable to the professional contexts in which they perform their activity;
- facilitating the integration of the personnel in the system, including training activities;
- a correct distribution of training responsibilities between the institution and its staff;
- structuring a predictable training environment that provides the personnel with equal opportunities for learning and self-perfecting, to encourage creativity and innovation;

- standardization of teaching activities design, by extending the implementation of competency based training systems, first in initial training and thereafter, in the continual one;
- progressive implementation of the elements that define the concept of "learning organization";
- extensive use of modern methods and techniques, (such as e-learning);
- increased staff training in project management, procurement, knowledge of foreign languages and European integration;
- introduction and development of quality ensuring education systems in MAI;
- designing the evaluation system of educational institutions specializing in the management structures of training activities (educational management) at all levels of the training programs and the teaching staff;
- more effective dissemination in the system of the lessons learned, sharing the experiences gained in international cooperation;
- assimilation in the training of the European good practice and rational use of personnel trained in multinational contexts.

To accomplish the priority to update the concept of initial and continuing vocational training of the staff of MAI, the change of vision that I mentioned also requires the rethinking, from a new perspective of the overall mission, of the purpose and objectives for improving the quality, the effectiveness and the efficiency of the training.

As a ministerial document, the concept includes elements meant to shape the strategy of the field, and it sets the overall objectives and aims of the development of initial and continuing professional training system and learning methods. Thus, the General Directorate of Human Resource Management (GDHRM) offers the answer to the question: What should be done? Nevertheless, immediate materialization of the provisions of the document, namely, how to do it?, the selection of the methods of operation, represents the overall responsibility of the central units coordinating functional areas, and of the general inspectorates, agencies, institutions and authority of the Ministry which hold the necessary execution levers.

In this context, the educational system of the MAI must work coherently and unitarily, to make the guided implementation of the Concept possible, as well as the focusing of efforts and resources to accomplish the mission, purpose and objectives, the correct specification of the responsibilities and the timely corrections where necessary.

To materialize this project of developing the system of initial and continuing staff training the concept will be applied regarding the focusing of the conceptual

activity and the decentralization of execution, the educational management and teaching principles.

The time for the application of the Concept is 2008-2012 which is part of the range provided by the Continuing Education Program of action 2007-2013 as established by Decision 1720/EC / OJL 327/24.11.2006. This way, the opportunity to access funds for development of staff training will also be exploited for the benefit of MIA.

The key elements of the new concepts are professionalism, effectiveness and efficiency, seen as a complex of interrelated factors that support and reinforce one another in order to ensure the interests of individual and organizational training and to increase the degree of trust from society in the quality of services offered by the MAI.

With regard to the purpose and objectives of the MAI training system, as well as the fact that it serves an organization of the type, size and complexity of this one, the mission has support in the following axes:

- fostering performance: it aims to develop a modern and efficient training system, to ensure professionalism on the part of the MAI structures;
- orientation towards beneficiaries: a priority activity is orientation toward satisfaction of the individual training needs of staff and their integration in the overall context of the growing interest in organizational success through professional training;
- interest in the staff development training system: it is necessary to give full attention to educational management structures and educational institutions, in terms of the selection of personnel, to professionalize its motivation;
- appropriate answer to the training needs: it is intended to expand the educational offer and to develop the possibility of its manifestation, as a measure of the ability of the system to respond to the training requirements of beneficiaries;
- promotion of quality: it will absorb and develop mechanisms for ensuring quality in education;
- focus on effectiveness and efficiency: in the organization and conduct of the training activities will be promoted effectiveness and efficiency criteria.

The priorities for the initial and continuing training process of the MAI units are:

- training MIRA staff in the Schengen field;
- bringing the level of training of staff employed from external sources to the professional standards which should allow optimal system integration and fulfillment of MIRA competence and duties;

- the development of initial training in specialized educational institutions by introducing a method of teaching design based on occupational standards and training;
- providing staff training on issues of European integration in foreign languages, computer science, project management, participation in international missions;
- professionalization of the staff who perform in educational management structures and educational institutions of all categories;
- identifying the motivational levers that would enhance the attractiveness of teaching positions;
- reconsidering the managerial training of personnel;
- rethinking of learning in units in order to ensure a reliable professional training of staff in the workplace;
- redefining the system of educational institutions for initial and continuing training, in terms of structure and mission;
- modernization of equipment for the initial and continuing training.

The general objectives that aim to be achieved through initial and continuing training activities conducted in units of the MIA are:

- to raise the level of professionalism by promoting interest in people and institutions to have better trained workers and thus better able to meet, to the benefit of society, the duties and tasks;
- to increase the effectiveness of initial and continuous staff training by reference to the need to maximize the capacity of fulfilling the mission, the purpose and the objectives which would be established within the institution;
- to ensure the optimum efficiency of the personnel training system by getting a great ratio- allotted resources- results as well as by emphasizing the negative effects that lack of training can generate on fulfillment of the responsibilities and missions.

Romanian police initial training is done through specialized educational institutions, with specific features for each category of staff, as follows:

- a. *initial training of police officers:*
 - initial training of officers in the Police Academy is held by three year day courses university degree studies, for police, border guards and gendarmes, in "public order and safety" (four years in reduced attendance form of studies, for the system of choice) and 4 years, day courses for firefighters, specialty "construction equipment – fire fighting”;
 - training of officers for specializations which are not existent at the Police Academy is made through university educational

- institutions of the Ministry of Defense (aviation, marine, ICT, etc.)
- training officers and specialists employed on functions such as agents / NCOs is done through introductory courses in career lasting for 4-12 weeks or in Central Postgraduate training centers / application schools of the general inspectorates;
- b. the initial training of police agents and NCOs:*
 - initial training the police officers the post-secondary schools is done by MIRA studies lasting for two years, day courses;
 - training officers employed from external sources is achieved through introductory courses in career with a duration of 4-16 weeks, in centers or schools of the general inspectorates;
- c. initial training of public servants:*
 - initial training of civil servants for the National Archives is done at the Police Academy, 3 years day courses studies, in "archiving";
 - initial training of civil servants for the other structures of the MIRA institutions is also done by other types of training provided by law for this category of staff.

Romanian Police Training includes certain training categories, to ensure the professionalism of staff for performing their work. Training forms must be adequate to the practical training needs they must include only activities that can be effectively carried out at the respective structures to meet local needs and to provide professional utility.

Continuing education activities to improve the police profession performing are held on a permanent basis in units, during working hours, based on annual plans which are prepared in each training sub-unit, and on individual study plans, designed for the particular operational situation, the activities of departments and the real training needs of each frame. The process of continuing training of the Romanian Police includes:

- specialist training;
- physical training;
- shooting sessions.

Annual training plans are approved by unit commanders and individual study plans - by the direct superior officers.

According to the law, liability for the insurance of the training of the officers comes to the managers at all levels.

The above mentioned concept includes the minimum measures necessary to effectively ensure the development of initial and continuing training of MIRA staff, updating and modernizing its processes for the enhancement of the professionalism of staff of the institution in terms of effectiveness and efficiency. Applying the

Concept will also ensure a better compatibility with similar training systems in EU countries, which will thus allow staff training in the European spirit.

Police professionalism, as described by some contemporary authors, refers to a very specific conceptual and widely recognized status. According to them, the notion of police professionalism must embody three principles: corporateness, responsibility and expertise. Instilling and maintaining a sense of corporateness, the first of the three components of professionalism, means an understanding of professional duty and building a minimum level of expertise in the individual before he is admitted to the profession and maintaining the minimum performance standards, which are later defined.

Putting into practice the concepts that underpin the professionalism of the police is only possible through a process of high quality training to ensure competence, developing support structures and procedures to achieve maximum potential from police officers, and their enthusiasm and confidence, also instilling in them the sense of corporateness and the feeling of responsibility.

Professionalism implicitly requires maintaining compliance with standards, both individually and institutionally. Recognition of professional standards involves the existence of quality training programs on these standards. In the absence of an effective learning management there is no opportunity to instill values and methods of the police profession and to transmit its ethos. Simply establishing the standards is insufficient. Professionalism implies that these professional standards should be known, accepted and implemented by police officers.

5. Conclusions

Despite the difficult times Romanian Police, faces, the budgetary constraints and massive turnover of the staff, this institution, characterized by a huge social responsibility should make every effort to attract and retain the kind of individuals who can meet the standards of a professional police officer. The recruitment and selection processes should look for people who want a career in law enforcement, rather than simply a steady salary, which has lately been the case. It is preferable that this institution should hire fewer, but professionally better officers, rather than a higher number, but with a performance that should undermine public confidence. It is also necessary for the promotion criteria to be determined so as to support the current objectives of police professionalism.

Also, it is necessary that police officers' training, at all levels, should be achieved along the whole of the police officers' career, and that it should constantly build the skills, expertise, know-how, and the sense of commitment of the trainees, as well as the corporateness and understanding of social responsibility that are the foundation of a professional organization of police or law enforcement.

6. Bibliography

Glenn, R.V.; Panitch, B.R.; Barnes-Proby, D.; Williams, E.; Christian, J.; Lewis, M.W.; Gerwehr, S. & Brannan, D.W. (2003). *Training the 21st Century Police Officer. Redefining Police Professionalism for the Los Angeles Police Department*. Los Angeles: RAND Public Safety and Justice.

Manolescu, A.; Lefter, V. & Deaconu, A. (2007). *Managementul resurselor umane / The Management of Human Resources*. Bucharest: Economică.

Pânișoară, G. & Pânișoară, I.O. (2007). *Managementul resurselor umane. Ghid practic/ The Management of Human Resources. Practical Guide*. Second Edition. Iasi: Polirom.

Prună, Șt. (2007). *Management polițienesc/ Police Management*. Craiova: Sitech.

Tripon, C. & Dodu, M. (2009). *Managementul resurselor umane. Suport de curs/ The Management of Human Resources. Course*. Cluj-Napoca: Babeș-Bolyai University.

***Law no. 218/2002 on organizing and functioning the Romanian Police.

*** Law no. 360/2002 on Police Officer Status.

http://politiaromana.ro/prima_pagina/index.aspx

<http://www.mai.gov.ro/Home/index.htm>

http://politiaromana.ro/prima_pagina/index.aspx

<http://www.mai.gov.ro/Home/index.htm>

Health Prevention Programs in Social Marketing: Recent Trends and Future Prospects

Corina Serban, PhD in progress
Academy of Economic Studies, Bucharest, Romania
serban.corina@gmail.com

Abstract. Social marketing methods are nowadays frequently used in the development of health prevention programs. The main **Objectives** of this paper are: to identify the role of skin protection programs in society, to evaluate sun protection behavior among consumers and to propose future directions of research in skin cancer prevention. **Prior Work** in skin protection focused on the risks associated with long periods of sun exposure while offering advice regarding responsible behavior. In Europe, the main center of skin cancer research is European Cancer Observatory and, in Romania, Romanian Society of Dermatology (SRD). These institutions develop specialized programs annually. The **Approach** used in this article is the survey. The paper analysis consumers' perceptions regarding skin protection behavior in Romania by using a structured online questionnaire. A total number of 86 respondents participated in the study. **Results** show that 53% of respondents don't have a sun protection behavior. **Implications** of the study are: health practitioners can use these findings in further research and nonprofit organizations can increase their prevention programs in certain groups. The **Value** of this paper consists of direct analysis regarding skin cancer issue in Romania while emphasizing the importance of health prevention programs for social marketing domain.

Keywords: sun protection; skin cancer; social program; responsible behavior

JEL Classification: P20; L19

1. Introduction

Sun protection has become an important aspect of every day life. As more UV radiations pass every day through the ozone layer, people are being exposed to severe risks. Pigmentation, sun burns, early aging are some of the side-effects associated with sun exposure. However, skin cancer remains the most serious disease in this category and its incidence has increased drastically in the last decade. Prevention remains the best solution for skin cancer that is why companies, institutions and non-profit organizations have joined together and launched new and more attractive campaigns. This paper focuses on health promotion programs and studies the impact generated by skin cancer prevention campaigns on population in Romania. Therefore, the cross-sectional survey describes the influence of four factors: family, school, mass-media and government on people's behaviour. The first two factors are considered to be main sources of education, mass-media represents a source of information, while the government, is mainly

responsible with establishing laws which respond to people needs. Using the structural equation model, the article analyzes a multiple regression in SPSS software program. The generated model consists of one dependent variable and four independent variables. The article describes the relationships between sun protection behaviour and the four factors considered, as well as their impact on the consumer. Results show that correlations between variables are high and the level of significance is less than the theoretical value of 0.05. As a result, the model considered is valid. In real world conditions, the model shows the low incidence of sun protection behaviour, as well as the carelessness of people regarding skin cancer issue. People have little knowledge of how many risks are involved with sun exposure and continue to think that a healthy skin is a tanned skin. As the incidence of skin cancer continues to grow, the need for education becomes a priority. Social marketing programs represent an important connection between health practitioners and consumers. Their efforts should be encouraged and supported by local communities, public institutions and large companies. Only by informing people, the incidence of skin cancer will decrease and this can only be done through partnership and cooperation.

2. Skin Cancer Prevention Programs

Nowadays, over 132,000 skin cancer cases occur globally each year. According to the Skin Cancer Foundation Statistics, one in every three cancers diagnosed is a skin cancer and the number continues to grow.

In developing skin cancer, some of the predisposed factors are: long exposure to the sun, a history of sunburn and fair skin tone (Alberts and Hess, 2008). These factors lie within each person's own responsibility and awareness of the problem.

In fighting skin cancer, many specialized institutions and non-profit organizations has initiated prevention campaigns. Some important social programs are organized every year in Australia, the country with the highest incidence of skin cancer in the world (Templeton, 2011). This is due to Australians fair skin and the extreme levels of UV radiation registered in this country. Therefore, skin cancer accounts for over 80% of all cancer diagnosed in Australia, and more than 1600 Australians die every year from this disease.

One of the most recent campaigns in Australia is "Dark Side of Tanning" organized at the beginning of year 2010 by SunSmart and Cancer Institute NSW. The "Dark Side of Tanning" campaign aimed to inform young people about the deadly nature of melanoma, which is one most common cancers developed by adolescents. The campaign emphasizes that tanning is a sign of skin cells trauma by challenging the misconception that a tan does no damage (Snow, 2010).

In Europe, skin cancer prevention programs run annually. Their main purpose is to inform and provide evidence-based information about skin cancer and sun protection in general. During 2010, in United Kingdom ran a sun protection campaign initiated by SunSmart and Cancer Research UK.

The campaign delivered accurate information across the country through a specialized team. Among the activities initiated during the campaign we can mention: a social networking program, a road show and a school competition.

The organizers established relationships with local Cancer Networks and Local Authorities to promote a unified approach to skin cancer awareness through print advertisement and websites.

Moreover, through the development of the Advisory Board, people were provided statistics and information about skin cancer prevention while effective messages and strategies were created in order to better address the problem (SunSmart, 2010).

Another example of European campaign was “Care in the Sun”, organized during August-October 2010, in Northern Ireland. Initiated by the Public Health Agency, the campaign raised awareness of the health risks associated with sunbeds (Ulster Cancer Foundation, 2010).

In Northern Ireland skin cancer has become the most common form of cancer (UTV News, 2010). Therefore, the campaign communicated the long term health effects of sunbeds – skin cancer and pre-mature ageing, to sunbed users and the wider public. The main target of the campaign was young people, under the age of 35, who were more likely to use sunbeds.

In the United States, a recent campaign was “Choose your cover”, which mainly focused on offering free skin cancer screenings to population. The annual campaign was carried during the summer of 2010, though the initial program started in 2003 (Levinson, 2010). The campaign was sponsored by the United States Department of Health and Human Services (DHHS) and the Centres for Disease Control and Prevention (CDC).

“Choose your cover” provided information regarding skin cancer detection, prevention and sun smart precautions measures.

The campaign involved all kinds of groups, from physicians, to nurses, hospitals and health departments. Volunteers, municipalities and large corporations joined together and performed informing activities regarding skin cancer by using different channels of communication: brochures, posters, print ads, online articles and websites.

In Romania, the Romanian Society of Dermatology (SRD) organizes annually skin cancer prevention campaigns. The events usually take place in May on the occasion of Euro Melanoma Day (Romanian Society of Dermatology, 2010).

These campaigns come as a response to the increasing number of skin cancer cases traced among Romanians during the last years. Statistics show that, since 2006, the incidence of skin cancer increased six times, making the problem more difficult to handle by doctors alone. Thus, if in 2006, of the 784 persons auscultated, 68 persons were diagnosed with skin cancer, in 2009, of the 3124 persons auscultated more than 407 cases of skin cancer were confirmed.

More than 300 dermatologists from all over country, members of the Romanian Society of Dermatology (SRD) celebrated Euro Melanoma Day on May 25th, 2010. During that day they offered free auscultations to people interested in skin cancer. Patients also received advice regarding the risks associated with skin cancer and learned ways to prevent it.

Though Romania is not yet exposed to high risks of developing skin cancer, people are rarely informed about it. Therefore, few people avoid tanning and long exposure sessions and even fewer wear protective clothing, hats or sunglasses during summer.

Dermatologists don't deny the benefits of the sun: assimilation of vitamin D, melatonin synthesis or reduced risk of seasonal affective disorder (Realitatea.net, 2010). However, they don't recommend long sun exposure as it determines skin aging, immune suppression eye diseases and, of course, skin cancer.

Romanian doctors warn people with fair skin to avoid the sun, as they are more likely to develop skin cancer later in their life (MacFarlane, 2009). Children are also a vulnerable category as regards skin cancer (Stockfleth, Rosen and Schumack, 2009). That is why they should be kept away from the beach and they should be properly dressed while going outside during midday.

The need for involvement in this problem becomes higher every day. Non-profit organizations frequently now pair up with specialized institutions and large corporations in order to solve social problems (Adkins, 1999). Skin cancer needs to be given as much credit as other health related issues, as its incidence has significantly increased in the last four years.

By involving more organizations in this issue, informing will be done easier and messages will become more credible for the public. Skin cancer education means that people understand the risks associated with having too much or too little sunlight. At the same time, there must be a consensus regarding sunburn, which people should always avoid, no matter the context.

3. Study regarding Skin Cancer Prevention Programs in Romania

3.1. Purpose

The purpose of this study is to determine consumers' perceptions regarding sun protection behaviour in Romania.

3.2. Objectives

The objectives of this research are:

- a. Determine the number of consumers who use sun protection methods.
- b. Determine the percentage of consumers who consider family education as an important factor in developing responsible sun protection behaviours.
- c. Identify the attitude of consumers regarding school practices and its influence in developing responsible sun protection behaviours.
- d. Determine consumers' perceptions regarding the influence of mass-media on developing responsible sun protection behaviours.
- e. Identify the percentage of consumers who consider government influence as an important factor in developing responsible sun protection behaviours.

3.3. Assumptions

There were defined the following assumptions:

H1 – The development of responsible sun protection behaviour directly depends on the family education.

H2 – The development of responsible sun protection behaviour directly depends on school practices.

H3 – The development of responsible sun protection behaviour directly depends on media promotion.

H4 – The development of responsible sun protection behaviour directly depends on government policies.

3.4. Methods

The research method used was an online survey, which was conducted during November-December 2010. The questionnaire addressed issues regarding skin cancer behaviour and consisted of 9 items: 5 items expressed the relationship between sun protection behaviour and the 4 factors considered: family education, school practices, media promotion and government policies and 4 items addressed socio-demographics aspects.

A total number of 92 persons completed the online questionnaire, but 6 participants were eliminated on basis of missing responses. A final sample of 86 participants was therefore considered in the research. In choosing the participants for the research it was considered relevant the random sampling method.

The answers to the questions were measured using a proportional type scale which consisted of 3 levels: high, medium and low. This scale reflected the influence of the four factors considered on sun protection behaviour.

3.5. Data Interpretation and Results

In analyzing the results of the survey, it was used SPSS software program, version 13.0. The first step in data interpretation was defining a multiple regression model, with one dependent variable: sun protection behaviour and four independent variables: family education, school practices, media promotion and government policies.

First table presents the number of persons who behave responsible when it comes to sun protection. Their percentage – 47%, is surprisingly lower than the percentage of people who don't take sun protection measures – 54%. Table also shows that there are no missing values, as 100% of respondents answered this question.

Table 1. Sun protection behavior by number of consumers

		Sun protection behavior		Percentage (%)
		No	Yes	
Sun protection behavior	No	46	0	100.0
	Yes	40	0	

Table 2 presents some basic statistics regarding each variable considered. Thus, the table describes the values for mean, standard deviation and total sample. Considering a 3 level scale, 1 – high, 2 – medium and 3 – low, the mean shows that people generally agree with the influence of the independent variables on the dependent variable.

Standard deviation measures the spread of the observations. Since, in our case, values are small we can say the variables are not very spread out. This also means that the correlation between variables is considerably high.

Table 2. Descriptive statistics

	Mean	Std. Deviation	N
Sun protection behavior	0.47	0.502	86
Family education	1.87	0.764	86
School practices	1.94	0.620	86
Media promotion	1.64	0.701	86
Government policies	1.92	0.723	86

In table 3, the column labeled R presents the values of the multiple correlation coefficients between the predictors and the dependent variable. Next column gives us the value of $R^2 = 0.599$. This means that the independent variables account for 59.9% of the variation in sun protection behavior.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.774	0.599	0.580	0.325	1.622

The column labeled adjusted R square gives an idea regarding how well the proposed model describes the problem. Since its value is close to the R square value we can say the model is relevant. The final column, Durbin-Watson statistic shows whether the errors are correlated or not. The value 1.622 is close to the reference value of 2, meaning that the errors are more likely to be independent.

The ANOVA method tests whether the model can be used to predict the outcome better than by just analyzing the means.

The model is expressed by Regression and Residual. Regression reflects the fitting of the model, while Residual expresses the inaccuracy that exists in the model. Since the F-ratio is very high, we can say the model fits very well in the equation.

The significance value is less than 0.05 which means that the F-ratio presented in the table is unlikely to have happened by chance.

In conclusion, the ANOVA test proves that the model is significant enough to predict the outcome variable.

Table 4. ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.825	4	3.206	30.304	0.000
Residual	8.570	81	0.106		
Total	21.395	85			

Table 5 presents two categories of coefficients: unstandardized coefficients and standardized coefficients. The B coefficients reflect the relationship between sun protection behavior and each independent variable.

In our case, coefficients are negative which means the relationship between the dependent and the independent variables is indirect. For example, if people don't behave responsibly regarding sun protection, family education should increase.

The values for standard error are small, meaning that errors have little impact on the variables considered.

Standardized beta coefficients are measured in standard deviation units and reflect the number of standard deviations that the outcome will change as a result of one standard deviation change in the predictor.

The standardized beta values are -0.045 for family education, -0.399 for school practices, -0.244 for media promotion and -0.339 for government policies. This means that school practices has the highest impact on the model.

Table 5. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
Constant	1.884	0.136		13.803	0.000	1.612	2.156
Family education	-0.030	0.053	-0.045	-0.559	0.578	-0.135	0.076
School practices	-0.322	0.067	-0.399	-4.809	0.000	-0.456	-0.189
Media promotion	-0.175	0.059	-0.244	-2.964	0.004	-0.292	-0.057
Government policies	-0.235	0.054	-0.339	-4.347	0.000	-0.343	-0.128

The last table, coefficient correlations, expresses the relationships between the independent variables considered. From the table we can conclude that the relationships are negative, meaning that the variables are indirect correlated. Moreover, correlations are not very strong as most of the values are around -0.2.

Table 6 Coefficient Correlations

Correlations	Government policies	Family education	Media promotion	School practices
Family education	1.000	-0.072	-0.264	-0.173
School practices	-0.072	1.000	-0.211	-0.310
Media promotion	-0.264	-0.211	1.000	-0.238
Government policies	-0.173	-0.310	-0.238	1.000

As a result the model considered reflects the relationship between variables and is relevant for further analysis and research.

4. Conclusions

To conclude, the paper analyzes the extent to which sun protection behaviour depends on variables like family education, school practices, media promotion and government policies. Future directions of research could focus on analyzing other factors that determine sun protection behaviour or could discuss the impact of skin cancer communications on consumers.

As skin cancer incidence increases every year, society's involvement in solving this issue becomes a priority. People need to be informed of the risks regarding skin cancer and need to understand the future consequences of their actions.

Therefore, social marketing campaigns need to address more specifically this problem. Practice is sometimes a good measure to make people understand the dimensions of skin cancer that is why clinical demonstrations of UV effects on skin can sometimes be more effective than simple communication messages.

5. Acknowledgement

The author would like to thank all the respondents who participated in the survey.

6. References

- Adkins, S. (1999). *Cause related marketing: who cares wins*. Oxford: Butterworth-Heinemann.
- Alberts, D. S. & Hess, L. M. (2008). *Fundamentals of Cancer Prevention*. Berlin: Springer.
- Levinson, D. (2010). *Bringing free skin cancer screenings to a beach near you!* Retrieved from <http://www.chooseyourcover.org/>.
- MacFarlane, D. F. (2009). *Skin cancer Management: A Practical Approach*. New York: Springer.
- Realitatea.net (2010). *Free skin cancer prevention and detection campaign*. Retrieved from http://www.remediu.ro/stiri_medicale/citeste/1327/campanie-gratuit-de-prevenire-i-depistare-a-cancerului-de-piele.
- Romanian Society of Dermatology (2010). *European day for melanoma detection*. Retrieved from <http://www.srd.ro/categorie/euro-melanoma-day/euro-melanoma-day-2010/343/>.
- Snow, K. (2010). *The dark side of tanning*. Retrieved from <http://www.webwombat.com.au/lifestyle/health/skinc1.htm>.
- Stockfleth, E., Rosen T. and Schumack, S. (2009). *Managing Skin Cancer*. Berlin: Springer.
- SunSmart (2010), *SunSmart campaign overview*. Retrieved from <http://www.sunsmart.org.uk/about-sunsmart/>.
- Templeton, S. (2011). *Skin cancer... Australia's Curse*. Retrieved from <http://www.webwombat.com.au/lifestyle/health/skinc1.htm>.
- Ulster Cancer Foundation (2010). *Raising awareness of the health effects of sunbeds*. Retrieved from <http://www.careinthesun.org/>.
- UTV News (2010). *Skin cancer figures 'have trebled'*. Retrieved from <http://www.u.tv/News/Skin-cancer-figures-have-trebled/75eb6a98-239d-461e-94ee-7d59d82718d4>.

