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#### **JOURNAL HISTORY**

The journal *Annals of Spiru Haret University. Economic Series* was founded in 2000 at the initiative of two professors from Spiru Haret University: professor Ph.D. Gheorghe Zaman – also corresponding member of the Romanian Academy and professor Ph.D. Constantin Mecu – one of the University's founders and vice-rector.

Between 2004-2010, the journal is headed by professor Ph.D. Constantin Mecu, as editor-in-chief, and associate professor Ph.D. Aurelian A. Bondrea, as deputy editor, both of them vice-rectors of the university.

In 2011, associate professor Ph.D. Aurelian A. Bondrea, rector of the university, takes over the presidency as editor-in-chief and leads the journal until present.

The *Annals of Spiru Haret University. Economic Series* was issued annually, once a year, starting 2000, until 2009.

Since 2010, the *Annals* have a new format, with a four-annual issuance exclusively in English, with both redaction and review conditions comparable to the most rigorous international requirements.

In 2007, *Annals of Spiru Haret University. Economic Series* obtained the B+ quotation from The National Council of Research in Higher Education in Romania, becoming a publication of real scientific interest.

Starting 2009, the review is indexed in REPEC, SSRN and Google Scholar and beginning with 2016 our Journal is under a process of rebranding, the new team trying to rethink the journal indexing strategy in international databases, suggesting a greater external visibility.

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Haret University, present the results of their scientific research. The journal also hosts many studies of professors, researchers or Ph.D. students from other universities and research institutes all over the world.

The subject of the publication firstly reflects the concern for the modernization of teaching economic science in University: marketing, management, finance, banking, accounting, audit, international economic relations, trade, business, tourism, administrative data processing, politic economy, commercial law, cybernetics, environmental economics, statistics, ethics in economics, insurance, advocacy & lobby, economic philosophy, econometrics etc.

In the published materials, there are analyzed theoretical and practical issues of edification and consolidation of the Romanian market economy, as well as the fundamental directions of the technical and scientific progress, the actual state and ways of its promotion in the Romanian economy, the issue of developing the new world economy, the directions of globalization and contemporaneous economic integration and Romania's participation to these processes. Also, there are hosted articles that refer to different aspects of economic phenomena from all over the world.

The editing team and the scientific advisors are Romanian intellectual personalities – members of the Academy, professors, and specialists in different fields of the practical economic and social activities. In scientific committee have been engaged as reviewers different professors and personalities in economic field coming from economics and academic institutions in our country, such as Academy of Economic Studies Bucharest, West University from Timisoara, The National Scientific Research Institute for Labour and Social Protection Bucharest, The Romanian Court of Auditors, The Body of Expert and Licensed Accountants of Romania – CECCAR, Institute of National Economy and The Economic and Legal Sciences Department from Romanian Academy, etc. Among them, we also find members of the academia, professors and researchers from other countries of the world: Australia, Azerbaijan, Bosnia & Herzegovina, Bulgaria, France, Germany, Greece, Iceland, India, Indonesia, Italy, Lithuania, North Ireland, Norway, Poland, Republic of Macedonia, Republic of Serbia, Russia, Slovenia, The Netherlands, Turkey, Ukraine, United Kingdom, etc.

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## FOREWORD

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An escalation of protectionist measures in the middle of 2018 could spark a fresh downturn just as the global economy is picking itself up after the last one, the international body that represents the world's central banks has warned.

The Bank for International Settlements (BIS) said that there were already signs that "the ratcheting up of rhetoric" was weighing on investment. It comes as USA president steps up hostility with some of the US's key trading partners and allies, raising fears of a full-blown trade war.

Augustín Carstens, the general manager of BIS, said an increase in protectionist measures was a key vulnerability in the global economy that threatened to undermine growth and could spread to financial markets. In its annual report on the challenges facing the global economy, BIS said that the ultra-low interest rates implemented by central banks as an emergency response to the financial crisis had served the global economy well but said loose monetary policy was posing a threat to stability. The process has begun in the US, with the Federal Reserve raising rates earlier in June 2018 for a second time this year and signalling more increases will follow in 2018.

The European Central Bank has also announced plans to phase out its bond-buying programme by the end of the year 2018, after propping up the eurozone economy for the past three years.

Recently, in June 2018, the prospect of a rate rise in August 2018 strengthened when the Bank of England's chief economist, Andy Haldane, joined two other members of the monetary policy committee voting for an immediate increase in borrowing costs.

Carstens said BIS was satisfied with the way the Fed and the ECB were communicating their plans, giving markets plenty of warning. BIS said governments should also play their part in the recovery by keeping public finances under control and not overspending. It warned that in some countries the banking



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system was still not fully healed after the financial crisis, creating vulnerabilities in some economies.

Given this global escalation of protectionism, the works appearing in this issue of the journal try to respond to some of the dilemmas of the present moment.