Financial Institutions and Services

Better Micro Financers in Pakistan, Banks or Financial Institutions

Muhammad Imtiaz Subhani, PhD
Iqra University Research Center - IURC
Iqra University, Karachi, Pakistan
drsubhani@hotmail.com

Amber Osman
Iqra University Research Center - IURC
Iqra University, Karachi, Pakistan
amber.osman@yahoo.com

Abstract: The paper is an emphasis on the financial sustainability of micro financing in Pakistan where Banks and institution use different products & services that help in reducing the poverty by coping up with subjective & objective poverty, this study found that banks were more commercialized in terms of payback & interest rates while engaged in micro financing but despite that Banks are endeavoring more ventures to uplift poverty in Pakistan through micro financing to poor.

Keywords: micro finance; microfinance banks; microfinance institutions; poverty

JEL Classification: N27; G21

1. Introduction

A society can never flourish if larger part of the population is poor. This research paper discusses about the financial services & products provided to the poor segment of a country that support them to take part in productive and entrepreneurial activities. These financial services such as loans, credits, savings etc were taken as granted in developed countries but are supporting backup for the poor segment of developing countries (Arch, 2005). Global poverty statistics according Arch (2005) has been strikingly high from the past few years. 45% of the world population come in this sector. From 1990- 1998, 100million person were added more to the desperation last figure of 1.2 billion. 2.5billion people live on per capita income of less than 1 dollar. In developed countries disadvantaged people are accessed by Community Development Finance which achieved three social objectives of microfinance:

- Reduced unemployment & poverty;
- Development of total communities;
- Increased labour market flexibility- in a manner that pays for itself (Mosley & Steel, 2004).

There were 1652 microfinance institutions in Asia & Pacific region, having currently 97 million clients & about 64 million of them were women. In Bangladesh, 17 million households are serviced worldwide by micro-credit by 2008. It is estimated that by year 2009,100 million households will be serviced at a cost of \$ 25 billion. In Pakistan, Funders have directed at least \$400 million in loan capital, share capital & other investments. Outreach (Burki and Chen, 2006) to active borrowers has expanded from 60,000 to over 600,000 in 6 years (1999-2005).Burki and Chen (2006) also found that in Pakistan there is no difference in performance between the Banks and the Financial Institutions those are engaged in micro financing.

In this research an attempt is made to revisit the view point of Burki and Chen (2006) and the following hypothesis was formulated in this connections.

H: There is no difference between the performance of Banks and Financial institutions, engaged in micro financing.

2. Literature Review

Microfinance focuses on tiny loans to the poor across the world to all developed and developing societies. According to Arch (2005), Global development Research Centers estimated that there were 500 million people with small or micro businesses & only 10 million had access to these financial services. Demands for these financial services were exceeded by 100 million persons. This demand has given creation to this industry with many formal & informal organizations to serve the entrepreneurs. An agreement was done to improve the welfare of the poor but didn't know how best it should be, Arch (2005) there are two main goals of microfinance which are: poverty reduction & self sustainability:

- Poverty approach targeted very poor clients who were very costly to serve. These donations covered the shortfall between revenue of clients & cost of supply.
- Self-Sustainability approach targeted less poor clients who were covered with startup costs & fund experiments to reduce cost of supply in long run.
- Attracted commercial banks to cut profits and give bulk loans.
- Professionals agreed to make the industry an integrated global financial architecture.
- Goals to cut poverty in half by 2015 measured by rates in 1990 (Arch, 2005).

In developed countries like UK, from our sample of 45 clients, 131 jobs had been created over the period of two years. This made an exactly 34 exits from poverty, 31 exits from unemployment from 45 loans, making a multiplier of 0.74% in poverty & 0.67% in unemployment whereas the regeneration multiplier was only 0.22%, one third of the overall employment multiplier of 0.67%. It was estimated that there were 32,500 clients of MFIs in UK that gave 21,900 individuals exits from unemployment in a period between 2000- 2002, making a saving of 0.3million within a sample of 178 million (Mosley & Steel,2004).

3. Asian Microfinance Market

Institutional Background of Bangladesh

According to Chowdhury, Ghosh & Wright (2005), Microcredit came to shine in Bangladesh in

1990, based on experienced made by Grameen bank. This survey took place in Jan-May 1999

where N=954 households. It concluded 147 taka per week or \$2 per week per individual. The

second is the subjective poverty line which concluded that poverty falls by 6.5% per year. Other factors remain constant (Chowdhury, Ghosh & Wright, 2005).

Micro Financing in Pakistan

As per Pakistan Prudential Regulation, mentioned by State Bank the poor are those whose total income during a year is less than minimum payment of income tax.

Pakistan's microfinance industry, according to Burki & Chen (2006) has worked hard in these 6 years & bought results. Total investment in between 1999 to 2005 has amount around 400million to PPAF & Asian Development Bank's microfinance sector. Assets available to retail microfinance provider was 20 million in1999 which turned over 200million in 2005. The outreach of microfinance services grew 10 times from approximately 60000 active borrowers in 1999 to over 900000 in 2009 but in a market of 10 million, this only made 9% potential market. Investment & growth is progressive (Subhani, 2009).

Burki & Chen (2006) found that micro finance brought up a fundamental structural problem that costs to deliver services were not being fulfilled from what is earned for providing these services. From 2002-2005 it has improved but still remain below 70% which is less as compare to international market (Burki & Chen, 2006).

Diversification, Fernando (2007) has also made entry of new microfinance banks:

- In Pakistan, 6 national level microfinance banks have entered in the industry since 2000.
- In Philippines, a total of 550 branches of 223 thrifts, rural bank are involved in microfinance, 4000 saving & credit opportunities & 200 NGOs.
- Afghanistan, Papua New Guinea & Tajikistan have established new microfinance banks.
- Commercial banks were also playing a vital role in enhancing institutional diversity. The ICICI bank of India, the second largest commercial bank had expanded its financial services to poor households. It claimed to serve over 2 million poor clients. Other new banks such as Syndicate Bank, Yes Bank, Canara Bank, Indian Bank & ING Vysya bank have entered this market.
- In Srilanka, Hattan National Bank was well-known for microfinance operations. National Development Bank of Srilanka was formulating strategy to penetrate this market (Fernando, 2007).

Statistical Revolution

- Grameen Bank of Bangladesh, Fernando (2007) had been offering deposit & withdrawal services at will. At the end of Sep 07, outstanding deposits amounted 697 million, ratio of 139%.
- ASA (Fernando, 2007) had reach over 6.4 million in 2006 as compared to 4.1 million at end of 2005.
- TMSS (Thengamara Mohila Sabuj Sangha) began services in 2005, shooting to 570,000 saving accounts with outstanding deposits of 3.3 million at end of June 2007 (Fernando, 2007).
- Khan's Bank of Mongolia (Fernando, 2007) amounted 390.5 million in over 1.5 million deposit account in August 2007, ratio of 124%.
- Xac Bank of Mongolia (Fernando, 2007) had expanded enormously from 2961 to 82,868 saving accounts in between 2002 to 2006.
- Aceda of Cambodia (Fernando, 2007) expanded from 19,070 to 141,368 deposits accounts in time period from 2002 to 2006 with a deposit volume of 5.7 million in 2002 to 121.1million at end of 2006.
- First Microfinance Bank of Pakistan (Fernando, 2007) had begun to provide domestic money transfer services & expanded their operations sustainability in recent years.
- Adhikar, (Fernando, 2007) a small Indian based NGO have started providing money transfer services to migrant workers.

4. Research Methods

For the study the data for 30 years from 1979 to 2009 was collected of such active saver those have started savings after being benefited by the financial supports from micro financing by banks and financial institutions. The paired t-test was applied to investigate the data.

5. Results

The comparative analysis for amount of savings by active savers at Micro Finance Banks and Micro Financial institutions gave some interesting stories, as it can be seen in the table 1 and 2.

The findings revealed that the savings due to micro financing found higher (7389743BRs.) at Micro Finance Banks than the savings (3643367BRs.) at Micro Finance Institutions. The Mean Difference (124879.193BRs.) for the savings at these two institutions by the active savers found significantly different ($t = 1.7772$, $p\text{-value} = 0.87 < 0.1$). Thus the Hypothesis is rejected.

Table 1

STATISTICS FOR AMOUNT OF SAVINGS IN BILLION RS BY THE ACTIVE SAVERS IN PAKISTAN SINCE 1979 TO 2009			
N=30	AMOUNT OF SAVINGS	MEANS	STANDARD DEVIATIONS
Savings at Micro Finance Banks (MFBs)	7389743	246324.75	735812.480
Savings at Micro Finance Institutions (MFIs)	3643367	121445.56	352458.902

Table 2

STATISTICS FOR ACTIVE SAVERS PAIRED DIFFERENCE				
MEAN DIFFERENCE	STANDARD DIFFERENCE	t	SIGNIFICANCE (2-TAILED)	MEAN DIFFERENCE
(MFB)_(MFI)	124879.193	385997.593	1.78	0.87

6. Conclusions

The study clearly identifies that the banks are functioning in a much better way than the institutions engaged in micro financing in Pakistan.

Summary of Hypotheses Assessment

HYPOTHESIS	MEAN DIFFERENCE	t	SIGNIFICANCE (2-TAILED)	EMPIRICAL CONCLUSION
H: There is no difference between the performance of Banks and Financial institutions, engaged in micro financing.	124879.193	1.78	0.087	REJECTED AT p< 5%

The better function of micro financing at Banks level may be because of its better infra structure, span of management, ambience, control over consumers in comparison of institutions functioning for micro financing. The anticipated findings of this research are indications for the government & other stakeholders to formulize policies & strategies accordingly to uplift the microfinance activities by concentrating more upon banks those are engaged in micro financing.

7. References

- Arch, G. (2005). *Microfinance and development: Risk and Return from a policy outcome perspective*, Volume - 6, No 3.
- Chowdhury, M. J. A.; Ghosh, D., & Wright, R. E. (2005). *The impact of micro-credit on poverty: evidence from Bangladesh*.
- Fernando, N., A. (2007). *Finance for Poor*, Volume: 8, No 4.
- Fernando, N., A. (2007). *Low Income Households' Access to Financial Services: International Experience, Measures for Improvement, and the Future*. Manila.
- Mosley, P., & Steel, L. (2004). *Microfinance, the Labour Market and Social Inclusion: a Tale of Three Cities*, volume 38 no 7.
- Mosley, P., & Steel, L. (2004). *Microfinance, the Labour Market and Social Inclusion: a Tale of Three Cities*, volume 38 no 7.

Approaches of Taxation under the Current Circumstances between Desiderata and Results – I

Professor Georgeta Dragomir, PhD
Danubius University of Galati, Romania
gretadragomir@univ-danubius.ro

Senior Lecturer Mihaela Nicolau, PhD
Danubius University of Galati, Romania
m.nicolau@univ-danubius.ro

Senior Lecturer Ecaterina Neculescu, PhD in progress
Danubius University of Galati, Romania
neculescu.ecaterina@univ-danubius.ro

Senior Lecturer Georgeta Modiga, PhD
Danubius University of Galati, Romania
georgeta.modiga@univ-danubius.ro

Carmen-Marina Dragomir, Master Student
Dunarea de Jos of Galati, Romania
gretadragomir@univ-danubius.ro

Abstract: As a basic component of modern society, the taxation should combine the main objective for the public authority, to ensure most of the resources necessary to carry out state functions, with targets at least as important on the country's economic development, supporting social issues, respecting the law and the financial discipline, in terms of efficiency, stability and sustainability. For these reasons, the level of taxation is very important for the present and future developments of a country and the relevance of the analysis in this direction exceeds the economic, social or political level. They practice different ways to understand and determine the impact of taxation in an economy and their uniform and realistic approach is important in order to succeed effective international comparability and responsible actions at all levels, now and in the future. The public policy must find solutions that can be adapted and implemented following the response that it gives the result of analysis that has as its starting point the economy, stimulating the private interest, which may lead implicitly to obtaining parameters of superior quality at general level.

Keywords: fiscal pressure; tax evasion; quarterly gross domestic product; public policy

JEL Classification: E62; H30; O23

1. Introduction

The national tax system is considering the implementation of the financial policy of the State, which must follow the dynamics of economic and social processes, the influence of internal and external factors that determine direction changes and adjustments in a timely manner, one example being the current global crisis. At

present, when the state is majorly involved in national economy and finance, the fiscal policy directly affects the economic efficiency and growth, a fact which is recognized by major international bodies who think actions necessary to guide structural policies.¹

Responsible authority at national level must find the best solutions to public finances and achieve a balance between reducing costs and increasing revenue, without harming the economy and living standard of citizens by combining the public and private interests. Tax virtually links the decision from the politics area to the private sector, the manner and *science* with which involve the public power, generating multiple effects to the stability, the most profound from economic, social and political life of a society in long term. It is at least one of the reasons that make taxation a main topic of political decisions, instantly transformed into public debate through mass media or other forms of dissemination and interpretation.

Government financial policy may induce an increased pressure tax, especially in difficult situations, such as the economic crisis, when the burden of this obligation is reinforced by the effects on each individual, which faced with inflation, unemployment, lack of stability and financial and economic security. Possible consequences regard tax evasion in multiple forms, including "underground economy", reducing budget revenues with increasing the social spending and economic recession.

By analyzing the viewpoints of different authors or international bodies relating to taxes, compared with the realities expressed by the evolution of representative indicators at macroeconomic level, there can be observed possible directions of action and examples of good practice in order to find the most effective balanced solutions.

2. Tax Pressure - Requirements, Limits and Interactions

Strategies in the tax area should lead to insuring a balance between the main pursued objectives, through the level and structure of taxation, respecting specific principles²: the neutrality of the tax measures, ensuring an equal level to investors; the certainty of taxation, the development of clear legal rules and deadlines, and how the precise amounts should be paid for each payer that they can follow and understand that their tax burden is, as to influence their decisions to determine the financial management of their tax burden, tax fairness to the individuals by imposing different income, depending on their size, efficiency assessment.

¹ <http://www.oecd.org>, Impôts et politique fiscale.

² Fiscal Code approved by Law no. 571/2003, published in Official Monitor of Romania, no. 927, 23 December 2003, amended and supplemented

Related to these principles correctly reflected in the Romanian law, it also requires tracking their implementation, which derives from the need to simplify and clarify the tax system, including by maintaining the law a longer period of time. The beneficial changes can only be the ones required by improving circumstances, especially by reducing the number of taxes, contributions and simplifying their application in order to achieve improved fiscal efficiency, encouraging investors, initiative and new participants in the economic process, reducing evasion phenomena and supporting the development throughout society. In Romania, the unit tax and the taxpayer are burdened by the extremely high number of taxes, contributions to the budget, and the situation persists for quite a long period of time: if in the 2007 the Doing Business Report 2011 by the World Bank and PwC¹ show that an average company in Romania must make 89 payments, taxes and contributions in a year (more than any other European country, and not only) in 2011 will have 113 payments, plus the multiplication of formulation, which also increased the number of hours wasted for achieving these administrative duties, from 198-222 in the last five years. The indicator on the payment of taxes, analyzed in this report, measures the tax system in terms of a local company that must comply with different laws and tax regulations. The case study company is a small or medium sized, with production and sales capabilities, chosen so as to allow the comparison between different countries' tax systems. The indicator measures the cost of fees incurred by the standard company, but also the administrative burden of tax obligations. Both aspects are very important for the company. They are measured by identifying the three sub-indicators: total tax rate (the cost of all fees incurred), the time required to meet tax obligations (income tax, social and mandatory contributions and the indirect taxes) as the number of tax payments made by the Company across the year. Romania ranks 151 of 183 economies analyzed by Paying Taxes 2011 Report conducted by PwC and the World Bank, in easy recourse to the previous edition when it was ranked 147.

From the tests performed at this level, to identify examples of good practice, it was found that four EU member states are among the top 20 for the ease of paying taxes: Ireland, Denmark, Luxembourg and Britain, while Italy, Poland and Romania have the most complex systems in the EU, Romania is far from the others. The report shows that it is easier to pay taxes for the companies in developed economies that have the lowest costs to meet tax obligations and the lower bureaucracy. These economies tend to have mature tax systems, a lower administrative burden and an increased use of electronic means for paying taxes and filing tax returns.

¹ <http://www.pwc.com/ro/eng>, Doing Business 2011 Report, PwC (www.pwc.ro) provides financial audit services, tax and advisory business, specializing in different sectors to help creating a favorable business environment and generating added value for its clients and their stakeholders; the World Bank Group is one of the largest sources of funding and expertise for developing states.

For these reasons, assessing the degree of taxation is a complex phenomenon as the defining factors, and particularly important for further development of a country, with economic, social and political relevance.

The fiscal pressure aimed at quantitative level the macroeconomic variables and it defines the relative importance of some taxes and other mandatory deductions such as social security contributions in national economy.

It is already known that the excessive tax pressure on taxpayers, as a result of raising the tax burden (Chu C. Y., 1990) leads to the temptation to evade the payment of the sums by public authority thus generating the tax evasion. Therefore, a reduced tax rate can attract to the revenue budget at least equally compared with a higher rate of taxation which may affect, in addition, the transfer of public resources towards private agents (Tanzi & Davood, Corruption, Growth and Public Finances, 2000) or may affect the distribution of tax burden by increasing the tax burden for other categories of taxpayers. (Gbewopo, 2007)

Taxation can become extremely regressive, because some taxes (property tax, tax on non-wage income) are often collected in favour of some taxpayers, (Tanzi & Davoodi, 2000) and the poor bear the direct and vital impact of tax evasion. This effect is accentuated if the state is obliged to rationalize expenditure, namely to reduce the priority for the disadvantaged social categories, which the state has under management. It can be argued in this sense by the flat tax wages in Romania, after progressive taxation rate up to 40% for high incomes, which dropped to 16% regardless of the amount of income of the individual, the effects are beneficial mainly for those with high incomes. In addition, the current economic crisis has generated increasing public debt, together with new ways to reduce budget expenditures as having caused a reduction in salaries (25% off of salaries, bonuses and other payments of salary for employees in the public sector), pensions and other social insurance rights, but excluding a number of privileged categories, such as magistrates. Government strategies¹ continue in the same direction, eliminating some wage rights (13th salary and holiday premium for employees in the public sector) the reform by reducing the number of employees, never to quantify the increase of social costs, reducing allocations for welfare system, reducing subsidies and reducing state intervention in economy - actions that could compete to fulfil the objective of reducing the budget deficit (to 4.4% of GDP in 2011, 3.0% of GDP in 2012, and 2, 5% of GDP for 2013), but they enter into conflicts with the desire to reduce inequalities and imbalances, promoting social cohesion, combating poverty, improving living and working conditions and quality of life.²

Consequently, in some countries, the example of Romania, the global crisis including the flawed government action, in desperate search of additional revenues,

¹ Ministry of Public Finance - Tax Strategy of Romania from 2011-2013 Budget.

² Idem.

the government has identified, among the few solutions that reduce costs and budget deficit, reducing the deficit of income, already with deficits of some social groups with great social problems, that is state employees and retirees. The reason, for which these categories are oversized, is that the public authority is guilty, the one that has passed laws and facilitated the increase of unproductive staff, mainly of political and electoral interest. As it is stated that the tax fraud involve the risk of fiscal inequity (Asher, 2001) which might affect budget performance, (Hindriks, Keen & Muthoo, 1999), so it appears that a precipitation of the state actions oriented only on collecting the revenue and reduce costs, in the short term, without a proper analysis of the socio-economic effects, it will lead to the same consequences.

3. Evaluations on the Degree of Taxation in Relation to Decision-Makers

Findings of a tax system, in general, is a complex process that involves the evaluation based on some criteria covering both construction and operation of internal and economic sustainability, the ability to ensure prosperity and alleviate the social problems for the present and also for future generations.

There are different ways to understand and determine the tax pressure in an economy and their uniform and realistic approach is very important to succeed a real international comparability and responsible actions at all levels.

The most common way to highlight the level of taxation, namely the impact of the taxpayer that takes into account the ratio of taxes - in whole or in structure - and the GDP. Thus, the tax level can be highlighted with the indicator of *tax burden rate or rate of compulsory levies*, as the ratio of all taxes and social contributions actually received by the public administration, on the one hand and the GDP on the other side and it allows comparisons between states on social security financing provided by the public power. In a narrow sense, the level of taxation can be analyzed by the ratio of budget pay under the form of tax and GDP.

To measure the tax burden on business, it is determined and analyzed the relationship between total income taxes paid and the amount of their profits.¹ An accepted method of calculation to determine the tax burden is given by taxation relation, which is calculated as the ratio between mandatory levies (at central and local level) in a given period (usually one year), and the gross domestic product (GDP) performed in the same period. The expression used to calculate the tax burden is a type of quantity and not quality, so it cannot capture the aspects of the qualitative nature of the influence factors, which may be particularly important.

¹ <http://www.oecd.org>, Impôts et politique fiscale.

Thus, the outcome of this type of report does not always reflect a fiscal phenomenon and it can have pure economic arguments or the differences between the compared terms can be so important that the findings are not relevant and real.

This report is difficult to interpret, both in development and in relation to other states because its components are not always comparable on the regarded in that period. The amount raised by different categories of taxes depends on many factors, such as tax structure for each country, the approach of each tax, tax rate, efficiency and effectiveness of tax collection at deadlines, fiscal discipline and tax stability.¹ In addition, each country's economy, the degree of privatization, price developments, and many other features can make the difference between the successes of interpretations. More precise analysis, focused on shorter periods of time, that take into account the macroeconomic indicators are based on quarterly gross domestic product, with different forms of expression. The Quarterly Gross Domestic Product at market prices is one of the most relevant macroeconomic indicators expressing the final result of production activity of resident producer units, over a period, which is a quarter.

The Quarterly Gross Domestic Product at market prices is estimated by two methods:²

a) Method of production: $QGD\text{P} = \text{VAB} + \text{IP} - \text{SP}$

where: GVA = gross value added at basic prices, IP = taxes on products, SP = subsidies on product.

b) expenditure method: $QGD\text{P} = \text{CF} + \text{FBC} + \text{E} - \text{I}$

where: CF = actual final consumption, GCF = gross capital formation, E = exports of goods and services, I = imports of goods and services.

In addition to crude estimates of quarterly gross domestic product since 2009, the seasonally adjusted estimates are calculated by the regression method, a method recommended by the European regulations. Seasonal adjustment aims at eliminating the seasonal effects in the data series for highlighting the economic evolution of six consecutive periods.

This indicator includes, in addition to gross value added and *net taxes on products*, which is the difference between taxes on product owed to the state budget (VAT, excise and other taxes) and subsidies on products paid by the state budget.

At national and global level, the relevant analysis of these indicators, the realistic consideration of limits and differentiations, may provide correct information or not,

¹ www.insse.ro/cms

² <http://www.insse.ro/cms>, updated March 2011.

to assess and to adjust the situations by the best methods of intervention and economic policies.

4. The Evolution of Taxation Degree in Romania

At the beginning of transition period, Romania was in the group of countries with high tax policy, the political system was unreliable, having as arguments rather budgetary pressures or constraints and conditionality of external financiers, mainly the IMF. Immediately after 1990, monetary and financial policies have been completely unproductive, the inflation has seriously affected the economic developments, supply and demand, excessive taxation significantly deter the investments, many firms and banks went bankrupt and the corruption and shadow economy have increased. Among the causes it was added the instability generated by the lack of a comprehensive legislative framework, combined with experiments makers which are in an immature political struggle, lacking of the market economy. The increase of consumption without increasing the supply of goods and services will rise, as happened, for a long time after 1990, to the rise of inflation.

A relaxed taxation has proved to be essential for stimulating the business environment more attractive for national and foreign investors and for easing the consumption. On the other hand, a relaxed tax, under a limited internal supply, not only leads to higher inflation, but also to balance the trade deficit disorder.

The triggered global crisis at the end of 2008, but more intensely in Romania since 2009, changed the priorities on the background of negative developments, which have realized, though later, the decision-makers policy.

Thus, one can consider that the Romanian economy went into recession in the second semester of 2008, with the decrease of gross domestic product in seasonally adjusted terms, as compared to the previous month and compared to the corresponding quarter of previous year. Since then, the GDP has dropped in each quarter compared with the previous year; the exceptions concern comparisons with the previous quarter, when there are noticed slight increases in the third quarter of 2009 and two four quarters of 2010, a positive role in these developments has the net exports as a result of reducing the volume of imports and increase exports. Net taxes on products followed the same tendency, a very slight increase over the previous quarter is visible in the third quarter of 2010, possibly as a result of the increase in VAT, but the tendency is no longer found in the fourth quarter.

Table 1. Quarterly GDP in seasonally adjusted terms - Volume indices

Year / trim.	GDP % compared to the previous trimestre	Net taxes on products % compared to the previous trimestre	GDP % compared to the trimester from the previous year	Net taxes on products % compared to the trimester from the previous year
2008				
Trim I	103,6	104,1	109,2	110,9
Trim II	101,6	98,6	109,6	105,6
Trim III	99,9	100,1	108,6	103,2
Trim IV	97,8	96,1	102,9	98,8
2009				
Trim I	95,2	96,5	94,5	91,6
Trim II	98,6	96,6	91,7	89,7
Trim III	100,6	97,2	92,6	87,1
Trim IV	98,6	99,2	93,4	89,9
2010				
Trim I	99,8	99,3	97,9	92,5
Trim II	100,2	99,6	99,5	95,3
Trim III	99,3	100,4	97,9	98,5
Trim IV	100,1	99,3	99,4	98,6

The comparisons, at the level of full-year, show the negative impact of the crisis in 2009, by reducing the gross domestic product from 2008. The reduction was caused by a decline in the domestic and foreign demand, reducing the volume of gross value added in most sectors. As a result of negative development registered in the overall economy, the net product taxes were reduced, at the level of the whole year and quarterly, compared with the immediately preceding period and the previous year.

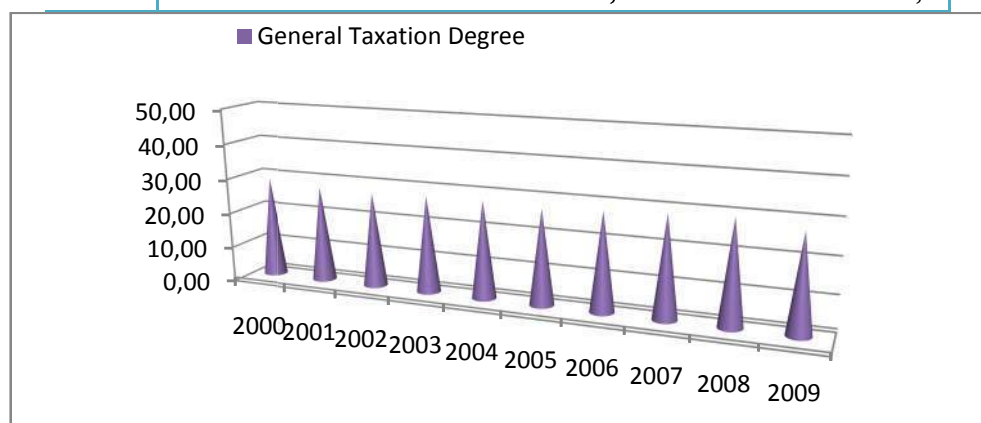
The growing budget deficit has generated among the public authority a "ferment" on the discovery of additional sources of income, which resulted in mid 2010, a significant increase of value added and other "government order" on imposition of taxes or reducing expenditure, by administrative reform imperative and unexpected or wage cuts for public sector employees.

In this context, during 2000-2009, the rate of fiscal pressure in Romania, calculated as the ratio of total tax revenues and GDP, has evolved in the range between 27.5% and 29%, as shown in the following table:¹

¹ National Statistics Institute, The evolution of GDP, <http://www.insse.ro/cms>.

Table 2. Evolution of gross domestic product and the level of taxation in Romania

Year	GDP - mil lei -	Income Tax¹ - mil lei -	General Taxation Degree %	% Deficit²	Budget
2000	80.377	23.505	29,24		4,7
2001	116.769	32.670	27,98		3,5
2002	151.475	41.817	27,61		2,0
2003	190.335	53.565	28,14		1,5
2004	238.791	67.624	28,32		1,2
2005	287.186	79.032	27,52		1,2
2006	341.060	96.847	28,40		2,2
2007	410.898	119.982	29,20		2,6
2008	509.576	151.854	29,80		5,7
2009	490.217	136.196	27,78		8,6

**Figure 1. Tax Evolution**

In the past 10 years, the level of general taxation, calculated by taking into account all taxes, fees and contributions received by public central and local authorities, showed comparable values with an average of about 28.5%. It should be noted that the level of taxation in Romania, as seen in Table 2, was determined on the basis of tax revenue collected and not those actually paid, that is the tax revenue evaded from the fixed general budget is not taken into account and they are virtually impossible to exactly commensurate. Considering that the level of taxation is determined on the basis of actually collected tax revenue, its low level could be

¹<http://www.mfinante.ro>, including social security contributions

²<http://epp.eurostat.ec.europa.eu>

explained by a poor collection of taxes and by avoiding a high level taxation, this can add numerous tax breaks granted over time, in a more or less justified manner.

Given that, after 2000, the real gross domestic product began to grow from year to year, a slightly decreasing tendency in the level of taxation can be assessed as a result of the general tendency shown since the tax cuts of 1 January 2000, by reducing the rate of corporation tax from 38% to 25%, and then to 16% from 1 January 2005; reduction as of 1 January 2000 of general VAT rate from 22% 19%; reduction of fiscal pressure exerted by social insurance contributions from 55% in 2001 to 49% in 2005 to approx. 43% in 2009. The law quota has redistributed income in society and the reduction of budget revenues was caused by the elimination of globalizing the uniform revenue and income and covered by the increase of taxes and the emergence of new ones. In structure, the tax on properties has increased and by invoking the principle of tax equity, it was increased the tax on dividends and interest at 16%; as transactions in capital goods, ignoring the effect of tax increases on economic growth. 2010 has meant new measures to increase taxation, the most important regards the VAT since July, from 19% to 24% with the introduction of new regulations on VAT, the visible effect being the inflation (3.8% on Monthly inflation), plus a local tax increase, tax vouchers and other antisocial measures. It is expected that these measures affect the future and more indicators on tax payments.¹ It was intended balancing the budget by reducing the wages by 25% due to public sector employees,² which emphasized social conflicts, political disputes and the negative impact on the consistency of anti-crisis measures.

At a tax rate situated, overall, less than 30% of GDP in Romania, we can no longer speak of excessive taxation, but of an analysis of the excessively large number of these required levies and their structure, the taken precipitated action during the development of economic and financial crisis in order to attract revenue that would reduce state the state budget deficit, it shows the uncertainty of policy with immediate effect, without a clearly defined perspective, and the general perception is the emphasis on the tax burden. Psychological and political effects arise from adverse reactions of taxpayers due to increased compulsory levies, when they are felt to be too high in relation to their income, financial and social situation of their families. Taxpayers in these situations resort to tax evasion, fraud, reduce their production activities, emerging riots and protests.

The size of the tax burden should not be viewed strictly as a relative value obtained in different countries in order to compare them. It is necessary to consider the purchasing power of income that remains after tax. There are situations in which, although we encounter the same tax burden in different countries, the conditions

¹ <http://www.pwc.com/ro/eng>, Doing Business Report 2011.

² Law no. 118/2010 regarding some necessary measures to restore budget balance.

are totally different, because the remaining income after tax may or may not be sufficient to meet the subsistence needs, and the size of GDP, inflation and unemployment developments, are elements which can make a difference.

In OECD countries, the effect of the global crisis can be found in developments majorly decreasing of tax ratio/GDP to the previous year, exceeding 1% between 2008 and 2009, but the reduction did not fell below 30%. Given that we started from a relatively high level of taxation, thus generating acceptable economic results, the reductions are a positive experience, both by business environment and by the public.

Besides all these, labour is more highly charged, even if it was found that exceeding a certain level of affordability does not lead to higher revenue, but to a smaller degree of compliance. Although tax and income in Romania are among the lowest in the EU, the employment contributions raise the overall level of taxation as a percentage of profits to 44.9%, slightly above the EU average which is 44.2% and already superior to other parts of the world. Wage taxes and social contributions are similar and most of the tax burden in the EU – i.e. 64.3% of the total tax rate in the EU, compared to world average of 33.8%, plus the large number of charges salary and related expenses- increase the tax bureaucracy.¹

Romania is among the EU countries with the highest tax burden on labour costs - contributions and taxes incurred by the employee and employer in the total labour cost. In 2009 there is an increase of the tax burden by 1.5% compared to 2008 (thus increasing the employee and employer social contributions) and the obvious adverse effects appear to guide the opinion-makers to a possible collapse of these contributions, so of the short-term revenue budget, thus is very possible their increase by reducing unemployment, illegal working and associated costs.

5. Conclusions

Romania has felt the full impact of the current global crisis, contrary to first-unrealistic optimistic statements of the government and presidency, which proved totally unprepared, as in many other issues that challenge us regularly. The European Commission documents² show that longer duration of the recession is due mainly to unsustainable development of economy in the international pre-crisis period: Romania entered the crisis with a deficit of over 5% of GDP, plus Current account deficit of over 12%, a position considered too vulnerable, which has limited the action scope of public policies designed to support the economy.

¹ <http://www.pwc.com/ro/eng>, Doing Business Report 2011.

² <http://mfinante.ro>, European Affairs Bulletin, December 7. 2010.

The strategies in the tax area should lead to a balance between the main pursued objectives by the level and structure of taxation, respecting the principles, requirements and interests at the public and private, macroeconomic and individual level. In this context, in the Romania's Tax Budget Strategy during 2011-2013¹, the Government submits the reform program undertaken by the authorities on the line rationalizing the public expenditure as public sector restructuring, further measures to combat tax evasion, the prioritization of investments and support economic activity, the accelerated absorption of EU funds. The exit from the recession is proving to be slow, because the tax space is too small to boost economy. The correction of the growth model from a model based on a model based on consumption to investment, exports and attracting European funding is a process that takes time, but it is essential to want this process and to be properly assessed and implemented.

To discover additional tax revenue seems to be the most accessible way to cover budget deficits, but at the same time, excessive taxation, quantitatively and qualitatively, may have the opposite effect by discouraging work, investment and innovation, and therefore negative effects on economic growth and living conditions. To find the best courses of action, it is required an accurate knowledge on the specific economic and financial phenomena, in the regional and global context, and establish long-term milestones that meet the multiple levels of interest.

The solutions proposed by the authorities at global level,² or those related to good practices of some comparable countries should be adapted for specific developments at national level and fiscal maturity degree so as to contribute effectively to defining the modern society, where the State becomes a support and not a burden. Changing general tax structure in order to ensure compliance with the basic principles and the use taxes as economic and financial leverage, rating the tax burden, establishing and maintaining the fiscal discipline are the general directions that can be adapted and implemented following the response that the outcome of indicators provides, having as a starting point the economy and not the budget deficit.

¹ Ministry of Public Finance - Tax Budget Strategy of Romania for 2011-2013.

² OECD Tax Policy and Tax Reform Consolidation, December 2010 <http://www.oecd.org>.

Bibliography

Asher, M. G. (2001). Design of Tax Systems and Corruption. *Conference on "Fighting Corruption: Common Challenges and Shared Experiences"*. Singapore, 10 -11 May 2001.

Chu C. Y., C. (1990). A Model of Income Tax Evasion with Venal Tax Officials. *Public Finance*, vol. 45.

Gbewopo, Attila (2007). Corruption, fiscalite et croissance economique dans les pays en developpement, Le nouveau regime, Université d'Auvergne, Clermont-Ferrand I, Faculté des Sciences Economiques et de Gestion, Centre d'Etudes et de Recherches sur le Développement International (CERDI), Décembre 2007.

Hindriks, J., & Keen, M. &. (1999). Corruption, extortion and evasion. *Journal of Public Economics*, vol. 74, no 3.

Tanzi, V., & Davoodi, H. R. (2000). Corruption, Growth and Public Finances. *The International Monetary Fund, Fiscal Affairs Department: Working Paper No.182*.

***Fiscal Code approved by Law no. 571/2003, published in Official Monitor of Romania, no. 927, 23 December 2003, amended

and supplemented.

***Ministry of Public Finance - Tax Strategy of Romania from 2011-2013 Budget.

***OECD Tax Policy and Tax Reform Consolidation, December 2010 <http://www.oecd.org>.

***Law no. 118/2010 regarding some necessary measures to restore budget balance.

<http://www.oecd.org>, Impôts et politique fiscale.

<http://www.pwc.com/ro/eng>, Doing Business 2011 Report.

<http://www.insse.ro/cms>, updated March 2011.

<http://epp.eurostat.ec.europa.eu>

<http://mfinante.ro>, European Affairs Bulletin, December 7. 2010.

The Impact of Fiscal Policy to the Kosovo Economical Development

Gani Asllani, PhD in progress
Member of Kosovo Competition Commission, Kosovo
ganasllani@hotmail.com

Abstract: The aim of this study is defining and finding fiscal politics in the function of the development of our economy in this transition phase as well as identifying the fiscal measures to overpass the existing difficulties within future development framework of the country. The paper contains very important data regarding the level of economic charges with taxes, comparison of fiscal charge of some important economies of Europe and world with fiscal charges of our economy. General conclusion from this paper results on that the fiscal system constructed to our country and the leaded fiscal politics should be based on the market economy and to implement modern concepts of taxation which have to be in the full compliance with the rules of European Union and best advanced international standards.

Keywords: economic growth; tax reform; macroeconomic performance

JEL Classification: E62; E66

1. Introduction

Regardless of the lack of sufficient official statistical data, based to the evaluation and analyses made by foreign and domestic institutions such as IMF, World Bank, MEF, SOK and other researches, an analysis can be underline some of the most acceptable and important indicators which impact to the economical development and facilitate the orientation regarding the future economic projections.

Analyses based on these statistical data and partial evaluations done by the Kosovo institutions and other independent international institutions and organizations, indicate that in Kosovo live more than two millions of inhabitants in a surface of 10.887/km². The density of the population is 190 inhabitants/km² and the number of families is about 300-330 thousands. Around 500.000 inhabitants live and work abroad.

Meantime the number of registered businesses is 60.000, from which about 49.000 are active. The total number of people seeking for job is 310.000, while over 25.000 thousand new people seek for employment each year. Human Development Index (HDI) ranks Kosovo in the place of 85-90 among 170 states.¹

¹ Institute for Development Research "Rinvest", Pristine, 2005.

The level of poverty is close to 37%, while the percentage of the population living in extreme poverty is about fewer than 15.2%. The contribution of trade and service to GDP is 60%, industry 15% and agriculture 25%.¹

Behind any doubt, the fiscal sector has a very special importance regarding the macroeconomic indicators and national incomes. Its importance is evident in the development of the real sector, financial sector and in the improvement of the exchange sector with the foreign world. The level of the development of this sector impacts directly to the above mentioned sectors and vice versa.

Based on the evaluation of the variable main macroeconomic indicators for the period 1999-2006, it is evident a tendency of continuing improvement of these indicators and their performance. It is important to observe and come up with answers regarding some of the most important questions such as: How the fiscal policy impacts to economic growth? How much is the fiscal burden to the economy? What is its percent to GDP? How much is the percentage of incomes and expenditures to GDP? What is the percent of contribution of taxes to general incomes? What is the experience in other more developed countries? And finally, based on these data what steps should be taken in the future?

Based on the economic indicators for the period (2000-2010) we could reach some general findings as in following:

- The contribution of foreign donation has dominated;
- There is a huge incompatibility between GDP and consumption;
- The percentage of incomes collected at the border entrance is much higher than those collected inside the country. There is a very low collection level of taxes and fees in municipalities;
- There is a high level of contribution of public sector to GDP, with a fast uptrend of governmental expenditures, especially during the year 2004;
- The fiscal system is quite simple to be implemented with low rates that trends to extend their base;
- The percent of informal economy remains very high.

2. Comparative Analysis of the Main Macroeconomic Indicators between Kosovo and some World's Countries

If we compare the macroeconomic indicators of Kosovo with main macroeconomic indicators of Kosovo with main macroeconomic indicators of some neighboring countries such as: EU Member State and some other countries certainly taking into account the specifics of their economy. It can be concluded that in Kosovo exists a weaker performance of these indicators. The following table no.1 shows the figures

¹ World Bank: revision of public expenditure of Kosovo Institutions. June 2005.

of main macroeconomic indicators. These figures are taken from the Bank of Austria”, Economic data Outlook for 2005”.¹

Table 1. Main macroeconomic indicators in some countries

Country	Sip. m ²	Pop in e mil.	GDP in billion	GDP- per capita	Real growth in %				
					2004	2005	2006	2007	2008
Bos. and Her.	51.129	3.8	8.0	2.115	6.0	5.5	5.7	5.7	6.0
Bulgaria	110.994	7.7	21.4	2.779	5.7	5.5	5.7	6.0	5.7
Croatia	56.594	4.4	31.0	7.034	3.8	4.3	4.3	4.0	4.0
Czech. Rep	78.867	10.2	100.0	9.804	4.2	6.1	6.0	4.5	4.3
Estonia	45.227	1.3	11.1	8.211	8.1	10.5	10.6	9.4	9.2
Hungary	93.033	10.1	87.9	8.711	5.2	4.1	4.0	2.3	2.8
Latvia	64.589	2.3	12.7	5.540	8.5	10.2	10.8	9.0	8.0
Lithuania	65.301	3.4	20.6	6.020	7.0	7.5	7.6	7.0	6.5
Poland	312.685	38.2	243.7	6.379	5.3	3.5	13.0	13.7	6.0
Rumania	238.391	21.6	79.3	3.669	8.4	4.1	7.2	5.7	5.4
Russia	16.995.800	143.5	614.3	4.281	7.2	6.4	6.5	5.8	5.8
Serb.and Mon	102.713	10.6	21.0	2.565	9.3	6.3	6.6	5.2	5.8
Slovakia	49.034	5.4	38.1	7.078	5.4	6.1	6.6	5.2	5.8
Slovenia	20.273	2.0	27.4	13.680	4.4	4.0	4.7	4.3	4.0
Turkey	780.580	72.1	296.6	4.032	8.9	7.4	5.2	5.4	6.4
Ukraine	603.700	46.9	66.5	1.418	12.1	2..6	6.0	5.6	5.4
Euro zone	2.520.000	311	7.968	25.620	2.1	1.3	2.3	1.7	1.6
Austria	83.871	8.2	245.1	29.770	2.4	2.3	3.1	2.0	2.2
Germany	357.093	82.4	2.241	27.184	0.8	1.1	2.2	1.4	1.7
Italia	301.336	58.5	1.418	24.250	0.9	0.1	1.7	1.4	1.0
Albania	28.748	3.3	7.58	1.680	6.0	5.5	6.6	...	....

Source: CEE Economic data, Outlook for 2005-2007, Bank of Austria

¹ Bank of Austria, economic data, outlook for 2005. Published by UniCredit Group/Bank Austria Cerditanstal Aktiengesellschaft; <http://www.unicreditgroup.eu>; <http://www.ba-ca.com>; edited by CEE economics department, date 27th October 2006.

Table 2. Comparison of Kosovo indicators with these countries

Kosovo	10.887	2.1	2.23	1.232	2.8	3.5	3.6	3.2	3.5
--------	--------	-----	------	-------	-----	-----	-----	-----	-----

From the table for the year 2006 there can be seen a fast uptrend of GDP growth in these countries. A considerable growth can be seen in case of Poland 14%, Estonia 10.6%, Slovakia, Albania, and Serbia and so on. Also in countries of Euro zone there is a constant growth of GDP of about 1.3%

Another very important issue deals with the taxation burden in economy. In the following table has been shown the percent of contribution of general incomes to GDP.¹

Table 3. General incomes as percent to GDP

Year	1975	1985	1990	1995	2000	2003	2004	2005
Canada	32.0	32.5	35.9	35.6	33.6	33.5	33.5	33.5
Mexico	...	17.0	17.3	16.7	18.5	19.0	19.0	19.8
SHBA	25.6	25.6	27.3	27.9	29.9	25.7	25.5	26.8
Australia	25.8	28.2	28.5	28.8	31.1	30.7	31.2	na
Japan	20.9	27.4	29.1	26.9	27.1	25.7	26.4	na
Korea	15.1	16.4	18.9	19.4	23.6	25.3	24.6	25.6
New Zealand	28.5	31.1	37.4	36.6	33.6	34.4	35.6	36.6
Austria	36.7	40.9	39.6	41.1	42.6	42.9	42.6	41.9
Belgium	39.5	44.4	42.0	43.6	44.9	44.7	45.0	45.4
Czech. Rep	....	....	....	37.5	36.0	37.6	38.4	38.5
Denmark	39.3	46.5	46.5	48.8	49.4	47.7	48.8	49.7
Finland	36.7	39.9	43.9	45.6	47.7	44.6	44.2	44.5
Franca	35.5	42.4	42.2	42.9	44.4	43.1	43.4	44.3
Germany	35.3	37.2	35.7	37.2	37.2	35.5	34.7	34.7
Greece	21.3	28.0	28.7	31.7	37.3	36.3	35.0	na
Hungary	....	....	.....	42.1	38.7	38.1	38.1	37.1

¹ OECD report 2005. www.oecd.org/statisticsdata; Center for Tax Policy and Administration, annual Revenue Statistic Publication.

Island	30.0	28.2	31.0	31.2	38.3	37.8	38.7	42.4
Ireland	28.7	34.6	33.1	32.5	31.7	28.7	30.1	42.4
Italia	25.4	33.6	37.8	40.1	42.3	41.8	41.1	41.0
Luxemburg	32.8	39.5	35.7	37.0	39.1	38.2	37.8	37.6
Holland	39.6	41.0	41.1	40.2	39.5	37.0	37.5	na
Norway	39.3	43.0	41.5	41.1	43.0	42.9	44.0	45.0
Poland	....	.....	.....	37.0	32.5	34.9	34.4	-
Portugal	19.7	25.6	27.7	31.7	34.1	35.0	34.5	-
Slovak. Rep	.....	.....	.....	.....	33.1	31.2	30.3	29.4
Spain	18.4	27.2	32.5	32.1	34.2	34.3	34.8	35.8
Sweden	41.6	47.8	52.7	48.1	53.4	50.1	50.4	51.5
Switzerland	24.5	26.1	26.0	27.8	30.5	29.4	29.2	30.0
Great Britain	35.3	37.7	36.5	35.0	37.2	35.4	36.0	37.2
Turkey	16.0	15.4	20.0	22.6	32.3	32.8	31.3	32.3
Calcul. Average.								
OECD-total	29.7	32.9	34.2	35.1	36.6	35.8	35.9	-
OECD- America	28.8	25.0	26.8	26.7	28.0	26.1	26.0	26.7
OECD- Pacific	22.6	25.8	28.5	27.9	28.8	29.0	29.4	-
OECD- Europe	31.3	35.7	36.5	37.6	39.1	38.3	38.3	-
EU-19	32.4	37.7	38.4	39.1	39.8	38.8	38.8	-
EU-15	32.4	37.7	38.4	39.2	41.0	39.7	39.7	-

Source: www.OECD report 2005

From this table is clear that the percentage of taxation contribution to GDP has almost the same tendency of fluctuation. Generally speaking it can be stated that it exists a high taxation burden and a constant percentage of its contribution to GDP. However in some cases its percentage of contribution is decreased. Of course countries with a high level of percentage contribution per capita have a higher taxation burden. This is especially true in case of Sweden, Denmark, Norway, Finland, France etc. Although in case of Slovak Republic there is a considerable

economic growth with an uptrend, but with a reasonable contribution of taxation burden in its economy. It is with a great importance to analyze the structure of taxations and their contribution to GDP.¹

The contribution of different taxations is difficult to be defined, especially regarding VAT and its contribution to general taxation incomes and GDP. VAT is an indirect taxation applied in consumption with primary role regarding general incomes that trend to be of a higher importance in the future. Based on the data taken from trustful sources, there can be seen a tendency of considerable growth of its contribution to general incomes in the major parts of countries. In most of these countries VAT exceed 31.3 % e.g. in the year 2000, in OECD countries its overage was 31.3%, while the EU overage 30.9% etc. Meantime in some other countries the percent of VAT contribution to general incomes exceed 40% such as Ireland, Portugal etc.²

The following table shows the percentage of contribution income and profit taxes to GDP. This table summarizes both the income tax and the corporate tax.

Table 4. Percent of income and profit tax to GDP

Year	1975	1985	1990	1995	2000	2003	2004	2005
Canada	15.1	14.4	17.4	16.5	17.8	15.2	15.6	16.0
Mexico	..	3.8	4.7	4.1	5.0	5.0	4.7	4.8
USA	11.8	11.6	12.6	12.8	15.1	11.1	11.1	12.5
Australia	14.5	15.4	16.3	15.9	18.1	17.4	18.2	-
Japan	9.3	12.5	14.6	10.3	9.4	7.9	8.5	-
Korea	3.7	4.3	6.5	6.2	6.8	7.1	6.9	7.5
New Zealand	19.0	21.6	22.3	22.4	20.1	20.5	21.7	22.6
Austria	9.6	10.8	10.1	10.9	12.2	12.7	12.5	12.0
Belgium	15.8	18.2	15.8	16.9	17.6	17.4	17.4	17.8
Czech Rep.	...	....	....	9.4	8.2	9.6	9.7	9.4
Denmark	23.2	26.6	28.0	30.1	29.8	28.6	29.5	30.1
Finland	15.9	16.3	17.2	16.5	20.6	17.3	17.1	17.0
Franca	5.6	6.8	6.8	7.0	11.1	10.0	10.1	10.4
Germany	12.1	12.9	11.6	11.3	11.2	9.7	9.5	9.8
Greece	2.8	4.9	5.7	7.0	10.2	8.2	8.2	-
Hungary	....	....	...	8.8	9.4	9.4	9.0	8.9
Island	6.8	6.4	9.2	10.7	15.5	17.0	17.0	19.3
Ireland	8.6	12.0	12.2	12.7	13.2	11.3	11.8	11.7
Italia	5.4	12.4	13.8	14.2	14.0	12.9	12.9	12.9
Luxemburg	14.1	17.0	14.0	14.6	14.1	13.9	12.6	12.7
Netherlands	13.8	10.8	13.3	10.6	10.0	9.4	9.2	-
Norway	13.5	17.1	14.6	14.4	19.2	18.6	20.3	22.2
Poland	....	....	...	11.3	9.9	6.2	6.1	-

¹ OECD- www.oecd.org/statisticsdata; report of the year 2006; Center for Tax Policy and Administration, annual Revenue Statistics Publication.

² Bronchi, C. and A. Burns (2000), "The tax system in Czech Republic", OECD Economics Department, working papers, no. 245, OECD Publishing.

Portugal	3.4	6.5	7.1	8.1	9.6	8.5	8.3	-
Slovak Rep.	.....	.....	....	....	7.1	6.8	5.7	5.3
Spain	4.1	7.1	10.0	9.4	9.7	9.7	9.8	10.6
Sweden	21.0	20.2	22.0	18.9	21.5	18.2	19.0	19.5
Switzerland	11.7	12.0	12.1	12.0	13.4	12.6	12.7	13.4
Great Britain	15.8	14.6	14.3	12.8	14.6	13.0	13.2	14.3
Turkey	6.8	5.7	6.7	6.4	9.6	7.8	6.9	7.0
Calacu. average								
OECD-total	11.3	12.4	13.0	12.5	13.5	12.4	12.5	-
OECD-America	13.4	9.9	11.6	11.2	12.7	10.4	10.4	11.1
OECD-Pacific	11.6	13.5	14.9	13.7	13.6	13.6	12.6	12.5
OECD-Europe	11.1	12.5	12.9	12.5	13.5	12.6	12.6	-
EU-19	11.4	13.1	13.4	12.8	13.4	12.3	12.2	-

Source: *www.OECD, report 2005.*

Referring to the above shown table can be concluded that the income tax and corporate tax play an important role in contribution of incomes and differs considerable from a country to another country. Some countries are characterized with a high level of contribution of these taxes to GDP. This true in case of Denmark, Norway, Spain, Ireland and other less developed countries. While some other countries with low level of contribution such as Czech Republic, Slovak Republic, Hungary etc.

3. Some of the most Important Macroeconomic Indicators in Kosovo for the Period 2000-2009

In order to make a better evaluation of macroeconomic indicators, findings are based on the projection and evaluation made for the period 2000-2009.

Below tables show the percentage of incomes and expenditures to GDP and other analytic issues such as: the percentage of contribution for each tax to general budgetary incomes, the contribution of classified expenditures according to different categories to GDP.

These tables are based on the analyses done by the staff of IMF in Kosovo and the domestic institutions covering this field. Furthermore these sources are considered as trustful. However, it is necessary to underline that these evaluations made by IMF have a visible dosage of conservatism present in their projections which have underestimated the real figures. These underestimations are present in figures regarding projection of incomes and their collection as well as regarding the issue of expenditures.

Regardless of the fact that it is difficult to make a deeper evaluation of the analyses we have made, because in the shown table are presented sole the fiscal sector and its impacts into economy, while the other sectors are superficially mentioned (for

guiding purposes) we will provide some basic explanations which have a specific value.

Table 5 shows the variability of some important macroeconomic indicators expressed in percent showing at the same time the level of real growth, GDP, GDNI, prices variability, expenditures and incomes contribution percentage to GDP, general balance, the report between consumption and investments, contributions of foreign assistance, contribution of remittances and finally are shown the main macroeconomic aggregates expressed in millions of EUROS.

From the table we can see that some important indicators such as: low level of GDP growth, permanent reduction of foreign assistance to GDP and GDNI, growth of incomes percent to budget, high rates of state expenditures growth from which there is a low level of capital expenditures percentage, continuing payment balance deficit, high level of consumption and low level of investments, approximately there is a same scale of the remittance contribution, finally an extended low evaluation of GDP, GDNI, underestimated incomes per capita and approximate evaluation of inhabitants' number.

Table 5. Important macroeconomic indicators in Kosovo

Macroeconomic indicators, 2001-2009									
	2001 Est.	2002 Est.	2003 Est.	2004 Est.	2005 Est.	2006 Est.	2007 Est.	2008 Est.	2009 Est.
Real Growth Rates in % of GDP									
GDP	-	-2.4	-0.1	4.0	2.8	3.5	3.6	3.2	3.5
Contrib. of Foring. Assistance to GDP	-	-4.8	-5.9	-4.4	-1.5	-3.7	-4.2	-2.1	-1.2
Private sector disposable income	-	-5.2	3.0	6.7	4.2	2.7	2.4	3.0	2.1
Private sector consumption	-	2.0	1.9	3.6	3.4	1.7	2.7	2.7	2.7
Consumption as share of dispon. income	-	94	93	91	92	92	99	96	94
Commercial imports of good and services	-	-0.3	-3.8	1.1	0.8	-0.9	0.4	0.9	2.0
GDP per capita	-	-4.0	-1.8	2.3	-1.9	1.3	-0.9	1.1	1.7
GNP per capita	-	-1.6	2.7	4.8	1.5	2.0	1.8	2.8	2.6
Private disponible income per capiat	-	0.3	0.2	1.9	1.7	0.0	0.7	5	2.6
Price changes (in percent)									
CPI	11.7	3.6	1.2	-1.6	-1.9	-0.4	-0.5	-2.1	-1.9

GDP	19.3	3.8	0.3	-2.	-3.0	-1.1	-1.7	-2.4	-2.0
Real effective exchange rate (CPI-based, annual average change)	8.6	-1.5	0.5	-1.4	-5.2	-	0.3	-1.4	-1.2
Real effective exchange rate (CPI-based end of period)	-	1.9	0.2	-5.0	-5.2	-	-1.2	0.5	1.1
General government budget (in percent of GDP) 1/									
Revenues	14.5	22.2	26.3	26.8	21.2	22.8	26.4	23.3	22.2
Expenditures	10.8	17.9	24.1	32.8	23.4	20.3	19.3	30.8	26.3
<i>Of which: capital and net lending</i>	0.3	0.7	1.6	7.4	6.8	6.3	7.3	7	6.5
Current balance	4.0	5.0	3.7	1.4	3.6	3.4	5.9	5.7	5.7
Overall balance	3.7	4.4	2.1	-6.0	-3.2	-2.9	-1.4	-1.3	0.8
Over. Bal. (include. Nation. Inter. payme)	-	-	-	-	-	-	-	-	-
Saving/investm. balance in % of GDP 2/									
Domestic saving	-20.0	-18.8	-17.9	-15.6	-17.3	-14.3	-12.6	-10.4	-8.1
Remittances	14.4	15.2	15.2	14.8	17.0	15.4	16.3	16.5	16.3
Factor income from/to abroad	-20.2	-17.7	-13.1	-9.7	-8.7	-5.3	-5.4	-2.8	-2.1
National savings	-20.6	-21.3	-15.8	-10.5	-9.1	-5.3	-1.7	3.3	6.2
Investments	29.8	26.6	24.8	28.2	27.1	28.2	29.1	30.2	30.2
Current account	-55.8	-49.8	-40.7	-38.9	-36.2	-33.5	-30.9	-26.9	-24
Foreign assistance 3/	52.8	40.0	31.1	32.9	20.9	17.2	14.4	9.3	8.1
Current account balance (after for. assist)	-3.0	-8.0	-9.6	-14.7	-15.3	-16.3	-16.5	-17.6	-15.9
Main aggregates (in millions euros)									
GDP	2.217	2.246	2.249	2.282	2.209	2.250	2.341	2.318	2.366
GDP per capita (in euro)	1.187	1.182	1.164	1.161	1.105	1.107	1.133	1.103	1.107
GNDI per capita (in euros)	1.117	1.152	1.188	1.221	1.197	1.207	1.256	1.254	1.264
Worker's remittance	317	341	341	339	375	347	381	383	386
Foreign assistance	1.170	898	699	546	462	388	337	216	191

Direct cont. of foreign assistance to GDP	491	329	275	208	199	187	130	109	97
Direct cont. of foreign assist. to GNDI	550	348	280	212	199	182	183	110	100
Population (in thousands)	1.868	1.900	1.932	1.965	1.999	2.033	2.067	2.102	2.138

Source: IMF mission, 31 May 2006, Aide memoire and Annual Treasury Reports for the year 2005 to 2009

Table 6 shows the percent of incomes and expenditures to Consolidated Kosovo Budget without including foreign donations.¹ From this table there can be seen a fast growth of overall incomes to budget, this is especially visible in the year 2001 which is a result of other taxes application such as presumed tax (May 2000), income tax (April 1, 2002, VAT (May 2001), property tax (June 2003), road tax (March 2005), tax on royalties and so on, including other non tax incomes.

It is important to underline that during this period of time, dominate taxes applied at border entrance (excise, customs duties and VAT collected at the border entrance) with level of contribution at about 70 % of overall budget incomes (with a tendency of permanent reduction), while there is a symbolic growth of internal incomes' and those non tax incomes.

There is a considerable growth regarding expenditures especially regarding goods and services and capital expenditures. Since the end of the year 2003, Kosovo with its incomes is able to finance basic needs of its public administration, social transfers with notable uptrend of incomes' growth and financing of priority based projects. There can be seen that in years 2005 and 2006 a growth of fiscal burden over passing the level of 22% of GDP, high level of contribution of central taxes and extensive low level of incomes from non tax incomes and local taxes.

Table 6. Consolidated Budget of Kosovo Government (2005-2011)

Years	2005	2006	2007	2008	2009	2010	2011
Overall income	628.2	712.0	897.0	866.9	914.3	969.4	1,026.6
Taxations	553.3	620.5	713.9	749.7	794.1	846.3	900.5
Direct tax	82.7	119.6	132.7	145.8	118.0	129.6	145.3

¹ Kosovo authorities and IMF staff estimation, year 2005, page 75.

Indirect taxes	470.6	500.9	581.2	603.9	676.1	716.7	755.2
Value add tax	241.6	258.6	313.8	331.7	372.2	399.3	426.4
Excise	164.3	161.9	191.4	201.4	231.1	242.1	255.3
Customs duties	74.1	82.3	81.2	78.6	79.3	78.7	76.7
Others	0.8	2.5	6.1	5.1	5.5	6.7	6.9
Reversion of taxes	-10.1	-4.4	-11.3	-13.0	-12.0	-10.0	-10.0
Non tax incomes	74.9	91.5	108.1	117.1	120.1	123.1	126.1
Primary expenditure	696.1	634.5	655.2	1,145.9	1,053.2	1,100.3	1,120.3
Partip. of incomes in % of GDP	21.2	22.8	24.2	23.3	22.8	22.9	23.1

Source: Kosovo authorities and Fund staff estimates, 2005, page 75. KOSOVO Gearing Policies toward Growth and Development and Annual Treasury Reports for the year 2005 to 2011

4. International Experience on Tax Reform and World's Trends

Tax reforms are constant processes that take place in the countries all over the world. Generally states undertake tax reforms for the following two main reasons:

- To improve the level of incomes;
- To improve and to promote a proper economic environment.

A tax reform very often includes changes of fiscal policy, modernization of tax administration and introduction of new taxes, especially of VAT. Another very important reason is the compensation of incomes which will be reduced from the process of liberalization of their economies and trade and particularly in case of the customs duties reduction.

Tax reforms which are oriented toward the improvement of economic environment, generally include steps that intend to simplify the tax system and at the same time to eliminate taxes with the low efficiency.¹

From the lessons learned from successful tax reforms made in several worlds' countries we could conclude that:

¹ Tax simplification for jobs and Growth, Mark Gallagher and ante Babic, 2005, Croatia.

- Tax base should be as wide as possible;
- Tax rates should be as low as possible;
- Tax simulation in most of cases does not have a proper effect. Indeed even in case of proper efficacy they do not provide the value of the price;
- Tax complains procedures should be as simple as possible and easy accessible, and
- The tax administration and enforcement usually require also modernization.

5. Tax Reforms in Neighboring Countries

In neighboring countries, tax reforms are oriented, in particular towards the establishment and strengthening of a tax administration that will be able to operate in a market economy. The reason why this tax administration should be strengthen is that latter manages and collects the main part of central taxes. Especially at this moment VAT. The implementation of VAT in neighboring countries requires also that their administration shall be done in parallel with customs' operations.¹

In neighboring countries, specific changes include also:

- Application of VAT, especially as part of EU integration process;
- Simplification of tax laws;
- Elimination of unproductive taxation support and vacation tax;
- Harmonization of tax regulations with international standards of audit;
- Modernization of tax administration;
- Complete reduction or elimination of customs' duties;
- Reduction of excises into smaller numbers in accordance with EU directives.

6. The Future Orientation of Tax Reforms in Kosovo

Having in mind what has been emphasized above, fiscal policy in Kosovo should remain focused towards the introduction of such policies that will be compatible with EU standards, policies which are oriented toward market economy and it will take into account the specifics of actual economy.²

These policies should stimulate growth of investment, economic growth and creation of new jobs and, would leave less space for corruption and frauds.

Referring to the above mentioned indicators, the future orientation of tax reforms in Kosovo should be focused mainly into main directions:

¹ Tax reform in Slovakia, 2004.

² MEF- Mid Term Expenditures Framework, 2007-2010.

- Collection of the necessary budgetary incomes for financing governmental expenditures, and
- Drafting policies which will help to create a favorable environment for economic growth.

From the analysis of incomes' status presented in above-mentioned tables was made evident a very high level of border's taxes collection and a tendency of continuing reduction and also a symbolic growth of internal taxes.

The intention of governmental policies should be oriented toward gradual elimination of taxes applied at border entrance and the transfer of their burden to internal economy, reduction of fiscal burden, continuing extension of tax base and all embracing policy of taxpayers, elimination or reduction of informal economy and tax evasion.

These objectives will be realized through mature changes of fiscal policy and not by undertaking deep tax reforms. In this way will be continued towards a gradual reduction and elimination of customs' duties, while the excise as an indirect tax will approximately remain at the same level and will continue to play the same role as it has done until now. Meantime, VAT collected at the border's entrance will remain one of the most important tax regarding tax incomes to budget. On the other hand there should be a gradual growth of VAT collection level within the country. Income and corporate taxes will remain at the same level with some slight changes consisting mainly in reducing the tax rates and the extending the tax base. There should be also more efforts to permanently increase the collection of non tax incomes at the central and local levels.

Another very important issue deals with creation of proper environment that would facilitate the establishment of new businesses and ensure a sustainable economic development. The experience from other countries shows that countries with an open economy without barriers have more rapidly moved toward economic development than the countries that apply protection measures and other kinds of barriers. The signatory process of Free Trade Agreement itself certifies this conclusion. This market liberalization imposes to Kosovo businesses to orient themselves towards fields of operation in which they have comparable advantages and at the same time a growth of productivity at work. Sole this kind of orientation without protection measures and other barriers will lead the Kosovo economy to a hard competition with neighboring and other regional countries.

Furthermore, at the local levels should be worked more not only to ensure that all the necessary legal acts are in place and harmonized with international standards, but also to improve the incomes collection process and a successful fiscal decentralization process.

Another important component is the governmental expenditures issue dealing with the questions such as: How much is the burden of these expenditures to the budget? Are they oriented as expenditures to salaries and payments, goods and services or capital expenditures? And, finally how much is the rate of investment reversion?

From the above tables there is evident a tendency of reduction of the first two budgetary positions and permanent growth of the position of the capital expenditures. The reduction of these two categories of expenditures has been done due to the contribution of the governmental policy that reduced their figures through administrative measures and better expenditures' control system. Some of these measures reduced the number of employees in the public administration, a better planning of expenditures and smaller percentage of incomes sharing for the category of goods and services expenditures. Also a better control regarding subsidies and transfers was made in parallel with the growth of capital expenditures. The latter undoubtedly will cause multiple developing positive effects.

7. Conclusions

Taking into account the unfavorable economic and political situation in Kosovo, the newly established institutions and at the same time the transfer of competencies from international bodies to domestic institutions, the budgetary sustainability remains a key element and also a continuing challenge for a normal functioning of these democratic institutions. This budgetary sustainability will require a further improvement regarding the processes of tax collection and administration, a growth of fiscal culture, establishment of a completed, advanced and enforceable legal framework, better definition and full implementation of good governmental policy regarding budgetary expenditures, elimination of corruptive phenomena, a very good control of goods circulation at the border entrance and inside the country and finally a continued reduction of informal economy and fiscal evasion. All these improvements will ensure a solid performance regarding incomes which will play a crucial role in ensuring a sustainable economic development and growth.

8. References

CEE Economic data, Outlook for 2005, Bank of Austria, date: 27th October 2006.

Bronchi, H and A. Burns, the Tax System in the Czech Republic, OECD Economics Department Working Papers, No .245 OECD Publishing, 2000.

OECD Report 2005; overall income in percent to GDP; Centre for Tax Policy and Administration, Annual Revenue Statistic Publication.

OECD-Report, Year 2006; Income and Profit Tax percentages to GDP; Centre for Tax Policy and Administration, Annual Revenue Statistic Publication.

IMF-AIDE MEMOIRE –IMF Personnel Mission in 20 April -4 May 2005- Main indicators 2001-2005; KOSOVO Gearing Policies Toward Growth and development; Rakia Moalla–Fetini, Heikki Hatampaa; Shehadah Hussein, and Natalia Koliadina.

Institute for Development Research “Rinvest” Pristine, 2005.

Jack. M. Mintz: Growth and Taxes ,some implications for developing economics page 207 in “Public Finance in Developing and Transitional Countries “, edited from Jorge Martinez Vazquez and James Alm.

MEF –Mid –Term Expenditures Framework Kosovo, 2008-2010, Kosovo, 17 September 2007. Volume 1: The Macro-Fiscal Framework.

Tax Simplification for Jobs and Growth, Mark Gallagher and Ante Babic, 2005, Croatia.

World Bank: Revision of Public Expenditures of Kosovo Institutions, June 2005.

Miscellaneous**The E-Learning Limits**

Associate Professor Cătălin Angelo Ioan, PhD
Danubius University of Galati, Romania
catalin_angelo_ioan@univ-danubius.ro

Assistant Professor Gina Ioan, PhD in progress
Danubius University of Galati, Romania
gina_ioan@univ-danubius.ro

Abstract: The phenomenon of knowledge is crucial for the existence of humanity. During centuries the learning activity has know a large variety of manifestation. In our times, the relationship between the level of people's education and the welfare is in a direct link. In the paper we have prove that between the number of prestigious universities of the world and the gross domestic product of that countries is an important correlation. After we have discuss the main causes which guide the people to a permanently learning all the life, we have argue that the e-learning is a viable solution only for continuing training, at least in our times.

Keywords: learning; computer; GDP

JEL Classification: D83; L86; M53

1. The Phenomenon of Knowledge

The phenomenon of knowledge is its own the majority of living organisms. If in the animal kingdom, it is manifested at the level of adaptation to environmental conditions or when setting the strategies of survival, to the human level, it acquires new aspects, distinguish the species, mostly for the better, of the other.

Knowledge is a process that defines, fundamentally, the human spirit, indicating that a continuous reporting of information to the general vaults, retrieving, adapting and personalized, experimenting and evaluating the knowledge generated by other like-minded people.

Unlike other living organisms, human knowledge involves an act of socialization, conducted by mostly dedicated spaces directly, arranged inside which the set of knowledge is transmitted uni or bi-directional action, most often, cooperation but sometimes conflicting situations.

Within the framework of knowledge, it is manifesting four separate stages:

- identification of the actual problem that wishes to be solved;

- preliminary knowledge lies in searching for identifying, understanding and explaining of the causes of the problem;
- knowledge itself consisting of the acquisition of knowledge necessary to solve the problem;
- recovery of the stock of knowledge accumulated to solve all or part of the problem.

From the point of view of the "materialisation" act of knowledge, it can be concrete or abstract. If in the concrete process of accumulation of knowledge, practice or intuitive, experience has a predominant role, thus enabling faster or slower in the acquisition of knowledge, in the context of abstract acquisition, it uses a set of rules and procedures specific to formal logic, which allow, in the final, the argumentation for the possibility of solving a concrete problem.

If in the cultural knowledge act, the subjective or emotional factors are determinant, in the framework of scientific concepts, it is worked with non-subjective notions, mostly highly formalized, such as mathematical language.

The difficulty of understanding and, obviously, for the application of the latter, leading in many cases to not pass over the problems encountered.

2. The Quality and Quantity of Knowledge – Primary Factors of Economic Development

At the end of the first half of last century, the Austrian economist Friedrich August Hayek, the future laureate on the 1974 Nobel Prize for Economics, launches the idea of a new approach to economic phenomenon.

The central idea of Hayek was that of division of knowledge between members of the community. How each individual is the holder of a limited quantity of economic knowledge, any process requires cooperation of becoming more holders of information. Coordination of economic activities becomes, in this point of view, a truly critical issue (Beaulier, Boettke, & Coyne, 2010, pp. 209-223).

The concatenation of the information held by the actors what faces on the market seems, at first glance, a problem without a solution. If it is impossible that the existence of an omnipotent authority to coordinate and simulates knowledge towards obtaining optimal well-being, then it is recommended that each individual to act towards the purchase of information from other holders in order to improve their business results (Işan & Miron, 2005/2006, pg. 253-274).

As the economy becomes increasingly globalized, the holders of knowledge are the power of increasingly high on the world market.

To illustrate this phenomenon, we studied the correlation between the two indicators relevant for front approach. Thus, a first set of data, refers to the number of universities in each country located in the Top 500, and a second size of gross domestic product of these countries (table No 1). We have ordered descending these sets of data, ordered by number of universities in the top 500 and we have determined the correlation coefficient of ranks, using the formula: $\rho =$

$$\frac{n \sum_{i=1}^n x_i y_i - \sum_{i=1}^n x_i \sum_{i=1}^n y_i}{\sqrt{n \sum_{i=1}^n x_i^2 - \left(\sum_{i=1}^n x_i \right)^2} \sqrt{n \sum_{i=1}^n y_i^2 - \left(\sum_{i=1}^n y_i \right)^2}} \text{ where } x_i \text{ are ranks as TOP 500, and } y_i -$$

the level of GDP. We have obtained: $\rho = 0,57$, not very big, but expressing increasing dependence of the two indicators.

We can conclude that a high level of education, so the quantity of transmitted knowledge, generates a high level of economic well-being.

Also, in a series of economic research, investigating the annual growth rates, it was found that more than 50%, responsible for this phenomenon is the high productivity of the work (Isaksson, Hee Ng, & Robyn, 2005).

When the influences of the increase of capital are removed, the more efficient use of manpower and influences due to new technologies, what remains is increasing the skills and knowledge workers (Işan & Miron, 2005/2006, pg. 253-274).

Even if it is difficult to quantify knowledge in increasing intake of total productivity, it is obvious that either intelligence incorporated into new equipment, be as transparent as evidenced by increased skills of employees are based on an increase of knowledge's level.

3. Continuing Training in the Context of the New Economy

The scientific and technical progress to whose development tremendously witnessing continuous adaptation, complains to the requirements of the economy, transforming the human society in a knowledge society, in which the primordial become ideas rather than the use or exploitation of cheap labor's skills workplace¹.

The production cycles becoming increasingly shorter, the requirement for innovation increases with the globalization of the economy and enhance the character of competitive markets.

¹Linden T., Patrinos H.A., *Lifelong Learning in the Global Knowledge Economy: Challenges for Developing Countries*, World Bank Report, http://www.techknowlogia.org/TKL_Articles/PDF/476.pdf

At present, the only way to resist in this fierce competition is lifelong learning, which involves either a new specialization of the individual in the face of new challenges in scientific or economic requirements, either approach becoming more deep knowledge of a segment.

Lifelong learning can be made either within the formal specialized institutions (schools, universities etc.) non-formally (at work or at home) or informal (gathering information from members of the family or those of the community).

Each frame of learning is addressed to a specific life stages or a domain of distinct action. Thus, rigorous learning within the education leading to the classic consists of a set of conditions limiting access to any age of the individual. Thus, the time (more or less) spent in the educational activities, conducted at fixed hours, involve a consensus of the mass of individuals which constitute the study group, aspect difficult to achieve in terms of their participation in a productive activity.

Each of the forms of classical education (daily, on evening, part-time) has his disadvantages. Thus, the daily education is addressed mainly to young ages, who work not in a productive activity.

The evening education or that in part-time, involve participation in teaching activities in a timeframe set, located either at late hour of the day or in weekend, what substantially diminishes the rest time and limit the learning capability.

Informal learning is rather one of survival, in the sense in which individuals shall inform each other of changes in economic or social life.

The non-formal education becomes so, more present in the training of the individual.

From Eurostat statistics for 2009 (table No 2), relative to continuing training, it is observed a large percentage of the population in the Nordic countries of Europe, engaged in a structured training framework of education (figure 1), with a maximum of 31.6% for Denmark, followed by Iceland with 25.1%, Switzerland-24%, Sweden – 22.2%, Finland – 22,1%. In contrast, lies for the most part, countries learned from former socialist camp which, with the exception of the Czech Republic (6.8%) and Poland (4.7%), Lithuania (4.5%), are situated around the threshold of 3% (Macedonia – 3,3%, Slovakia – 2.8%, Hungary-2,7%, Croatia-2,3%). An exception that non glorify us are the two countries located at the bottom of all classifications on the economic indicators: Bulgaria (1.4%) and Romania (1.5%), well below the average 9,3% of the European Union.

Relative to the distribution of employment by sex in some form of continue education, we note (table No 2) again large percentage of men (Denmark – 25,6%, Switzerland – 22,8%, Iceland – 20,4%, Finland – 18,5%) relative to the average of the European Union – 8,5% and to the opposite pole Slovakia with 2,2%, Romania and Bulgaria with 1,3%. The female population is include the most in continue

education, with an average of 10,2% in the European Union and with obvious maximum in Denmark-37,6%, Iceland-30,0%, Sweden-28,5%, Finland-25,9%. Romania and Bulgaria share the latest places with 1,6% and 1,5% respectively (Figure 2).

Overall, it is observed that women are more engaged in the process of continuing training than men (with the exception of Germany – 7,7% from 7,8%, Croatia and Turkey by 2,1% to 2,4%). It is interesting that by reporting the percentage of women to those for men, in the first eight places are located seven Nordic countries (except making Slovakia): Sweden, Latvia, Lithuania, Estonia, Iceland, Denmark and Finland (with ratios ranging between 1,92 and 1,40).

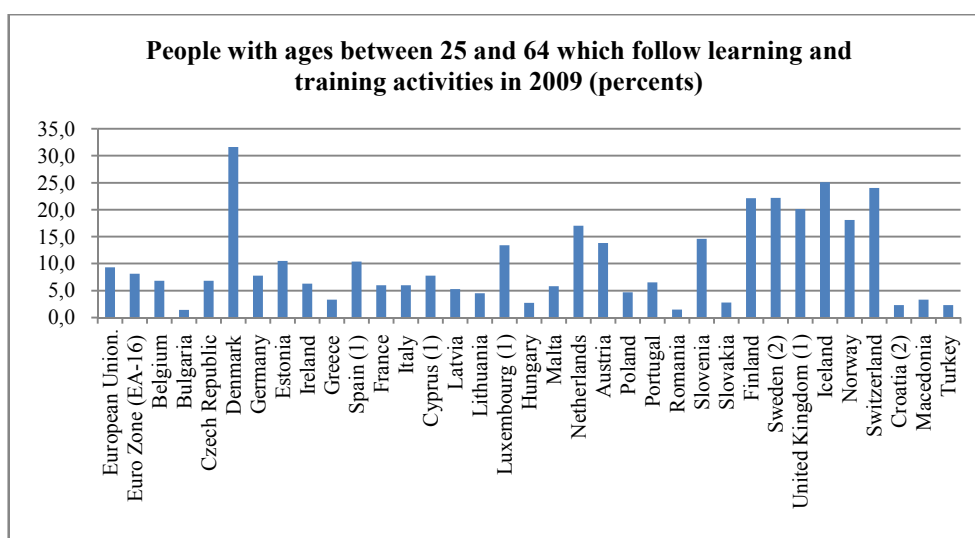


Figure 1

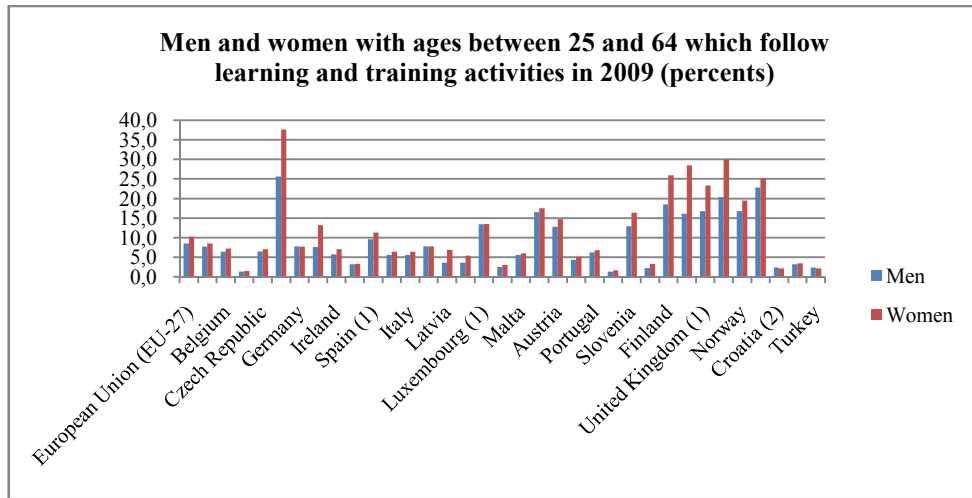


Figure 2

Interesting for this analysis, is to inquire in to the reasons leading to the choice of forms of lifelong learning. Analyzing data from the table No. 3, shows that the desire for new, for information relative to interesting topics for the individual, lies as share in the learning motivations (figure 3) between 82% in the case of the United Kingdom of Great Britain or 80,5%-Portugal and values less than 40% in the former socialist countries (Bulgaria – 38,5%, Slovakia – 34,6%, Estonia – 21,1%, Slovenia – 12,5%, Poland – 7.6%).

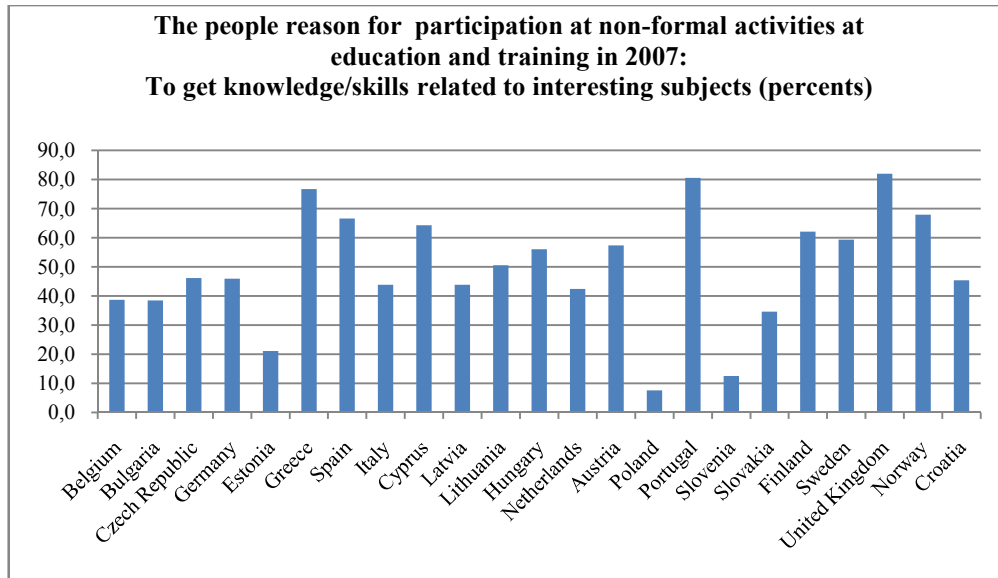


Figure 3

On the other hand, in countries with economic difficulties, it is observed (Figure 4) that the predominant reason is to increase the possibility of seeking a job or change it on the current one, in the hope to achieve a standard of living better than at present. Thus, 33,3% of citizens of Hungary, 31,8% of those of Portugal, 28,4%-Spain, 25,5%-Greece, 23,1%- Slovakia and 20,8%-Bulgaria hopes that by purchasing new knowledge to exceed the current condition.

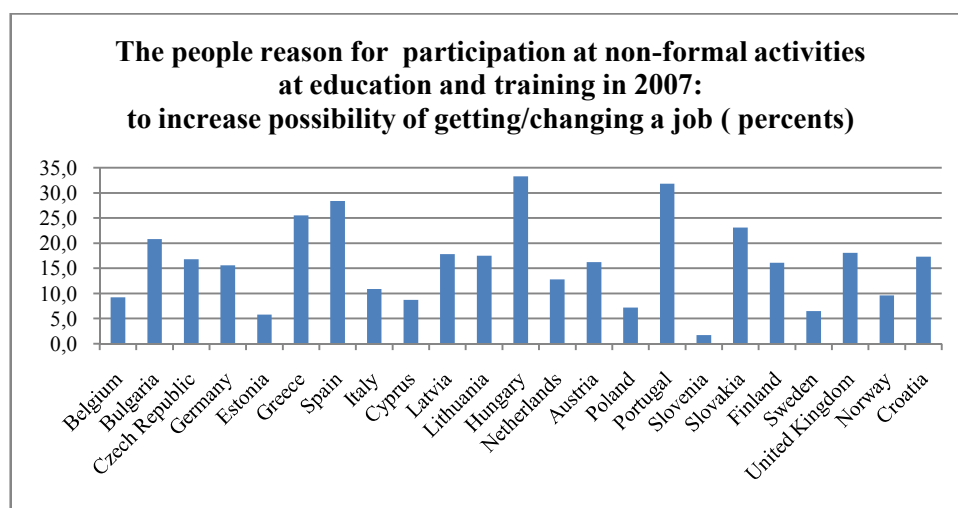


Figure 4

We cannot conclude without learning motivation analysis to emphasize predominantly factor, namely the increase in capacity or occupational advancement in career. The percentage lies between 80,2% in the case of Estonia or 78,1% of Croatia and 47,6% in the case of Italy.

For the analysis of the obstacles that stand in the way of continuous education (table No. 4) there are three overriding factors.

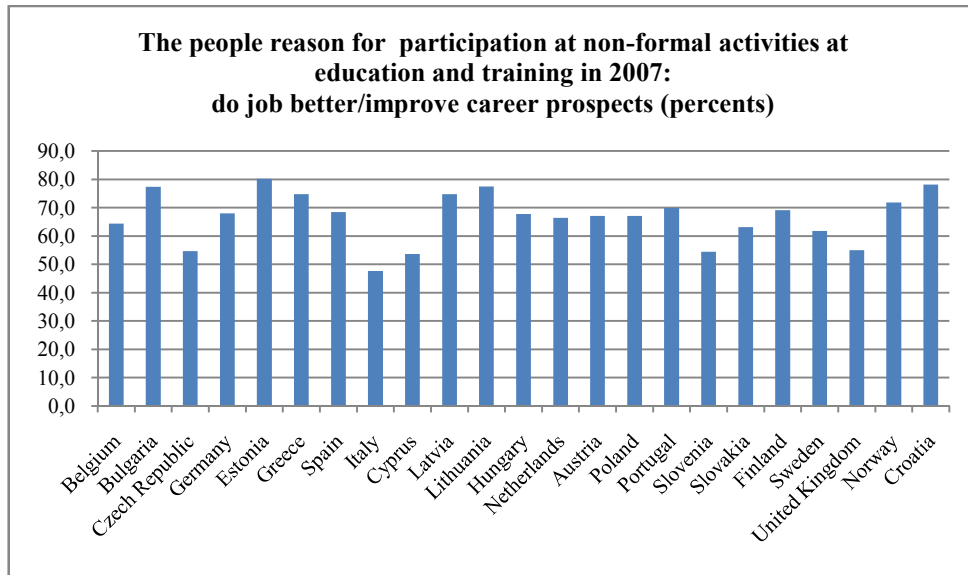


Figure 5

The first refers to lack of time due to resolve the problems of the family. Analyzing the data presented in Figure 6, we see that the first four places place the countries of southern Europe (Cyprus – 67,9%, Italy – 49,5%, Croatia – 48,7%, Greece-48,3%) and at the opposite pole, with the exception of Bulgaria and Portugal, the Nordic countries: Lithuania, Germany, Finland, Netherlands, Poland, Norway and Sweden with a percentage below 35%, which is explained by the family much more concentrated in the Mediterranean countries in relation to those from the Baltic and North Sea.

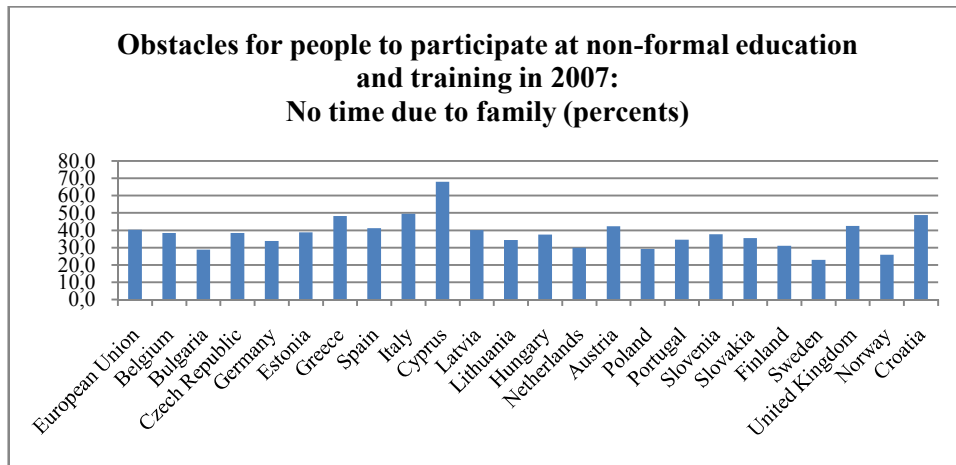


Figure 6

The second obstacle, refers to the high cost of education. Apparently explainable by the low standard of living, but hardly understood in the light of inability to overcome the gap from the advanced countries of the world, is the fact that at the top lies the countries in transition: Poland (61,3%), Bulgaria (56,7%), Croatia (53,8%), Estonia (53,1%), followed by Latvia, Lithuania or Slovenia (figure 7).

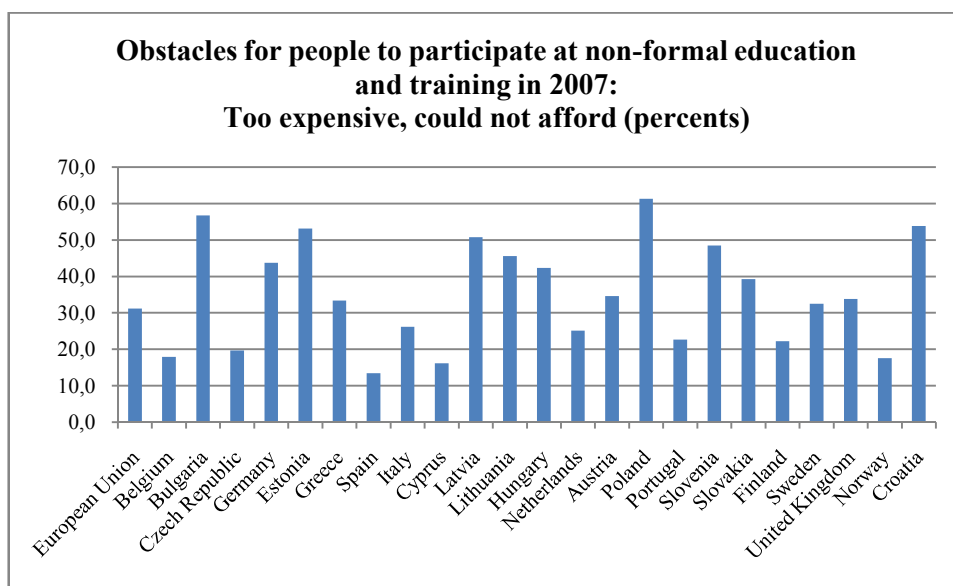


Figure 7

The last obstacle, but most importantly for our approach, is that of conflict with an educational program (figure 8). We meet here percent alarming as, for example: 55,5%-Slovenia, 53,2%-Hungary, 48,4%-Lithuania), but also encouraging situations such as that of the Netherlands – 17,6% or that of Bulgaria-24,1%. Relaxation programme for teaching, as the introduction of modern methods of teaching and learning, will significantly diminish this obstacle to continuing training.

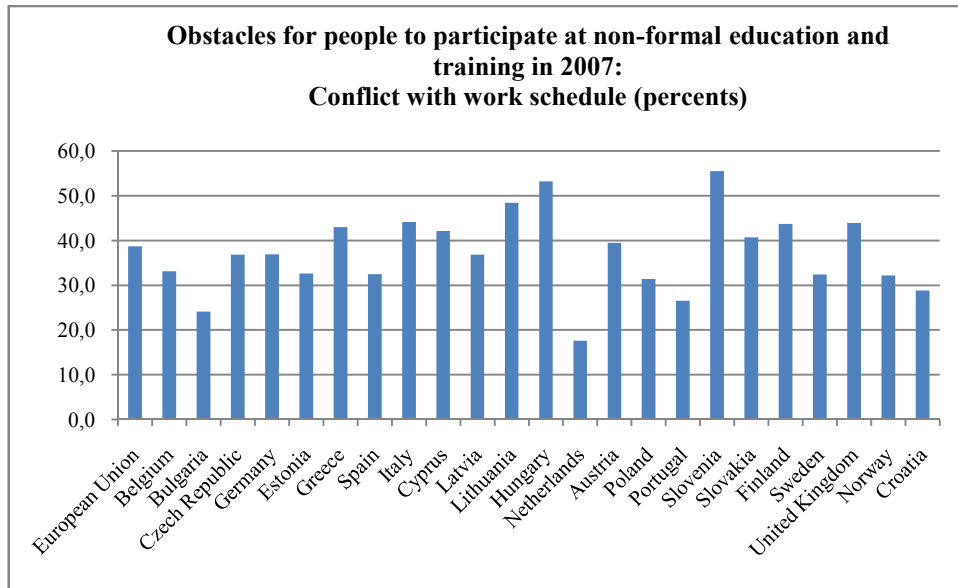


Figure 8

The last aspect that we analyze is the leading education institutions (table No. 5). If the average of the European Union is 38,3% in the total of the continuous education developed by the employer, there are a number of countries what lies above this percentage (figure 9): Bulgaria (68,8%), UK (50,2%), Sweden (45,5%), but also countries in which this form of education is practically insignificant (Hungary-0,6%).

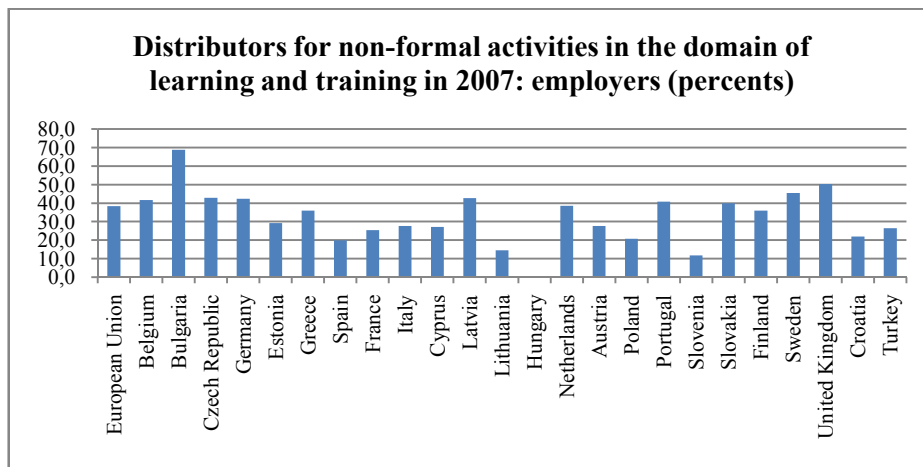


Figure 9

More interesting is the non-formal education, which is observed to be prominent in former socialist countries: Poland (49,9%), Slovenia (44,6%), Estonia (34,4%), Hungary (32,0%) followed by Lithuania, Slovakia or Czech Republic much above the European Union mean average – 16,5%. In contrast, the most developed countries of Europe: UK comes with 8,2%, Belgium – 7,3% and France – 2,9%.

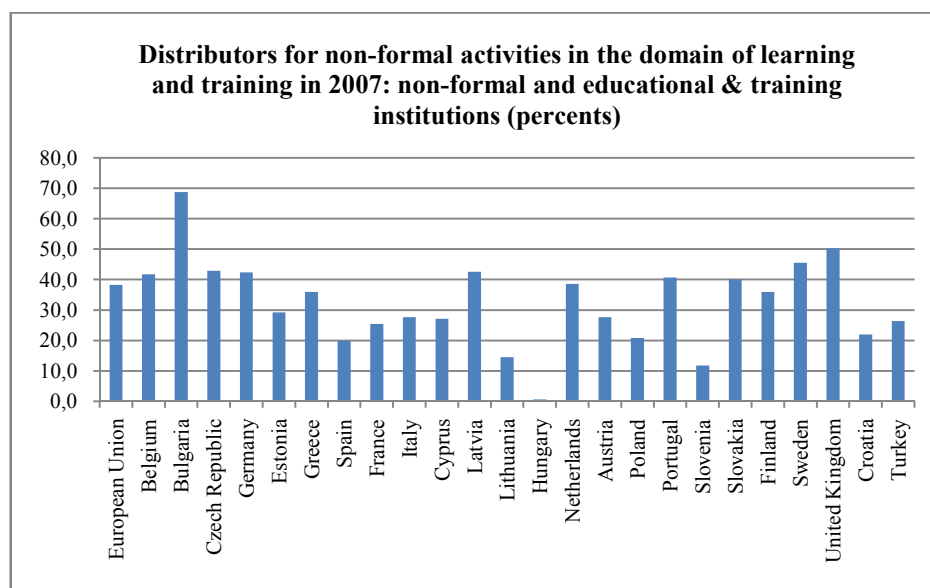


Figure 10

Finally, the formal education has a share of 10,4% in the EU, reaching maximum in the case of the Netherlands – 38,2%, Lithuania – 20,8%, Slovakia – 17,0%, at the other extreme is within Germany with 4,8%, Sweden – 4,2%, Bulgaria – 3,1% and France with 1,9%.

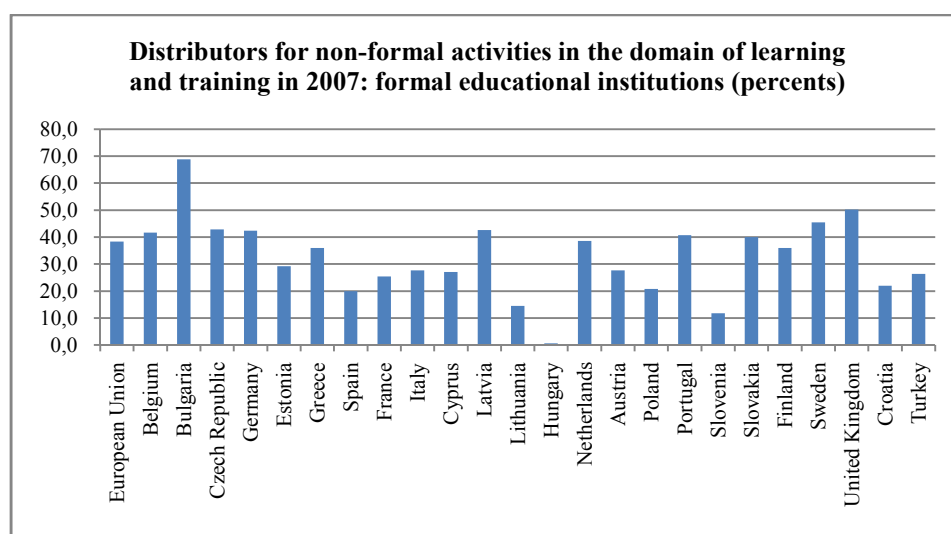


Figure 11

We cannot conclude without to emphasize that in the field of lifelong education distributors, classical institutions account for only 11,2%, which gives a lot of thought about the adaptability to economic life.

4. Brief History of the Concept of E-Learning

The first mention of the concept of distance education was in the year 1728 when it appears in the Boston Gazette notice for those willing to follow a series of weekly courses and to deliver, at home, several written courses.

In 1892, appears for the first time the concept of "distance learning" in a catalogue published by the University of Wisconsin¹. Only over 14 years, the teachers of this University begin recording courses and dispatch them to be able to be heard on fonografe by students at a distance.

In 1920, Sidney Pressey - a Professor of educational psychology, develops at Ohio State University the first "machine learning" what was proposed exercises and problems with multiple answers.

Norbert Wiener – the cybernetics father, in 1948, writes in his fundamental “Cybernetics or Control and Communication in the Animal and the Machine” about the process of communication between man and machine.

After the first television transmission in the U.S. of 1940 years, in 1953 appear first televised courses, distributed on Channel 8 american KUHT, offered by the

¹<http://www.uwex.edu/ics/design/disedu2.htm>

University of Houston and covering 38% of the syllabus. What was the highlight of these transmissions were aired that night, by applying to those who worked until late hours. The development of this type of education reached fantastic shares 12 years later being over a hundred thousand hours of televised.

After recording and the distribution to the public schools of Physics in the period 1956-1958 by Berkley University, was reached in the year 1960, at the first system of computer-aided training, called PLATO (Programmed Logic for Automated Teaching Operations) developed at the University of Illinois.

In 1968, the University of Alberta broadcasts 17 online courses, being closer of the present electronical education, through a system of registration and periodic reporting of the progress achieved by the trainees.

In the year 1977, Canada opens, through Project Hermes, the road for using satellites in the purpose of televised educational conferences.

After 1984, when it is used for the first time the documents sharing on the network for carrying out the common themes of study at the University of Waterloo, in 1986, the paper entitled: "Computer Assisted Learning or Communications: Which Way for Information Technology in Distance Education?" published in "Journal of Distance Education" by Tony Bates, put the foundations for the future development of distance education.

The year 1989 is crucial within the meaning of the idea of exchanging documents on-line from home, promoted by a British engineer Tim Berners-Lee, the creator of the World Wide Web system.

In 2000 appears e-learning system Blackboard that allows sharing documents, timetables of the course activities, quantification and storage of results obtained by trainees, verification, testing notices, etc.

In March 2005 is released version 1.0 of the learning open source platform Sakai, developed at present in more than 150 educational institutions in the world (especially in the USA and Western Europe), because in 2006 appear learning platform Moodle, image currently serves over 37 million users.

At present, the system of E-learning has become a business very prosperous sector with a turnover of over US\$ 48 billion in the year 2000¹.

¹EC, *Communication from the Commission: E-Learning – Designing “Tejas at Niit” tomorrow’s education*, Brussels: European Commission, 2000.

5. E-Learning-a Viable Solution for Continuing Training

The concept of E-learning is a viable solution for continuous training activities. At a rate of 20,8% of all persons over 25 years in the European Union which asserts that the barrier to participation in continuing education activities that institutions supply is at the distance of your home, while 38.7% of the population is unable to respond to a rigid educational program (table No. 4), it seems that the only alternative is that of "comes with experience at home."

Advantages of E-learning system consists, on the one hand in the rapid and efficient distribution of resources for learning, conduct a dialogue with students more flexible in terms of time, discarding the rigid framework of a regular schedules, greater opportunity for students to socialize (even though virtual) and obtaining a feedback more rapidly and more fully address the issues or tests solved than under traditional.

Within the education and training "to the term" we appreciate the use with caution, this type of education. We refer below to higher education at a distance from Romania, where we are directly involved. Matters on which they'll put form part of the direct experience of the use of an E-learning platforms and the harmonization of this type of learning with the normative requirements of the education system.

The first issue raised is that of learning resources. The normative acts issued by the Romanian Agency for Quality Assurance in Higher Education of Romania shall provide the insurance obligation for developing media both in written format and digital. In addition, to the two-fold dilutions but not doubling the amount of information returned, this provision confers impediment unable to adapt "on the fly" of information on the learning platform and enter sometimes in conflict with the print.

We can give as an example, some economic indicators which, from the date of printing of the guide of studies have certain values, and at the date of use of the platform (what can be done with a delay of almost one year) they may suffer significant changes (see, for example, the rate of VAT plus overnight, what changed fundamentally results of examples of accounting courses. They were operated on the learning platform, but obviously not in the courses already printed and distributed).

Another aspect which deserves out is that of design system for learning. Due to the relatively small cost of education in Romania, due to poor general condition of living, but also because of frequently changes in the economic legislation of the country, the designing educational resources cannot entrust a specialized firms to use fully all the facilities of the platforms. For this reason, the design is left, at most universities, for teachers. What follows from this fact? On the one hand, even we believe that the ability of adapting to new technologies is great, there are a number

of teachers, especially located toward the age of withdrawal, which do not have the necessary skills to design a system of on-line education. The solution is, at first glance, the design by assistants. However, the development of an online course requires a great pedagogical experience what, the fatal, it is not owned by the latter.

A second aspect of the design by teachers is that of non-homogenous courses.

Even if a big number of indications, directions or regulations are present, it is very hard to believe that absolutely all those involved will align the requirements.

At this point, it appears inevitable, the user's confusing, who have to adapt quickly to the layout or the requirements of each course.

Another aspect, particularly important, is that of seriousness in the use of learning platforms. If in the context of continuous training, the user has an interest to deepen how much, things are changing in the context of formal education. On the statistics in table No. 3 (where, unfortunately, Romania is not present) in the former socialist countries, a percentage between 20% and 40% of the population over 25 years that resort to educational services, makes formainta in current employment. What is deducted from this statistic is quite simple: he (she) takes the certificate!

As a result of this sad finding, is imperative that a platform for education to ensure the greatest possible security of data, but also a permanent verification of the users. If the first requirement is relatively easily resolved by the staff, the second is practically impossible to resolved. Who can guarantee that the person behind the computer is even the student? Who can be sure that in a test or an examination given on-line, will answer to the question the person involved directly? Any solution would seek, there is always a method to bypass! Video cameras installed on each computer, on the one hand cannot be reasonable to the actual transmission speeds, and on the other hand, the student can be only a "picture" in the front of the computer with a keyboard disengaged, and someone else (prepared thoroughly) with a keyboard wireless may solve! You can object to the first sight: what is the interest of the student to crafty examiner? Unfortunately, we live in a society where honor is not on the foreground in all sectors of activity, and occupation and retention the jobs are a big problem for most people.

How can we solve this problem? The solution is encountered at many universities in Romania. Training is done on the platform, but the examination is performed directly under the supervision of a teacher in a place of education. At this time, the problem is solved, but distance learning is cancelled in its definition. At this point, it can attend classes at a particular University, only those persons at a reasonable distance of an examination Center (Center of studies).

In connection with this issue, it should return to another fact concerning acts of the Agency for Quality Assurance in Higher Education of Romania. In distance learning in Romania are provided for so-called activities tutorials to be conducted

face to face, through direct contact with the student. When there are educational platform, which allows making multi-user Conference, the only thing arising from direct contact is that of limiting access to education of persons at the distance of a center of studies.

Another heavy problem of the romanian legislation, is in our judgement, even that of the centres of studies. One such location requires a sufficiently high cost, involving staff qualified in I.D. technologies, computers, learning office etc. As a result of this, a center of studies cannot operate without a reasonable number of students. On the other hand, a student who wishes to attend courses a certain universities in the country (here is another question of trend smoothing plans for education, what is a partial breach of university autonomy), but does not have his domicile in the vicinity of a centre of study, will be unable to achieve this.

One last aspect, nut perhaps most important, is that of the use of learning platforms in the context of formal education, for the purposes of minimizing or even eliminating the direct contact.

Any teacher, with minimum experience, but a maximum of flexibility, adapt his speech at any time after the reaction of the auditorium. A look that is lost in the void or attached in any point, indicates immediate a change of how teacher's approach to the problem, without risking transforming discourse in a dialogue with itself. E-learning platforms, at the time of the current technology, do not allow viewing the students reactions, so be a tool for learning somewhat dry.

What can we detach from these things? We appreciate that E-learning platforms are extremely useful in the context of continuing education activities, offering a flexible temporal support and continuous auto-capacity self-inspection, but we are very vigilance to use, with real results, within the formal education, at least in the light of current technology and existing the actual situation in Romanian society.

6. References

- Beaulier, S.A.; Boettke, P.J. & Coyne, C.J. (2010). Knowledge, Economics and Coordination: Understanding Hayek's Legal Theory, *NYU Journal of Law and Liberty*, Vol. 1, pp. 209-223.
- Hayek, F.A. (1948). Economics and Knowledge. *Individualism and Economic Order*, 33, pp. 50-51.
- Hosseini, N.D. (2006). Lifelong Learning and the Knowledge Society: Challenges for Developing Countries. *Journal of College Teaching & Learning*, Vol.3, Number 12.
- Isaksson, A.; Hee, Ng T. & Robyn G. (2005). Productivity in Developing Countries: Trends and Policies. *United Nations Industrial Development Organization*, Vienna.
- Işan, V. & Miron, D. (2006). The Importance of Lifelong Learning for the "Next" Society. in *The Scientific University Annals "Alexandru Ioan Cuza" of Iasi*, Tom LII/LIII, Economic Sciences, pp. 253-274, 2005/2006.

Linden T., Patrinos H.A. *Lifelong Learning in the Global Knowledge Economy: Challenges for Developing Countries*. World Bank Report.

http://www.techknowlogia.org/TKL_Articles/PDF/476.pdf.

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Lifelong_learning_statistics.

<http://www.uwex.edu/ics/design/disedu2.htm>.

EC (2000). *Communication from the Commission: E-Learning – Designing “Tejas at Niit” tomorrow’s education*. Brussels: European Commission.

7. Appendix

Table 1. Number of Universities in TOP 500 and their GDP

Country	Number of Universities in TOP 500	GDP in 2009 (mil. US\$)	The place after GDP	The place after TOP 500
USA	152	14119050	1	1
Germany	40	3338675	4	2
United Kingdom	40	2178856	6	2
Japan	31	5068894	2	4
China	30	4984731	3	5
France	23	2656378	5	6
Canada	22	1336427	10	7
Italy	21	2118264	7	8
Australia	17	994246	13	9
Netherlands	12	796651	16	10
Spain	11	1467889	9	11
Sweden	11	406072	22	12
South Korea	9	832512	15	13
Switzerland	8	491923	19	14
Belgium	7	472103	20	15
Austria	7	382073	23	16
Israel	7	195390	39	17
Brazil	6	1574039	8	18
Finland	5	238607	34	19
New Zealand	5	117794	52	20
Norway	4	378592	24	21
Denmark	4	310093	30	22

South Africa	3	287219	32	23
Ireland	3	222156	38	24
India	2	1235975	11	25
Russia	2	1231892	12	26
Poland	2	430736	21	27
Greece	2	330780	27	28
Portugal	2	233478	35	29
Singapore	2	182231	43	30
Chile	2	161621	46	31
Hungary	2	129540	50	32
Mexic	1	874810	14	33
Turkey	1	614466	17	34
Saudi Arabia	1	376268	26	35
Iran	1	325938	28	36
Argentina	1	310057	31	37
Czech Republic	1	190321	41	38
Slovenia	1	48600	70	39

Source: http://www.arwu.org/ARWU2009_2.jsp
http://en.wikipedia.org/wiki/List_of_countries_by_GDP_%28nominal%29

Table 2. People with ages between 25 and 64 which follow learning and training activities in 2009 (percents)

Country	TOTAL		Men		Women	
	2004	2009	2004	2009	2004	2009
European Union (EU-27)	9,3	9,3	8,7	8,5	10,0	10,2
Euro Zone (EA-16)	7,3	8,1	7,2	7,7	7,5	8,5
Belgium	8,6	6,8	8,7	6,4	8,5	7,2
Bulgaria	1,3	1,4	1,2	1,3	1,3	1,5
Czech Republic	5,8	6,8	5,5	6,5	6,0	7,0
Denmark	25,6	31,6	22,1	25,6	29,1	37,6
Germany	7,4	7,8	7,8	7,8	7,0	7,7
Estonia	6,4	10,5	5,1	7,6	7,5	13,2
Ireland	6,1	6,3	5,1	5,7	7,1	7,0
Greece	1,8	3,3	1,8	3,2	1,8	3,3

Spain (1)	4,7	10,4	4,2	9,6	5,1	11,3
France	7,1	6,0	7,0	5,6	7,1	6,4
Italy	6,3	6,0	5,9	5,6	6,7	6,4
Cyprus (1)	9,3	7,8	9,0	7,8	9,6	7,8
Latvia	8,4	5,3	5,7	3,6	10,8	6,9
Lithuania	5,9	4,5	4,2	3,6	7,4	5,4
Luxembourg (1)	9,8	13,4	9,5	13,4	10,1	13,5
Hungary	4,0	2,7	3,4	2,5	4,6	3,0
Malta	4,3	5,8	4,8	5,6	3,8	6,0
Netherlands	16,4	17,0	16,1	16,5	16,8	17,5
Austria	11,6	13,8	10,9	12,8	12,2	14,7
Poland	5,0	4,7	4,3	4,3	5,7	5,1
Portugal	4,3	6,5	4,1	6,2	4,4	6,8
Romania	1,4	1,5	1,3	1,3	1,4	1,6
Slovenia	16,2	14,6	14,8	12,9	17,6	16,4
Slovakia	4,3	2,8	3,8	2,2	4,8	3,3
Finland	22,8	22,1	19,2	18,5	26,4	25,9
Sweden (2)		22,2		16,1		28,5
United Kingdom (1)	29,0	20,1	24,9	16,8	33,1	23,3
Iceland	24,2	25,1	19,6	20,4	28,9	30,0
Norway	17,4	18,1	16,3	16,8	18,6	19,5
Switzerland	28,6	24,0	29,7	22,8	27,4	25,2
Croatia (2)	1,9	2,3	1,8	2,4	2,0	2,1
Macedonia		3,3		3,2		3,4
Turkey	1,1	2,3	1,5	2,4	0,8	2,1

Notes:

(1) 2007

(2) unsure data

Source:

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Lifelong_learning_statistics

Table 3. The people reason for participation at non-formal activities at education and training in 2007 (percents)

Country	knowledge/skills related to interesting	To get knowledge/skills useful for everyday life	To increase possibility of getting/changing a job	To be obliged to participate	To be less likely to lose job	Do job better/improve career prospects	Meet new people, for fun	Obtain qualification	Start own business	Other/no respond
Belgium	38,7	29,8	9,2	24,1	3,3	64,4	11,8	8,1	2,6	1,9
Bulgaria	38,5	40,0	20,8	22,1	22,0	77,3	9,2	34,3	1,8	1,2
Czech Republic	46,2	33,4	16,8	7,4	13,3	54,6	10,4	20,8	4,5	0,5
Germany	45,9	14,3	15,6	25,0	19,9	68,0	10,5	11,6	3,8	5,4
Estonia	21,1	17,6	5,8	24,9	15,1	80,2	2,4	8,8	1,6	5,5
Greece	76,7	52,4	25,5	18,1	16,0	74,8	20,6	48,6	7,9	4,3
Spain	66,6	50,8	28,4	11,8	12,7	68,4	11,8	25,0	4,8	5,0
Italy	43,9	20,9	10,9	13,8	2,5	47,6	13,3	13,5	2,6	3,9
Cyprus	64,3	38,2	8,7	16,9	2,1	53,6	14,7	13,3	1,6	4,4
Latvia	43,8	58,6	17,8	33,7	27,7	74,7	24,3	37,8	4,4	1,8
Lithuania	50,6	42,3	17,5	26,2	31,3	77,5	11,8	41,4	3,4	3,2
Hungary	56,0	52,0	33,3	51,4	38,3	67,8	13,2	35,2	7,5	1,3
Netherlands	42,4	40,2	12,8	35,9	6,6	66,4	19,2	23,7	4,2	10,1
Austria	57,4	57,2	16,2	23,7	10,5	67,1	20,9	10,7	4,6	5,1
Poland	7,6	7,2	7,2	5,2	6,6	67,1	0,5	7,2	1,4	2,8
Portugal	80,5	81,6	31,8	12,2	16,0	69,9	23,7	47,4	6,6	6,2
Slovenia	12,5	21,2	1,7	13,1	1,0	54,4	1,8	2,3	0,3	2,5
Slovakia	34,6	30,2	23,1	66,1	26,5	63,1	8,8	19,2	4,6	1,8
Finland	62,1	41,1	16,1	35,3	14,3	69,1	30,0	13,5	3,7	9,4
Sweden	59,3	41,8	6,5	36,4	8,0	61,8	20,8	8,9	1,5	5,5
United Kingdom	82,0	44,8	18,1	57,7	2,8	55,0	9,7	33,9	9,3	6,1
Norway	67,9	33,2	9,6	43,1	12,7	71,8	16,0	18,3	1,5	7,2
Croatia	45,4	35,9	17,3	31,7	17,6	78,1	8,3	15,3	4,9	1,4

Note:

(1) multiple answers allowed

Source:

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Lifelong_learning_statistics

Table 4. Obstacles for people to participate at non-formal education and training in 2007(percents)

Country	Health orage	None within reachable distance	No time due to family	Did not have the prerequisites	Too expensive, could not afford	Did not like idea of going back to school	Lack of employer support	Conflict with work schedule	Other/no respond
European Union	14,8	20,8	40,2	15,6	31,2	14,9	18,4	38,7	26,8
Belgium	21,8	13,1	38,4	9,5	17,9	4,8	14,7	33,1	10,6
Bulgaria	11,5	29,7	28,8	16,3	56,7	6,2	11,6	24,1	7,7
Czech Republic	11,9	16,1	38,5	7,8	19,7	2,1	22,5	36,8	3,6
Germany	12,1	24,9	33,9	24,1	43,7	11,1	32,8	36,9	13,3
Estonia	18,2	34,5	38,8	2,9	53,1	8,5	8,8	32,6	42,6
Greece	10,5	19,1	48,3	7,5	33,4	9,7	9,7	43,0	19,0
Spain	5,8	8,5	41,2	7,5	13,4	2,7	4,7	32,5	27,7
Italy	19,7	16,8	49,5	19,2	26,2	16,6	15,2	44,1	12,4
Cyprus	9,3	12,0	67,9	5,2	16,2	4,8	5,2	42,1	12,3
Latvia	11,9	24,1	40,1	11,2	50,8	11,9	29,7	36,8	11,4
Lithuania	13,2	19,6	34,3	3,2	45,6	4,9	16,2	48,4	13,5
Hungary	12,5	32,4	37,5	13,9	42,3	18,9	39,9	53,2	15,0
Netherlands	23,8	13,0	29,9	4,2	25,1	13,5	20,1	17,6	22,8
Austria	6,3	22,4	42,3	7,1	34,6	2,8	16,1	39,5	15,8
Poland	9,1	31,0	29,2	9,2	61,3	17,5	20,4	31,4	11,5
Portugal	6,8	34,2	34,5	11,8	22,7	4,1	20,0	26,5	18,9
Slovenia	15,5	30,2	37,7	7,6	48,5	7,3	22,3	55,5	8,8
Slovakia	10,8	30,9	35,5	56,5	39,3	3,0	25,2	40,7	3,7
Finland	17,1	25,6	31,0	11,6	22,2	7,2	24,0	43,7	21,4
Sweden	23,7	22,0	23,0	5,8	32,5	6,9	19,1	32,4	20,5
United Kingdom	17,0	25,9	42,5	20,8	33,8	24,1	22,6	43,9	56,5
Norway	19,5	13,6	25,8	4,3	17,6	9,2	21,1	32,2	15,7
Croatia	11,0	26,7	48,7	14,9	53,8	4,2	17,1	28,8	8,6

Note:
(1) multiple answers allowed

Source:
http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Lifelong_learning_statistics

Table 5. Distributors for non-formal activities in the domain of learning and training in 2007(percents)

Country	Employer	Non-formal and educational training instit.	Formal educational institutions	Institutions where educat. & tr. is not the main activity	Employers organizations, chamber of commerce	Libraries	Non-profit associations	Individual	Trade Union	Other
European Union	38,3	16,5	10,4	8,9	5,0	4,5	4,3	4,3	1,4	4,0
Belgium	41,7	7,3	15,2	8,9	2,8	7,1	7,4	5,6	0,7	0,6
Bulgaria	68,8	14,1	3,1	3,1	3,0	5,8	0,7	1,1	0,2	0,2
Czech Republic	42,9	27,9	10,7	7,6	1,8	2,1	1,5	3,2	0,6	1,1
Germany	42,4	14,7	4,8	13,8	4,8	6,2	5,3	5,8	1,1	0,5
Estonia	29,2	34,4	10,0	9,4	1,2	3,9	2,1	2,5	5,5	1,7
Greece	36,0	12,1	14,6	13,6	3,3	5,2	3,2	1,4	2,3	4,8
Spain	19,9	26,2	9,7	5,0	6,7	4,5	5,4	2,9	4,2	11,5
France	25,4	2,9	1,9	6,3				1,7		60,2
Italy	27,6	8,5	12,9	8,0	12,9	2,2	4,4	6,3	1,3	11,3
Cyprus	27,1	19,3	5,4	10,1	1,3	15,5	7,1	12,9	0,9	0,3
Latvia	42,6	21,3	13,4	6,8	2,7	1,6	2,2	2,1	0,2	5,2
Lithuania	14,5	28,7	20,8	15,0	9,2		1,4	8,7	0,4	
Hungary	0,6	32,0	7,0	3,5	32,8	6,2	0,1	1,9	13,1	2,7
Netherlands	38,6		38,2				4,7	2,1	1,9	11,8
Austria	27,7	21,8	6,7	12,4	4,6	1,4	4,9	4,5	0,3	14,2
Poland	20,8	49,9	13,1	6,1	1,7		2,2	3,8	0,2	2,1
Portugal	40,7	20,9	9,1	8,4	2,3	4,5	5,5	1,4	1,4	5,8
Slovenia	11,8	44,6	8,7	8,0	20,8		3,9	1,9	0,3	
Slovakia	40,0	28,2	17,0	7,5	2,8		0,7	1,8	0,1	1,1
Finland	36,0	10,1	8,8	1,1	6,7	29,5	0,8	3,0	3,0	
Sweden	45,5	14,6	4,2	17,1	3,9	3,4	5,6	2,5	2,0	0,5
United Kingdom	50,2	8,2	11,1		7,0	1,8	1,9	4,3	0,1	5,4
Croatia	22,0	24,2	15,6	12,8	5,0	1,6	3,3	0,8	0,4	7,7
Turkey	26,4	27,0	7,3	3,2	2,8	25,4	3,8	3,6	0,4	

Source:

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Lifelong_learning_statistics

The Vietnamese in Thailand: a History of Work, Struggle and Acceptance

Assistant Professor John Walsh, PhD
Shinawatra University, Pathumthani, Thailand
jwalsh100@hotmail.com

Abstract: Although Vietnamese have been migrating to Thailand for many centuries, the situation which they faced in terms of living and working changed significantly in 1945. This resulted from the attempt by the French to recolonise the Indochina region, which led to many Vietnamese seeking to flee the fighting and oppression by moving to Thailand. The experiences of this generation of people and their activities in the labour market are the main focus of this paper. It is shown that this generation of Yuon Op Pha Yop represents a unique set of people in Thailand. Their experiences are set against the labour market experiences of other sets of Vietnamese migrants in Thailand.

Keywords: migrants; ethnic minorities; community

JEL Classification: R23; N35

1. Introduction

The Vietnamese migrant laborer as a petty trader is quite a common figure in the Thai consciousness, as for example the family in Kampon Boontawee's *A Child of the Northeast* demonstrates. That portrait showed normal although perhaps slightly eccentric family life among people who helped their own. It was said that when Vietnamese decide to move on they leave their shops and all their stock behind for another Vietnamese family to operate whenever they arrived. This is a scene of bucolic peacefulness that was not always reflected in reality, especially in the years following 1945. However, the negative experiences of one generation of people are untypical of the experiences of Vietnamese in Thailand, as this paper hopes to demonstrate.

The history of Vietnamese migration is hundreds of years old. Yet, since the start of the twentieth century, Vietnamese became distinctly mistrusted by Thai authorities, who believed that they may have been involved in the desire to spread Communism to Thailand. Vietnamese migrants thus became subject to persecution at a variety of levels, just as members of other migrant ethnic minorities have also been and in some cases continue to be. Many of the Vietnamese migrants who arrived in Thailand did so as a result of the attempt by the French in 1945 to recolonise the Indochina area. Indochina consisted of Vietnam, Laos and Cambodia, which had been colonised by France in the third quarter of the

nineteenth century. The colonisation was deeply resented by Vietnamese and many had adopted a faith in Communism as an ideology that would help them to repel the Europeans. The majority of those who fled overseas chose to do so over the Mekong River into Thailand. Not only did they believe that Thailand offered an environment conducive to their lifestyle but there was also the hope that Thais themselves would have political sympathies with them. Thailand had fought a war with France between 1940-1 and had at one stage secured two provinces in Cambodia from the Europeans. Subsequently, many of the refugees found that they did not wish to return to Vietnam for a variety of reasons, one of which was attachment to their new home and its people. The experiences of these people are considered in this paper. Many suffered from continued forms of persecution in Thailand and were forced to find different types of work to support themselves and their families. They form a distinct set of people facing different circumstances than those affecting any other Vietnamese migrants.

This paper continues with an examination of the historical perspective of Vietnamese migration into Thailand and its changing nature and motivation. It continues with analysis of the spatial location of Vietnamese communities, Vietnamese-Thai economic relations, labour laws affecting Vietnamese migrants in Thailand and then the economic activities undertaken by the migrants. An agenda of further research helps to conclude the paper.

I am indebted to Mr. Nguyen Van Canh for research assistance with respect to this project. Many of the respondents contacted for interview were reluctant to participate on account of the illegal status from which many had suffered for so many years and which, in some cases, continued to be a problem. Further, respondents were also hesitant about helping with locating further respondents, although once a trusting relationship had been established then offers of personal introductions then followed. Clearly, all respondents will remain anonymous and personal data maintained as confidential.

It might be noted that many of the difficulties faced by many of the Vietnamese migrants in Thailand might have been ameliorated by bribery and that many institutions of the Thai state have attracted a reputation for corruption. Respondents were obviously unwilling to admit that they had participated in this practice but readers will be aware that this did occur on a fairly regular basis.

2. Historical Perspective

Vietnamese have been living in Siam (the previous name for Thailand) since at least the time of the establishment of the Sukhothai state in the C13th (Thin, 2003). In addition to the small scale trickle of individuals and families seeking better economic opportunities across borders, there have been several instances of larger

numbers of people moving or being moved forcibly en masse. There has been a long-term tradition of peoples being moved from one location to another in mainland Southeast Asia. Historically, population density in the region has been very low and there has been continual pressure to obtain more labour, especially skilled labour, both to create a surplus of goods over consumption and to convert any such surplus into prestige and wealth for the state's ruler. Vietnamese were part of this activity when their lands became embroiled in the endemic warfare of the region throughout the years. Military confrontation between the Vietnamese state (Dai Viet, based in the north of the present country) and the Tai Sukhothai state occurred when the latter sought to seize the ethnic Malay and hilltribe Champa state located in what is now Southern Vietnam. The two were also linked through the network of international trade extending from Persia and India to China and calling in on ports in the territories of each.

Individual Vietnamese were also mentioned in chronicles as being present in Tai states, often in the role of military specialist of one sort or another. For example, a Vietnamese man named Pan Songkhram, who is recorded as having the rank of leader of one thousand men, is described in the Chiang Mai Chronicle as being a specialist in the use of the *pu cao* cannon and helped King Tilokarat to subdue the city of Phrae (Wyatt and Aroonrut, 1998). Vietnamese are recorded to be living on the outskirts of the Ayutthaya of King Narai (1656-88) in a camp similar to those of other foreigners interested in mercantile possibilities (Thin, 2003). These Vietnamese, at least in part, voluntarily offered their labour in public works, perhaps preferring to do so rather than find themselves subject to the corvée labour laws that affected the native-born Siamese. A particular stimulus to migration occurred when the northern Vietnamese Nguyen lords sought to crush their Trinh counterparts in the south and, seizing land, expelled those Southern Vietnamese who had embraced Christianity. As a result, a community of Christian Vietnamese was established at Ayutthaya, which had a tradition of religious tolerance. These Vietnamese built religious buildings in which to practice their faith and their legacy is still noticeable in a number of places throughout the Kingdom. The fortunes of these communities waxed and waned over the years but they continued. The next major wave of migration occurred in the eighteenth century and was the result of defeat for Prince Nguyen Anh and his subsequent settling in Thailand. Many of the prince's soldiers had useful skills and contributed those skills to the development of Bangkok, living in villages in a region known as *Yuan Sam Sen*, which specialised in food processing, liquor distilling and bronze casting (Thin, 2003). Prince Nguyen Anh eventually returned to Vietnam and established himself as Emperor Gia Long. As such, he was able to introduce a friendly relationship between the two states. This was occasionally interrupted by warfare, especially when Siam seized ethnic Vietnamese living in Cambodia and relocated them to eastern Siamese provinces where they worked on general construction projects. Continued almost anarchic conditions in Cambodia made this a recurring problem.

However, the period of colonisation brought the Southeast Asian people and their rulers together with the desire to resist the Europeans. This was not initially successful and Vietnamese continued to migrate to Thailand for a life offering more personal and economic freedom. Writing in 1892, Lucien Fournereau described the Vietnamese migrants, referring to them as Annamites, in the following slightly idiosyncratic way:

“The Annamites are numerous; skilful and indefatigable fishermen they feed the markets; farmers, gardeners bringing their products to the city, coal merchants selling wood charcoal, they show themselves skilled in all kinds of trades. Almost all of them are former prisoners of war who have founded a line in Bangkok or the surroundings. Some, nevertheless, come from Saigon to seek fortune and to try themselves as cooks or servants, but not being able to fight the Chinese competition they do not hesitate to return home”(Fournereau, 1998, p.40).

While this community was developing in Bangkok, other communities were being built at Sakhon Nakhon and Bandua Mukden, some distance away from the Mekong River but intended to be centres for dissidents. These communities were initially anti-French but pro-Vietnamese imperial system and it was not until later that a more radical ideology began to infuse the Vietnamese overseas population (or *Viet kieu*) (Gunn, 1998, pp.27-42). Siamese officials mostly ignored the actions of the Vietnamese and this led to suspicions among the French of sympathizing with them. The communities varied considerably and also changed location over the course of time. Many Vietnamese were poor peasants from Nghe An Province who simply continued with their normal way of life in the new country. Others were middle class émigrés who had more interest in politics and who were sought out by the active Vietnamese agents and integrated into political networks. Politicised migrants were frequently obliged to work as carpenters or in handicrafts or even subsistence rice farming to make a living. These networks were mirrored by others in Southern China and in Indochina itself, with individuals attempting to link different peoples together by personal message. Most of the politically-motivated migrants returned to Vietnam when they had the chance to do so. However, some respondents in this research reported that they were prevented from returning because of the danger and because of family circumstances.

All of the Vietnamese who arrived in Thailand before 1945 have now been designated as having the generic term of *Yuan Kao* or Ancient Vietnamese by Thai authorities, so as to distinguish them from more recent arrivals.

The Vietnamese revolutionary leader Ho Chi Minh travelled to Thailand with a view to fostering revolutionary thought among the Vietnamese community in the north-eastern part of the Kingdom. Various organisations such as the Co-operative Association and the Women’s Association were apparently receptive to his ideas. His visit occurred during 1928-9 when no difficulties were put in his way by

authorities and local people and even monks were prepared to help feed him and his followers (Vy, 2003). However, it is not clear that these activities resulted in any material results. Nevertheless, there is evidence of closeness between Thai and Vietnamese people in this period, even though military forces had established control in Thailand and considered Communism inimical.

3. 1945

At the end of the Second World War, Japanese-conquered territories were initially liberated but were then subject to attempts to recolonise them in some cases. Vietnam, as well as the remainder of French Indochina, therefore suffered the return of French colonists. This led to a decade of warfare between the Vietnamese resistance and the French, which ultimately led to the expulsion of the latter following the battle of Dien Bien Phu. However, during the decade of fighting, many Vietnamese insurgents suffered greatly and many sought to flee westwards. As a result, many occupied the border region between Laos and Thailand, which are divided by the Mekong. Unwelcome on either side of the river, they were forced to cross back and forth illicitly, by boat or swimming. On at least one occasion, French troops chased Vietnamese refugees into the water so that 'the Mekong ran red with blood (Respondent, 2005).' When located by Thai authorities, the Vietnamese were registered and required to remain in the province in which they found themselves. Consequently, the eastern provinces of Thailand remain the home to the bulk of the Vietnamese migrants.

However, some Vietnamese did manage to obtain official registration papers. These were of three groups (Thin, 2003). Firstly, ethnic Vietnamese who were living in the two provinces of Cambodia that were yielded to Thailand as a result of the so-called Franco-Thai War of 1941 were accorded official residency. When the two provinces were returned in 1946, the Vietnamese who wished to were resettled in eastern Thai border provinces. The second group included those who had been involved in maritime trading between Vietnam and Thailand and who had therefore established a network of relationships in coastal towns in Thailand. A proportion of these people also obtained official registration papers. Finally, a small number of the refugees of 1945 (described below) were also able to obtain papers through a variety of ways. These three groups are referred to as a whole as *Yvon Tang Dao* (Vietnamese Foreign Residents).

The situation of the *Yvon Op Pha Yop* (Vietnamese refugees), as the people of this generation were known, was greatly influenced by the role of Prime Minister Pridi Panomyong, who maintained friendly relations with Ho Chi Minh and who is one of the great progressive leaders of Thai politics. When Pridi's government was overthrown in 1947 by Field Marshal Phibul Songkhram, the impact on Vietnamese refugees was immediate and very harsh. Laws prevented them from

attending school or speaking Vietnamese, while their movements were strictly monitored. Thai authorities were concerned at this time to enforce regulations to integrate the Chinese ethnic minority more closely into Thai society, since the Chinese Thais were felt at this time to prevent a threat of rebellion, under the influence of Communist ideals. Ethnic Vietnamese at this time were banned from speaking or learning Vietnamese and, if they wished their children to speak Vietnamese, education had to take place in secret. Since people were not generally permitted to entertain groups of people at home, special occasions had to be invented as a cover when such meetings were desired. These included fictitious weddings, at which Vietnamese could gather to contribute the approximately 7 or 8 US dollars per soldier per month which was then transmitted across the border. This activity was known as 'making flowers blossom (Respondent, 2005).' The stateless status suffered by this generation has continued until the present day, as the majority of applications for Thai nationality have yet to be granted, although the Vietnamese Embassy in Bangkok is optimistic that all will be granted in due course. At least as recently as the 1980s, some ethnic Vietnamese children were given out for adoption by Thai families so that they would be eligible to receive state education.

For income, Vietnamese looked for portfolio employment in whatever industries provided opportunities for wage labour. These included woodworking, retail and the repair of mechanical equipment. Women were often involved in sewing and repairing clothes. As all forms of employment had necessarily to be unofficial, there was nothing to protect employees from unscrupulous employers. This is a problem that persists to the current day, with Burmese illegal migrant workers, most noticeably, being subject to violent assaults on some occasions in lieu of wages. The border regions of Thailand, where most migrant workers are congregated, are in many cases remote from the control of the central authorities and border authorities are often able to wield a considerable degree of autonomy in their actions.

The internal pressures for migration within Vietnam include the increasing levels of rural unemployment and under-employment, as well as the search for better economic opportunities (Tien and Ngoc, 2001, pp.39-60). In addition, Vietnamese authorities have been planning to export Vietnamese labour as part of their plans for economic development. However, it is not clear that such labour on a large scale would have any comparative advantage over alternatives available to Thai employers.

4. Spatial Location

The majority of ethnic Vietnamese in Thailand are located in Isaan (Northeastern Thailand) and Eastern Thailand. This is because migrant Vietnamese crossed the

border with Laos or Cambodia in those areas and because Thai regulations required them to remain within those provinces. A cap was set between 1946-53 for Vietnamese migrants of 100,000 with between 1-6,000 people in 17 of the 19 Isaan provinces. Between 1960-4, Thai authorities encouraged Vietnamese to return to Vietnam and up to 10,000 did so. Thousands more migrated to other countries, including western countries. It is possible that around 50,000 Vietnamese remain in the Isaan region. The majority of these have become integrated to a greater or lesser extent with the Thai community although, like the various Chinese communities, there are still groups who maintain a Vietnamese identity and speak in the Vietnamese language between themselves.

Previously, Vietnamese were required to remain in the province in which they were registered and leaving that province without permission was illegal. For a first offence, an individual could be returned to the registered province with a warning but second or subsequent offences could result in detention or imprisonment. One respondent reported a brother who was imprisoned for eight years for leaving Mukdahan province without permission. At this time, he had not been long married and had young children. His wife was driven to such a level of despair that she tried to commit suicide. In some cases, breaches of regulations have led to wholesale movement of people from the eastern part of the country to the southern province of Phattalung, where some people still remain, many years after the original movement.

However, other people, especially single men, were able to move to Bangkok for work and even to travel to and from different provinces carrying messages and information. Despite the strict regulations, many Vietnamese were prepared to risk punishment by leaving the registered province for, primarily, Bangkok. Reasons for this centre on the low level of economic opportunities available away from Bangkok and the inability to buy many needed goods. Vietnamese moved clandestinely about the country and, if they wished to take up residence in Bangkok, would live illegally under constant threat of discovery. Presumably some measure of bribery was possible in some cases but respondents were reluctant to discuss this aspect. Since some Vietnamese have still been unable to obtain official registration as much as 60 years after they first entered Thailand, they remain forced to live illegally and have adopted protectively secretive attitudes.

These regulations have subsequently been relaxed, although only for those who are fully registered. Unregistered Vietnamese without Thai nationality must still remain within the registered province and are subject to sanction should they be found to have tried to enter another part of the country.

The temporary home of Ho Chi Minh in Nakhon Phanom has also become a significant centre for the Vietnamese community. The community there includes Thai-Vietnamese monks and a burgeoning business community. Relaxation of

previous rules means that their role in local society is increasing. A prominent entrepreneur, Khun Sittiporn Sirivoradejkul, plans to enter local and possibly national politics once permission is obtained (Achara, 2005).

One additional community of Vietnamese is the estimated 2,000 or so Chams living in the Ban Khrua area of Bangkok. This group originally lived in the Trat province but were moved to Bangkok by King Rama I at the beginning of the nineteenth century because of their skills with navigation and shipbuilding, since the King needed a more modern navy to compete with the various European powers. These Chams follow an Islamic lifestyle and communities also exist in Ayutthaya and also in Trat, where some remained behind. Cham women became involved with silk weaving and when the well-known Jim Thompson silk business was established, it was Cham women who first provided the model for what was marketed as Thai silk (Schliesinger, 2000, pp.136-40). A respondent for this research also operated a silk weaving factory, with workers using traditional technology to produce silk primarily for corporate customers, notably a large airline.

5. Labour Laws and Agreements

Unlike neighbouring countries such as Laos and Myanmar, Thailand has no formal labour agreement with Vietnam. Consequently, applicable regulations concerning labour and migration are those which pertain to all other countries generally without special provision. These regulations concern the industrial sectors and activities in which people may work, their requirements for visa and residence, the procedure for obtaining a work permit and the regulation of access to government services. In general, the requirements for obtaining a work permit are quite rigorous and require a sponsoring organisation in the Kingdom. Since many migrants are comparatively poorly-skilled and compete primarily in terms of low labour costs. This means there is an incentive for potential employers and the migrant workers themselves to try to remain unregistered. This mean the labour is cheaper but unprotected by health and safety standards and without any rights for workplace representation. There are numerous cases of workers suffering from poor and even violent treatment in different parts of Thailand, largely because they are unregistered and unprotected. Indeed, after the recent tsunami disaster at the end of 2004, many hundreds or thousands of Burmese migrant workers went to ground rather than seek aid from authorities it was believed would be unhelpful or worse. Stories of human trafficking are also commonplace (e.g. Prasong, 2005) and the numerous varieties of small-scale and daily persecution of some migrant workers have started to become fully chronicled (Myint Wai, 2004).

According to the Royal Decree of BE 2522 (1979), aliens are unable to obtain work permits for the following activities:

Labouring	Work in agriculture, animal breeding, fishing and farm supervision (excluding some specialised skills)
Masonry, carpentry or other construction work	Wood carving
Driving of motor vehicles or non-motorised carriers (except international pilots)	Shop attendants and window salespeople
Auctioneering	Accountancy supervision, auditing or services in accounting (except occasional internal auditing)
Gem cutting or polishing	Hair cutting, hair dressing or beautician work
Hand weaving	Mat weaving or fabrication of wares from reed, rattan or related materials
Manual fibre paper making	Lacquerware making
Thai musical instrument fabrication	Nielloware fabrication
Goldsmith, silversmith or other precious metalwork	Bronzeware fabrication
Thai doll making	Mattress or padded blanket fabrication
Alms bowl fabrication	Manual silk product fabrication
Buddha image fabrication	Knife making
Paper or cloth umbrella fabrication	Shoemaking
Hatmaking	Brokerage or domestic agency work
Engineering work, including civil engineering and construction supervision	Architectural work or supervision
Dressmaking	Pottery or ceramics
Manual cigarette rolling	Tourist guide or tour organising agency
Hawking	Thai character typesetting
Clerical or secretarial work	Legal or litigation service

Violating these regulations renders the alien subject to a fine of between 2-100,000 baht and imprisonment for up to five years. The regulations have been amended from time to time over the years, both to keep the list of forbidden activities modernised and also to provide some exemptions for certain categories of migrants. Bilateral agreements with both Lao PDR and Myanmar have provided scope for allowing migrants from those countries special permission to become involved in particular professions. However, as mentioned previously, no such agreement exists with Vietnam and there are, as of 2005, no publicly published plans to create one exist. Consequently, economic relations between the two states are regulated by the rules of multilateral organisations to which both belong, such as the Association of South East Asian Nations (ASEAN) and the World Trade Organisation (WTO).

Relations between Vietnam and Thailand were hostile from 1962 until 1975, owing to the co-operation provided by Thailand to the USA and South Vietnamese in the Vietnamese War for Liberation. However, political relations did improve and diplomatic relations between the two countries were established in 1976. Although government relations have been mostly harmonious in recent years, there have still been problems. In 2001, for example, Vietnamese and American Vietnamese active in Thailand made attempts to bomb the Vietnamese Embassy in Bangkok. Fortunately, the attempt failed for technical reasons but there was then a clutch of stories about anti-Vietnamese government groups based in Thailand (Khien, 2003). As Vietnamese relations with the USA have improved and as China has emerged as an economic partner for the ASEAN region, then necessarily Thai-Vietnamese relations have also improved.

6. Economic Activities and Work of Ethnic Vietnamese in Thailand

Many of the generation of Vietnamese who entered Thailand as a result of the French recolonisation of their home country were obliged to adapt themselves to any form of economic opportunity available. Initially, many used the skills that they possessed when they left Vietnam and in some cases shared their knowledge with unskilled compatriots. In other cases, the unskilled workers were obliged to seek whatever manual labour may have been available.

Workers with marketable skills often focused on particular Vietnamese skills which were not available in Thailand. Specific forms of woodcraft were examples of this. It was also reported that niches were available in some activities in which Thais were not competent or else not interested but in which one or more Vietnamese migrants had some ability. These included mechanical engineering and vehicle repair. An unofficial and informal Executive Committee of Vietnamese in Thailand, centred in Bangkok, established a base in which Vietnamese migrants could come to receive instruction in mechanical engineering which they could then take to other provinces. Consequently, it is said that vehicle mechanics around the Kingdom of Thailand are mostly Vietnamese in origin, for example. These skills were taught to male Vietnamese, while females could receive training in sewing and tailoring. Gender distinctions in the world of work remain strong among the migrant communities.

By the time of a younger generation who were born in Thailand and therefore eligible for Thai nationality, most young people are very similar to entirely Thai people. They are mostly less likely to speak Vietnamese or be able to speak Vietnamese and they are supported by their parents to maximise their education. This has meant that they tend to have better options for employment and so are not so constrained in their choice of occupation. Inevitably, those living in rural areas are less likely to be able to take advantage of educational opportunities than those

people living in urban areas. University education is only available to those students whose parents have been able to obtain Thai nationality or who can meet the fee for foreign students, which is around five times that for Thai students.

No Vietnamese agency in Thailand was able to provide assistance for the *Yuon Op Pha Yop* but unofficial organisations were established. Vietnamese would meet in Bangkok at a temple in the Chinatown area and communications could be circulated throughout the Kingdom by those people who were able to travel. One such informal organisation included a mechanical repair workshop and young Vietnamese from throughout Thailand were secretly brought to Bangkok to learn the trade. After their apprenticeship was served, they would return to their registered province to establish a business as a mechanic. This explains why so many mechanics in Thailand are ethnic Vietnamese. While males were offered this training, girls and young women were instructed in sewing and repairing clothes. The gendered division of work was maintained in this case, as it generally has been within the Vietnamese community in Thailand.

Thai law prevents non-Thais from owning land, except in very specific and restricted circumstances. It also prevents non-Thais from holding the controlling interest in any business. Foreigners, Vietnamese included, often circumvent these difficulties by marrying a Thai wife (or husband, although this is much rarer) and placing the assets in her name. Of course, this is not an ideal solution as personal relationships can break down and the assets put at risk. However, it is favoured among many communities and is being used by Chinese businessmen moving into the new economic zones in Chiang Rai province (Subin and Thirawat, 2004). Nevertheless, the business is necessarily run on a semi-official basis and this can be manifested in the protection given to workers and the protection business executives receive from harassment. Some respondents reported being asked to pay fines or fees which they felt were not officially sanctioned.

Intra-ethnic community relations have generally been reported to be harmonious but there has been low level racist taunting and harassment, according to some respondents, from both the Thai majority and also the ethnic Chinese community. It is certainly true that there have been important political differences between the two countries (not least the Sino-Vietnamese War of 1979) which may have been influential in raising tensions.

In summary, ethnic Vietnamese migrants became unable to make full use of their skills and competencies as a result of political conflict. They have in recent years been more likely to be able to fulfill their abilities.

7. Future Research

Many of the *Yuon Op Pha Yop* generation have reached an age when they are no longer capable of working and others are approaching that age. They have made efforts to ensure that their children at least have been able to receive official status so that they may pursue the career of their own choosing.

Like nearly all migrant communities, the Vietnamese in Thailand have worked hard to integrate themselves and to provide better economic futures for themselves and their families. Those who arrived in the years after 1945 represent a unique subset of all the Vietnamese migrants and it is hoped that their experiences will not be replicated in the future. However, research has indicated that a majority of Thai society believes in differential levels of wages depending on ethnicity (Martin, 2003) and so genuine equality may still be some way away.

There are currently very few non-migrant Vietnamese businesses in Thailand and Vietnamese exports to the Kingdom are at a comparatively low level, certainly when compared with the flows of capital and goods moving in the opposite direction. The connections, if any, between Vietnamese migrants in Thailand and other Vietnamese in creating new businesses are not clear and research in this area would help to promote successful and efficient business creation. It is possible that better organised networks exist in the eastern provinces of Thailand and that these extend across borders with Laos or Cambodia. However, this has yet to be established. More work on the Vietnamese who returned to Vietnam and any continuing economic connections with the migrant community would also be helpful. It is hoped that the current research will contribute to this larger program.

8. Bibliography

- Ashayagachat, Achara (2005). Against All The Odds. *The Bangkok Post*, June 9, O3.
- Fournereau, Lucien (1998). *Bangkok in 1892*. Translated with an introduction by Walter E.J. Tips. Bangkok: White Lotus Co. Ltd.
- Gunn, Geoffrey C. (1998). *Theravadins, Colonialists and Commissars in Laos*. Bangkok: White Lotus Co. Ltd.
- Boontawee, Kampon (1976). *A Child of the Northeast*. Translated by Susan Fulop Kepner. Bangkok: Pouyzian Publishers, n.d., original.
- Theeravit, Khien (2003). The Development of Thai-Vietnamese Political Relations. In *Twenty-Five Years of Thai-Vietnamese Relationship*, edited by Thanyathip Sripana, Theera Nuchpiam and Pham Duc Thanh. Bangkok: Institute of Asian Studies, Chulalongkorn University.
- Martin, Philip (2003). *Thailand: Improving the Management of Foreign Workers*. Bangkok: International Labour Organisation.

Myint Wai. *A Memoir of Burmese Workers: from Slave Labour to Illegal Migrant Workers*. Edited by Subhatra Bhumiprabhas and Adisorn Kerdmongkol. Bangkok: Thai Action Committee for Democracy in Burma, 2004.

Charasdamrong, Prasong (2005). Human Supply and Demand. *The Bangkok Post*, April 24th, 2005. Downloaded from: http://www.bangkokpost.com/240405_Perspective/24Apr2005_pers02.php.

Schliesinger, Joachim (2000). *Ethnic Groups of Thailand: Non-Tai-Speaking Peoples*. Bangkok: White Lotus Co. Ltd.

Kuenkew, Subin & Thirawat Khamthita. Chinese Flock to Chiang Rai to Set up Shop. *The Bangkok Post*, September 16, 2004. Downloaded from: http://www.bangkokpost.com/160904_News/16Sep2004_news11.php.

The Chiang Mai Chronicle (1998). Translated by David K. Wyatt and Aroonrut Wichienkeo. 2nd ed. Chiang Mai: Silkworm Books.

Thin, Trinh Dieu (2003). Formation of the Vietnamese Community in Thailand. In *Twenty-Five Years of Thai-Vietnamese Relationship*, edited by Thanyathip Sripana, Theera Nuchpam and Pham Duc Thanh. Bangkok: Institute of Asian Studies, Chulalongkorn University.

Tien, Ha Thi Phuong & Ha Quang Ngoc (2001). *Female Labour Migration: Rural-Urban*. Hanoi: Women's Publishing House,

Vy, Nghiem Dinh (2003). Ho Chi Minh in Thailand. In *Twenty-Five Years of Thai-Vietnamese Relationship*, edited by Thanyathip Sripana, Theera Nuchpam and Pham Duc Thanh. Bangkok: Institute of Asian Studies, Chulalongkorn University.

Wyatt, David K. & Aroonrut Wichienkeo (1998). *The Chiang Mai Chronicle*, second edition Chiang Mai: Silkworm Books.

The History of Romania's Relations with the International Monetary Fund

Senior Lecturer Stefan Gheorghe, PhD
Danubius University of Galati, Romania
stefangheorghe@univ-danubius.ro

Abstract: The International Monetary Fund aims primarily at ensuring the stability of the international monetary system more specifically the international payment system which allows countries and their citizens to buy, sell goods and services between them. This is essential for sustainable economic growth, improvement of life standards and reducing poverty all around the world. The goals of Romania's agreements with IMF subscribe these parameters, mostly the current one, this being emphasized by the economic recession and the necessity of reducing fiscal imbalance in order to attain a deficit with normal values acceptable in the EU. These include: maintaining the inflation at the range aimed by RNB, ensuring a sufficient external financing and improving credibility, the attempt to amortize the effects of severe capital absorption and resolution for Romania's external and fiscal imbalances and consolidation of the financial area.

Keywords: economic agreement; external financing; economic reforms; stand-by arrangements; special drawing rights

JEL Classification: N00; N10; N13

The International Monetary Fund is the main organization which reunites 186 member states and it was founded in order to promote international monetary cooperation for contributing to the economic growth more of the states in economic difficulty by giving them temporary economic and financial assistance (V.Domescu, 2008, Iasi). The necessity for creating the International Monetary Fund, known as well as IMF or the "Fund", was initially spread in July, 1944 during the Conference of the United Nations which took place in Bretton Woods, New Hampshire (United States), by the representatives of the 45 member states. The delegates agreed to establish a framework for economic cooperation in order to prevent a reiteration of the economic crisis from the '30 when the economies of the majority member states were significantly affected and disrupted the economic and financial balance both at global and state level. Consequently, in December, 1945, the institution of the International Monetary Fund began to function. The IMF formation process was rushed so that the end of the Second World War not to take by surprise the economies of the belligerent states and those of the neutral ones, the transition from the war production to that of peace being utterly risky in the context of commercial exchanges disorganization from the half of the century. Also, among the targets of the Big Three expressed with the occasion of various

meetings during the war, there is included responsibility assumption with respect to ensuring support to the states which underwent major economic and material losses after the conflict aiming that in the future no other country imbalance the world. In order to attain these goals, the members states had to agree upon respecting mutual obligation like:

1. Transparency of the economic data necessary to conducting operations specific to IMF;
2. Elimination of restrictions regarding payments and transfers of current international transactions;
3. Elimination of discriminatory monetary practices;
4. Convertibility, on demand, of the currency sums owned by other states (Brezeanu & Poanta, 2003)

Romania has been a member of the International Monetary Fund since 1972, currently having a contribution of 1030, 2 mil. SDR or 0,47% from the total share. Romania owns 10 552 votes, representing 0, 48% out of the total. Within the framework of IMF, Romania has been included in the category of constituent countries along with Holland, Ukraine, Israel, Cyprus, Moldavia, Georgia, Armenia, Bulgaria, Bosnia Herzegovina, Croatia, Macedonia and Montenegro. This group of countries is represented in the Executive Council of IMF by a Dutch executive director. Within the office of the executive director, Romania has a representative who is the councilor of the director. Romania's governor at IMF is the governor of RNB; the alternate governor is the State Secretary from the Ministry of Economy and Finances. Romania accepted the obligations stipulated in the Article no. VIII of the IMF status, on March 25, 1998 (Moisuc & Gurgu, 2006). After Romania's adhesion to IMF, our country has become an active member in the reform of the international monetary system and in its status modernization as well.

Through this, Romania plight not to resort to the introduction of restrictions with respect to payments and transfers for current international transactions and not to participate to discriminatory exchange arrangements or multiple practices without the approval/consulting of IMF.

From 1991, the financial assistance given by IMF materialized through the approval of eight stand-by arrangements. On May 4, 2009 the Council of Executive Directors of IMF approved Romania's solicitation with respect to closing the agreement for a periode of two years amounting to 11,4 billions SDR. (approximately 12,9 bn. Euros or 17, 1 bn. USD) and the release of the first block amounting to 4, 37 bn. SDR (approximately 4,9 bn. Euros or 6, 6 bn. USD). At the beginning of 2008, RNB overhauled through buying the sum of 75, 95 bn. SDR (representing the allocation of SDR, meaning special drawing rights received from IMF during 1979-1981 and used in 1990). As a member state with full rights,

Romania give to IMF information and makes annual consulting with this international financial organization in compliance to the articles of IMF status.

IMF resources reside from the member states, mainly through the payment of taxes which generally regard the economic potential of every particular state. The annual cost for the institution administration covers principally the difference between the income from interests (for arrear credits) and interests payments (on evaluation used to finance at the level “of reserves” for loans). However, the member states agreed recently to adopt a new model of incomes which. Member states pay 25% out of the subscription quota in SDR or in international currency such as the American Dollar or Japanese Yen. (Brezeanu & Ponta, 2003)

Each states' quotas are determined by their position in the world economy, the bigger the economic results are, the higher the commerce volume is, the more significant the quotas will be. From the moment of the adhesion to IMF, every country contributes with a certain sum of money called “quota subscription”. After the revaluation from 1998, quota subscription increased with 45% amounting to 216.75 bn. SDR (approximately 323.31 bn. USD) IN January 1999. The revaluation from 2003 did not bring any quota modifications. In 2006, the quotas were risen with 1.8, this action being registered in a program of reforms which unfolded on a period of two years. In 2010, the total quotas was amounted to 217.4 bn. SDR approx.. 346 bn. USD. (Dornescu, 2008)

Most funds given by IMF for loans come from member states, mainly from taxes. The preferential loans and debts abatement for countries with short incomes are financed through trust funds. Each member state receives a quota generally based on the economic dimension in proportion to the world economy determining its contribution to the institution. When a country becomes a member state of the Fund with full rights, it will mostly pay up to a quarter from its quota of largely accepted currency: American Dollar, Euro, Yen and Great Britain Pound or in special drawing rights (SDR). The rest of three quarters is paid in its local currency.

Before 1989, Romania, on terms of criteria fulfilment, succeeded in closing with IMF three stand-by economic agreements, according to which it had the right to buy large sums of currency from the IMF during a particular period of time.

During these agreements with the Fund, the Romanian state benefited from loans as follows: on October 3, 1975, Romania received special drawing rights amounting to 95 mil. , the agreement being ended in twelve months, on October 2, 1976. During the second agreement, approved on September 9, 1977 and closed on September 8, 1978 Romania received 64,1 mil. SDR. The third agreement with IMF had in view 1.102,5 mil. SDR but it was voided on January 14, 1984 by the Romanian party which succeeded in drawing approx. 817,5 mil. SDR. However, till the end of the '90, Romania managed to acquit its entire debts to IMF and the other states. After the fall of the communist regime and Romania's adopting the

standards of free economic exchange, its relations with the international financial organizations improved substantially. On April 11, 1991 it was closed a twelve months agreement amounting to 380,5 mil.SDR which aimed improve the economic reform, the banking system and to create proper economic and legislative conditions specific to the market economy, goals which unfortunately, did not completely materialized. On may 29, 1992 a second agreement was closed between the two parties, the sum amounting to 314 SDR in ten months, but this did not turn out as expected given the late adoption of specific measures for the liberalization of the Romanian economy. The third financial economic agreement after 1990 was signed on May 11, 1994 for a sum of 3012,5 mil.SDR. The agreement was partially fulfilled in the sense that the targets were not fully accomplished due to Romania having failed to control and decrease the inflation given the planned standards, its delay in restructuring the financial-banking system and the non elimination of the subventions for the inefficient state producers). The fourth stand-by agreement, on April 22, 1997 was closed on a three months period and aimed to draw 5 semestrial portions amounting to 301,5 mil.SDR in order to attain a deficit budgetary bar of 4,5 from GDI, the increase of the RNB reserves, the decrease of the inflation, etc. These goals' non achievement deepened Romania's economic crisis, the low economic performances forcing it to close a new agreement with IMF on August 5, 1999 which was amounted to 400 SDR yet preserving the same economic and financial objectives. On October 31, 2001 Romania closed another agreement of 300 SDR in order to consolidate its economic growth simultaneously with the acceleration of structural reforms. On July 7, 2004 it was closed a 250 mil SDR agreement which would be cancelled in 2005 as a consequence of the divergences between the two parties, thus making the agreement one of preventive supervision. On April 24, 2009 Romania solicited the closing of a new stand-by agreement amounting to 11,443 bn. SDR (approx. 17 bn. USD/ 12,95 bn. Euros). In order to obtain this financing, Romanian authorities presented their arguments for adopting the economic program and described their economic policy objectives. The achievement of these goals depended on:

- a continuous consolidation of the fiscal policy for reducing the financing necessities of the Government and for improving the long term fiscal sustainability;
- maintaining an adequate capitalization of banks and of the liquidities on the national financial markets;
- the assurance of sufficient external financing and the improvement of credibility.

Romania is expected to continue having a good drawback capacity towards IMF. The maximal level of the drawback credit in 2011 will be of 31,6% out of the gross reserves. In 2013 and 2014 the peak payment will be at the manageable levels of 12,8% respectively 14,5 % out of the gross reserves.

Conclusions

Although in comparison to the initial program of the stand-by agreement, the external debt will have a slightly higher level as a percentage from the GDI due to the severe economic contraction, the level of the reserves will be higher as well due a more rapid contraction of the current deficit and of the unexpected evolutions with respect to the capital account. More precisely, till the end of the agreement, the Fund's opening towards Romania is projected to represent approximately 10 % out of GDI, slightly over 30% from gross reserves (comparatively with 40% as stipulated in the initial program).

Though this opening is still large, the risks for non drawbacks are diminished by the relatively reduced level of the public debt. Reportedly the level of the public debt will remain low (under 34% out of GDI), with a peak of the external public debt of approx. 13% out of GDI till the end of 2011. The strong political commitment towards the program sustained by SBA with the IMF and the excellent history with respect to the external obligation service represents a supplementary guaranty for Romania's fulfilment of its financial obligations towards IMF. Even there are many scenarios for Romania's escaping this crisis, it seems that the agreement continuation with the International Monetary Fund is currently the only viable solution.

Bibliography

Moisuc, Constantin; Pistol, Luminita & Gurgu, Elena (2006). *Relații economice internaționale/International Economic Relations*. Bucharest: Editura Fundației România de mâine.

Dragomir, Georgeta (2007). *Economie monetară și financiară/Monetary and Financial Economics*. Galati: Editura Fundației Academice Danubius.

Brezeanu, Petre & Poanta, Doina (2003). *Organisme financiare internaționale/International Financial Institutions*. Bucharest: Lumina Lex.

Dornescu, Valer (2008). Istoricul relațiilor României cu Fondul Monetar Internațional/History of Romania's relations with International Monetary Fund. In *Flacăra Iasului/The Flame of Iasi*, No II 2008, Iasi.

Niță, Ion (2007). *Economia țărilor membre ale UE/ The Economy of UE Member States*. Bucharest: Lumina Lex.

Moșteanu, Tatiana (2004). *Buget și trezorerie publică/Budget and Public Treasury*. Bucharest: Universitară.

Webliography

http://www.avocatnet.ro/content/articles/id_14866/Legea-nr-18-2009-a-bugetului-de-stat-pe-anul-2009.html

www.bis.org

www.bnr.ro

www.capital.ro

<http://www.capital.ro/articol/proiectul-bugetului-de-stat-pe-2010-download-129654.html>

<http://www.capital.ro/articol/bugetul-2010-cum-se-impart-banii-intre-ministere-129719.html>

www.capitalul.ro

<http://www.capitalul.ro/finante-banci/masurile-de-austeritate-bugetara-diminueaza-cu-25-salariile-sporurile-si-indemnizatiile.html>

http://www.dreptonline.ro/legislatie/legea_bugetul_stat_anul_2010_11_2010.php

http://www.efin.ro/stiri_financiare/stiri_finante/vladescu-sper-ca-noua-proгноza-sa-fie-acoperita-de-realitate.html

http://www.euractiv.ro/uniunea-europeana/articles%7CdisplayArticle/articleID_17547/Eurostat-Romania-are-cel-mai-mic-nivel-al-taxarii-din-UE.html

www.fmi.ro

www.imf.org

The Growing Global Threat of Cyber-crime given the Current Economic Crisis: A Study regarding Internet Malicious Activities in Romania

Ana Maria Tuluc, PhD in progress
Academy of Economic Studies, Bucharest, Romania
anamaria.tuluc@yahoo.com

Abstract: Computer crime, also referred as cyber-crime, is considered today one of the main leading problems in the ongoing global economic crisis and an impediment in the development of many countries. **Objectives** of this work are: to determine the evolution of cyber-crime during the current economic crisis, to emphasize the severity of this problem and the urgent need to limit its impact worldwide, to determine consumers perceptions regarding this phenomenon in Romania. **Prior Work** related to this issue was conducted by the Computer Security Institute in United States, International Computer Protection Agency, Symantec and Ponemon Institute. In their studies, these institutions have revealed many of cyber-crime features and proposed valuable solutions for decreasing its impact. The **Approach** used in this paper was a survey among Romanian consumers regarding cyber-crime. A total number of 110 respondents participated in this survey. **Results** showed that almost 80% of respondents were victims of cyber-crime at least once and more than 87% of respondents never reported these crimes to the police. As regards **Implications**, the study can offer support to specialized institutions, while academics can use these findings for further research. The **Value** of this paper consists of relevant findings regarding cyber-crime issue in Romania.

Keywords: Computer crime; economic decline; Internet security; web-attack victims

Jel Classification: H12; L86; C89

1. Introduction

In a vulnerable economic context, computer crimes have become an important issue to be addressed by specialized institutions and private companies. Studies show that, nowadays, attack toolkits can be not only easily purchased but also can be installed by anyone, no matter his level of skill. As the economic crisis rapidly spreads worldwide, cyber-attacks increased, causing damages to businesses and households. Another factor which favoured the spread of Internet malicious activities was the increasing number of Internet users, which is today more than 360 million. As a result, fast Internet penetration represents for cyber-criminals just another opportunity to attack markets. The good side of this issue is that, as computer crimes continue to grow, businesses and end-users can gain a better understanding of the problem and develop counter attack solutions. In this paper, the author expresses the urgent need for reducing the evolution of cyber-crime phenomenon while emphasizing the current state of the economy. As a result, the

paper brings to attention the consequences of further development of cyber-crime and its impact on the end-users. The article carries a population-based, cross-sectional survey, using a sample of 110 respondents. The survey was conducted in Romania, during October-December 2010. The purpose of this survey is to analyse the features of cyber-crime in Romania, while questioning the victims on several aspects: types of cyber-crimes, most common malicious activities initiated through Internet, the estimated time for solving the damages, the generated costs and, of course, the feeling aroused by these attacks. A second section of the survey analyses the response of cyber-crime victims as regards the reporting of these crimes to law enforcement. The final section describes the relationship between the response of cyber-crime victims and the socio-demographic characteristics of participants. The survey shows that people often encounter such problems, and choose not to do anything about it. The reasons are diverse, most of them considering the crime not serious enough to report it to the police while others choose to put the blame on themselves.

2. Basic Considerations regarding Cyber-Crime

Cyber-crime or computer crime is considered to be any crime that uses a computer and a computer network (Matthews, 2010). A basic definition describes cyber-crime as a crime where computers have the possibility of playing an important part (Thomas and Loader, 2000).

The main factor in cyber-crime increase is the Internet. By use of Internet, cyber-criminals often appeal to images, codes or electronic communication in order to run malicious activities. Among the most important types of Internet crimes we can mention: identity theft, financial theft, espionage, pornography, or copyright infringement. The cyber-crimes can be divided into two categories: the crimes where a computer network attacks other computers networks – e.g. a code or a virus used to disable a system, and, the second category, crimes where a computer network attacks a target population – e.g. identity theft, fraud, intrusions (Svensson, 2011).

For identity theft, cyber-criminals often use phishing, a tool which facilitates internet fraud through detection of usernames, passwords or credit card information (Matthews, 2010). Phishing can be used in e-mails or instant messaging, which is why it is most frequently detected in online payments, Internet auctions or social networks.

Issues revolving around cyber-crime have become more and more complex. Computer criminal activities have grown in importance and institutions are more interested than ever in putting an end to these attacks. Progressions have been made in the development of new malware software, which can easily detect criminal

behavior (Balkin et al., 2007). Moreover, high quality anti-virus systems are offered for free now in many countries at every purchase of a computer or an operating system.

3. The Impact of Economic Crisis on Cyber-Crime

The current economic crisis affected many financial institutions around the world, creating the premises for the development of the underground economy, also known as cyber-crime. According to Symantec, in 2009, the most targeted sectors by phishing attacks were: the financial sector and the Internet service providers sector. In the financial sector, more than 74% of the brands were used in phishing campaigns while in the Internet service providers sector only 9% of the brands were compromised through malicious online campaigns.

Globally, cyber-crime statistics have reached staggering proportions and many countries consider the Internet malicious activities as being one of the leading problems of the current economic crisis (Barnetson, 2009). In fighting the spread of cyber-crimes, Symantec is an important software provider, which enables confidence wherever information is used or stored. According to Symantec statistics, in 2009, more than 100 computer attacks were initiated every second (Fossi, 2010). In the report “State of Enterprise Security Report”, Symantec places malicious codes among the most frequently used methods by cyber-criminals. Thus, statistics show an increase of 100% in 2009, comparing to 2008, of malicious code use worldwide.

Cyber-crimes not only affect households, but also large companies. These institutions deal almost every day with espionage, financial theft attempts or information leakage. According to the “Symantec State of Enterprise Security Report” in 2009, almost 75% of the companies surveyed had experienced some sort of cyber attacks a year before (Fossi, 2010).

Figure 1 presents the evolution of attack tool kits, as stated in the 2010 “Symantec Report on Attack Kits and Malicious Websites”. There were considered for analysis only the last 3 years of economic crisis: 2008, 2009 and 2010. According to the statistics, in 2009 and 2010 there were developed more attack tool kits than ever before (Storey, 2010). This explains the severity of Internet malicious activities and encourages society’ involvement in stopping the spread.

The image shows the development of only 2 attack tool kits in 2008: Fire Pack and 31.Fiesta, while in 2009 there were developed almost 15 attack tool kits. Among them we can mention: Crimepack, Siberia, Fragus or Liberty. A slight decrease was registered in 2010, when almost 7 attack tool kits were created: Zeus 2.0, Golod, Spy Eye, etc.



Figure 1 Evolution of attack tool kits

Figure 2 presents the evolution of malicious web pages per month. The information is extracted from the 2010 “Symantec Report on Attack Kits and Malicious Websites” and reflects the fluctuations of cyber-crimes during July 2009-June 2010. The period considered is marked by an important decrease at the beginning at the July 2009, followed by small increases and decreases. The evolution of malicious websites ends with another important decrease, emphasizing a possible ending of the economic crisis or a development of new software which prevents cyber-attacks.

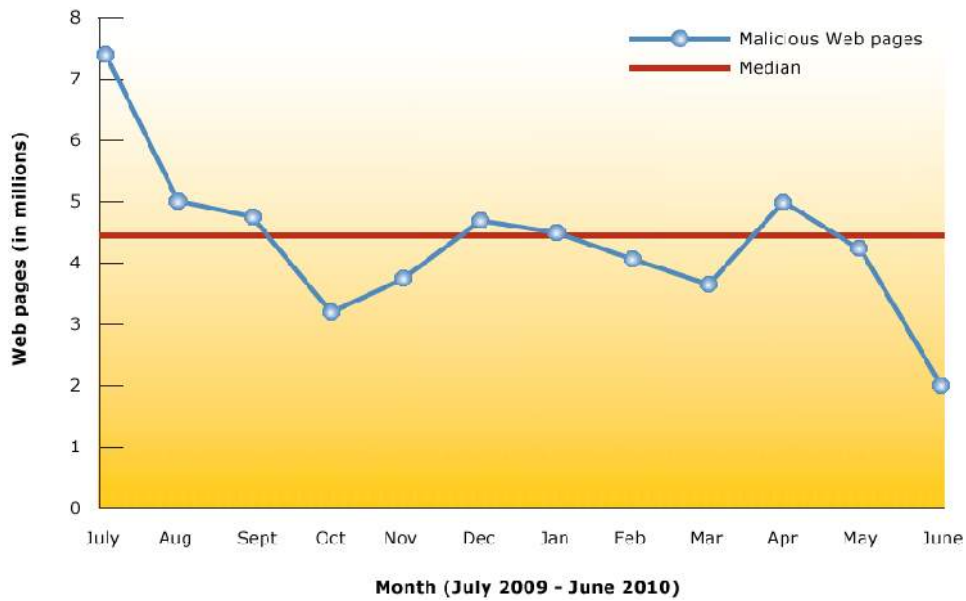


Figure 2. Malicious web pages by month

Figure 3 represents the result of a survey carried by Symantec and described in the 2010 “Symantec Report on Attack Kits and Malicious Websites”. The data consisted of a collection of unique search terms that resulted in visits of malicious websites. The top 100 search terms were ranked and ordered by their logical meaning.

The results show that an important number of malicious websites are in adult entertainment category, summing up to 44% of the search terms. This does not come as a surprise considering people attraction towards these movies. Studies show that more than 28.000 people visit these websites every second, which explains cyber-criminals interest in them.

The second category of malicious websites is video streaming, with 21% of the total. In the third category, other, there were included generic terms, not specific to one category in particular. This category reflects the variety of web pages found on the Internet.

Other categories considered in the study were: file sharing, software/technology, social networking, games, news/information and celebrities.

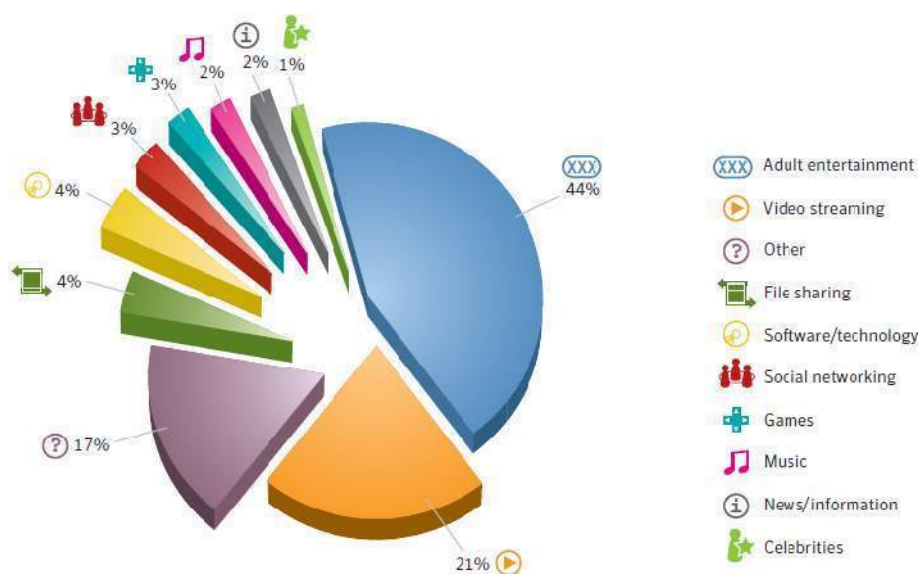


Figure 3. Malicious websites by search term type

The statistics presented indicate that web-based attacks have become one of the most common mechanisms for installing malicious code on computers. Usually installed through malicious advertisements, computers which host these codes can easily affect other users, regardless of their location.

As Internet has developed into a popular medium of communication, users tend to ignore its limitations regarding law enforcement procedures. This makes the Internet an easy target for cyber-crime on a global scale. Fighting against cyber-crime can only be done together, and therefore, countries need to establish international Internet laws while private companies need to cooperate with nonprofit organizations in order to develop strong communication campaigns (Şerban, 2011).

According to the "Symantec Internet Security Threat Report" malicious activities tend to develop easier in Third World Nations because of the robust IT conditions and broadband infrastructure in these countries. Recently, even big countries like Brazil, India, Russia or China have had problems as concerns Internet security (Broadhurst and Grabosky, 2005).

Statistics say that Brazil and India represent nowadays the main source of web-based attacks, a more reason for countries worldwide to increase cooperation and establish strong relationships.

However, cyber-crime solutions need to address not only the governmental side but also the possibility of carrying sophisticated campaigns through world's largest

corporations and international institutions. Attackers will only stop if serious measures are taken globally, therefore discouraging malicious Internet practices.

4. Study Regarding Cyber-Crime in Romania

4.1. Purpose

The purpose of this study is to describe the current situation of Internet malicious activities in Romania, by studying consumer's perceptions through face-to-face interviews.

4.2. Objectives

The main objectives of this study are:

- a. Determine the percent of cyber-crime victims.
- b. Identify the types of cyber-crimes.
- c. Determine the estimated time for solving cyber-crime damages.
- d. Determine the cost of cyber-crimes.
- e. Identify the feelings aroused by cyber-crimes.
- f. Determine the response of cyber-crime victims.

4.3. Methods

A population-based, cross-sectional survey was conducted among Romanians, during October-December 2010. The method used to collect data was the questionnaire. In order to assure the relevance and correctness of the data, the questionnaire was at first conducted on 5 persons, which were not included in the final sample. Their purpose was to test the level of understanding of the text.

The questionnaire had a number of 13 items: the first two questions were preliminary, the following 7 questions regarded cyber-crime dimensions and the last 4 questions were demographic ones.

Having been a victim of malicious Internet activities was evaluated through the following question: "Have you ever been a victim of cyber-crime?" The questions regarding cyber-crime were related to the 6 objectives described above. The answers to the questions were measured through enclosed options.

4.4. Participants

A total number of 110 persons were involved in this study. Because the research focused mainly on the victims of cyber-crime, a final sample of 78 respondents was considered in the survey. In building the sample, the author used the random sampling method.

Data was obtained through interviews in public places and self-administrated questionnaires. Still, most of the interviews were carried in academic institutions.

The participants were encouraged to express their opinions freely, by given explanations and offering examples. Most of the respondents were young people, who used the Internet for entertainment and communication with others. Their IT knowledge was medium, but they all navigated the Internet at least once a day.

4.5. Data Analysis and Results

In conducting the research, the author used SPSS 13.0 software program. The findings revealed the number of persons who responded the question with a certain answer and their percent in the total population. The level of significance, p-value, was also determined. Afterwards, p-value was compared with the theoretical value of 0.05 in order to test the relevance of variables.

Figure 4 presents the characteristics of cyber-crime victims as they resulted from the survey. 70.9% of respondents admitted having been victims of cyber-crime at least once. Most frequently encountered cyber-crimes in Romania are the virus attacks (70.5%), followed by online scams (34.6%) and phishing attacks or identity theft (26.9%). The estimated time required for solving cyber-crime damages is less than 2 weeks (42.3%), the generated costs are medium (58.9%) and the most reported feelings were annoyance (32%) and anger (26.9%).

	Total, n	Yes, n (%)	p-value
Victim of cyber-crime	78	70.9	
Types of cyber-crimes			<0.01
- virus attacks	55	70.5	
- online scams	27	34.6	
- phishing attacks	21	26.9	
- hijacked accounts	18	23.0	
- intrusions	12	15.3	
Estimated solving time			0.002
- less than a week	16	20.5	
- less than two weeks	33	42.3	
- more than 2 weeks	21	26.9	
- more than a month	8	10.3	
Generated costs: e.g. anti-viruses, Anti-malware, firewalls			0.026
- small costs	11	14.2	
- medium costs	46	58.9	
- high costs	21	26.9	
Feeling aroused			<0.01
- anger	21	26.9	
- fear	13	16.7	
- annoyance	25	32.0	
- tricked	19	24.4	

Figure 4. Characteristics of cyber-crime victims

	Yes, n (%)	p-value
Response of cyber-crime victims		
- reported the cyber-crime to law enforcement	14 (17.9)	0.049
- didn't report the cyber-crime to law enforcement	64 (82.0)	<0.01
- didn't think the cyber-crime to be serious enough	24 (37.6)	
- don't trust the police	12 (18.7)	
- don't believe the police will catch the cyber-criminals	19 (29.7)	
- take the blame	9 (14.0)	

Figure 5. Response of cyber-crime victims

In figure 5, it is described the response of cyber-crime victims to web-attacks. Surprisingly, less than 20% of respondents chose to report the cyber-crime to the police. The reasons are various and mostly regard the importance of the crime and the relationship with the police.

Thus, most respondents consider cyber-crimes not serious enough to be reported to law enforcement (24%). They are followed by respondents who don't believe the police will catch the cyber-criminals (29.7%) and the respondents who don't trust the police (18.7%). Though the percent is small, 9% of respondents use to take the blame on themselves. They consider themselves to be guilty for not having installed a Internet security software or for navigating on web pages they had suspected to be malicious.

	Reported the cyber-crime		Didn't report the cyber-crime		
	Crime is Not serious	Don't trust the police	The police will not catch them	Take the blame	
Age					
<19	2				1
- 20-29	11	5	8		5
- 30-39	8	7	9		3
- 40-49	3		2		
- >50					
Gender					
Women	11	4	13		5
- Men	10	8	6		4
Education					
- Elementary					
Middle school	2	1			
- High school	17	9	13		8
- University	5	2	4		1
- Master			2		
Occupation					
- Student	11	5	9		6
- Part-time employee	3		2		
Full time employee	10	7	8		3
- Entrepreneur					

Figure 6. Relationship between the response of cyber-crime victims and demographic characteristics

The last figure, figure 6, presents the relationship between the response of cyber-crime victims to the web-attacks and their socio-demographic characteristics. According to the survey, most respondents -24 people- consider cyber-crimes not to be serious enough. These persons age is 20-29 and 30-39, they are mostly women, and they have graduated high school. Their occupation is learning, as 11 persons are students, and the others are full-time employees.

The second category, the respondents who don't trust de police, consists of mostly men, who graduated high school and work as full-time employees.

The third category includes the persons who think the police won't catch the cyber-criminals. This category consists of women – 13 persons, which are students – 9 persons or full-time employees – 8 persons. The last category is smaller, only 9 respondents, and includes persons who prefer taking the blame for cyber-crimes. They are mostly students, with ages 20-29.

5. Conclusions

The study presented shows that cyber-crime is an important issue for population. Its rapid increase is generated by the current economic crisis and the fluctuating social conditions. Although cyber-criminals are becoming more sophisticated every day, measures can be taken in order to prevent their development. Together, business and consumers can employ best practices to reduce risk and ensure Internet security. The latest technologies are implemented and new software is discovered daily. Companies can take advantage of these opportunities and include anti-viruses, firewalls and intrusion detection equipment among their security measures. Such strategies can educate the end user and discourage the spread of Internet malicious activities.

6. Acknowledgement

The author would like to thank all the respondents who participated in the study.

7. References

- Balkin, J. M. et al. (2007). *Cybercrime: digital cops in a networked environment*. New York: New York University Press (NYU).
- Barnetson, D. (2009). *Economic crisis 'to boost cyber crime':Microsoft*. Retrieved from <http://news.theage.com.au/breaking-news-technology/economic-crisis-to-boost-cyber-crime-microsoft-20090417-a92m.html>
- Broadhurst, R. G., and Grabosky, P. N. (2005). *Cyber-crime: the challenge in Asia*. Hong Kong: Hong Kong University Press.
- Fossi, M. (2010). *Cybercrimes's financial and geographic growth shows no slowdown during the global economic crisis*. Retrieved from <http://www.techrepublic.com/blog/security/cybercrimes-financial-and-geographic-growth-shows-no-slowdown-during-the-global-economic-crisis/3653>
- Fossi, M. (2009). *Symantec Global Internet Security Threat Report. Trends for 2008*. Cupertino: Symantec enterprise security.
- Fossi, M. (2010). *Symantec Global Internet Security Threat Report. Trends for 2009*. Cupertino: Symantec enterprise security publishing.
- Fossi, M. (2010). *Symantec Report on Attack Kits and Malicious Websites*. Mountain View: Symantec enterprise security publishing.
- Matthews, B. (2010). *Computer Crimes: Cybercrime Information, Facts and Resources*. Retrieved from <http://www.thefreeresource.com/computer-crimes-cybercrime-information-facts-and-resources>
- Serban, C. (2011). Partnership in social marketing programs. Socially responsible companies and non-profit organizations engagement in solving society's problems. *Amfiteatru Economic*, XIII (29), pp. 104-116.
- Storey, R. O. (2010). *Black Hats are Winning, Symantec Says*. Retrieved from http://www.pcworld.com/article/203287/black_hats_are_winning_symantec_says.html
- Svensson, P. (2011). *Nasdaq hackers target service for corporate boards*. Retrieved from http://news.yahoo.com/s/ap/20110205/ap_on_hi_te/us_nasdaq_hackers;_ylt=AkCZAisq.eg0IMS_mDfpc4MjtBAF;_ylu=X3oDMTJpNmI1OW8xBGFzc2V0A2FwLzIwMTEwMjA1L3VzX25hc2RhcV9oYWNrZXJzBGNwb3MDMQRwb3MDMwRzZWMDcW5fdG9wX3N0b3J5BHNsawNmdWxsbmJzcHN0b3I-
- Thomas, D., and Loader, B. (2000). *Cybercrime: law enforcement, security and surveillance in the information age*. London: Routledge.