*The first article of this issue, entitled **Personal Income Tax Administration in the Rural Communities from Ogun State, Nigeria**, examined the effectiveness of Personal Income Tax Administration in the rural communities, focusing on assessment and revenue collection methods, effectiveness and efficiency of Relevant Tax Authorities. Descriptive statistics were used to analyse the opinions of key stakeholders directly connected with Direct and Minimum Tax Assessments in six selected Local Government Areas in Ogun State, Nigeria. Testing of the hypotheses for the study was done using both simple and multiple regression analysis. The findings from the study indicate that tax assessment method significantly encourages voluntary enrolment into the tax net and that effective collection method adopted by the relevant tax authorities ensures optimal tax revenue collection. The study recommends that government should intensify its enlightenment programmes and to introduce awards for recognition of the best rural taxpayers.*

*The aim of the paper called **Rural Employment and Decent Work in Romania** is to study the Romanian rural employment and its perspective to achieve the decent work goals. The authors say that The United Nation's 2030 Agenda for Sustainable Development aims to 'promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' (Goal 8 of 17, 2015). The decent work is a desideratum that reflects on the wellbeing of the population. The ILO's Rural Employment and Decent Work Programme aims at minimizing rural decent work deficits that include higher rates of unemployment and under-employment (especially among youth and women); an alarming prevalence of child labour; a higher incidence of precarious work as wage work is mostly seasonal or casual; widespread informal activities; limited social protection; exposure to adverse working conditions due to poor labour standards coverage and monitoring; and little or no unionization or social dialogue.*

*In the third paper entitled **The Role of Interdependencies between Critical Infrastructures in Rural Development**, the authors said that in the general context, the phenomenon of globalization causes an increase in risks to critical infrastructures. In order to order this set, the criteria of dependence and interdependence were imposed. Thus, the authors proposed a model with seven levels, the first being sector analysis and the second one the study of interdependencies.*



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The first level was organized in critical sectors and dependencies between them. This division, which engendered the public-private partnership, was shown on the EU and NATO documents.

The second level of the interdependence study aims to determine the vital elements and essential components of a system.

In the paper, the authors have shown some considerations on the dimensionality of interdependencies between critical infrastructures, Interdependence between critical infrastructures from the energy sector and Information and Communication Technology (ICT). After a breakdown of SCADA systems, the authors presented, at the end of paper, a few examples of cybernetic attack against energy infrastructures.

*The paper called **Human Rights Related to the Right to Religion and Economy in the Confluence of Cultures*** is focused on the authors' opinion, based on deep research, that religion and education go side by side and could help a lot and should be the basic law for the development, rural or urban, against the background of the nowadays European challenges. Europe is confronted today with oncoming waves of immigrants from all over the world who have been invading it for several years, bringing with them cultures, customs, and observances, different in many ways. Under these circumstances, the authors would like to highlight their point of view, mainly the idea that the words of Martin Luther King Jr.: "Hate paralyzes life; love releases it. Hate confuses life; love ours harmonizes it", are much more true than ever. To keep an open mind on religious education, to be flexible, loving and understanding should be of vital importance in developing rural communities against the background of the European competitiveness.

*The work called **Changes in the National Structure of Population in the Southern Economic Region of the Republic of Moldova in the Period 1979-2014*** has as its main objective the identification of the differences in the national structure of the population in the Southern Economic Region of the Republic of Moldova, received between 1979 and 2014 as a result of the politic and economic changes in the country, the knowledge of which plays an important role in the elaboration of strategies for social and demographic development. For the realization of this goal a few objectives have been settled: the identification and inquiry of the specialty literature that elucidates the subject of investigation; collection, analysis and graphic and cartographic interpretation of the data collected based on the information from the National Bureau of Statistics of the Republic of Moldova, through modern means of work, programs for statistical analysis Statgraphics and Instat Plus and the SIG



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technique; identification and description of the impact of the historical events on the population of the territory and the diversification of the national structure; temporal clause analysis of the statistical data and the emphasize of the modification tendencies in the time lap indicated; description of the particularities of the national structure of the population at the level of administrative structure in the context of the political and economic changes in that period; appreciation of the complexity of the cohabiting nationalities within the rural localities.

*In the paper entitled **ICTs and Employment: New Opportunities on the Labour Market*** is investigated the potential for increasing employment opportunities and skills availability. E-work activities differ by countries, with impact in various fields. The statistical data are used to underline the trends. E-work is an emerging process, and supports the development of a new business model. From the businesses perspective, e-work phenomenon may represent a new opportunity, and competitiveness could be improved. Also, e-work may present advantages and disadvantages with influences on the results of workers and businesses. In the paper such trends are analyzed, in a comparative approach.

*The paper entitled **Reputation and Trust in Sharing Economy Platforms: The Case of Traity*** is about the concept of reputation that is assiduously used in various fields such as communication, public relations, advertising, marketing and management. The convergence between the raise of new technologies linked to corporate communication has favoured the birth of what has been called “online reputation”. Thus, unprecedented behaviours have been generated that are establishing new social forms and even some authors speak of a new economy of reputation where society would be highly connected through networks and organizations that would operate in an ecosystem of permanent influence from the interest groups. With this premise, Traity arises the project that the authors analyzed in their research and that raises a reputational score that takes advantage of the fingerprint information to reproduce online trust as the authors understand it in the physical world, but without trying to reduce it people into a percentage, a number or some stars.

*The paper called **Economic Factors as One of Intercultural Features Negotiating in International Management*** is talking about cultural varieties between negotiators that are constant in international business negotiation processes. The authors said that in our modern world, there is a rapid development of international connections in all kind of spheres of human activity. The major aim



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of this study is to analyze and develop knowledge on the characteristics of intercultural negotiation that will give opportunities to the national representatives to be determined to their particular types of cultures, as well as to endow the characteristics of different countries in some business spheres.

In order to manage the expectancies of the other side of the negotiations is important to discover in the purveyance phase the values of related partner and endeavour to manage all information in negotiation process, comprehension the values and the context of the other side of negotiation process, in right place to shape useful for us expectancies from the other side that would help to escape further conflicts in different business negotiating process.

In general, is notable from everyone that culture impacts the time, the style, and the course of the negotiation process. If prevented, cross-cultural connections may weaken an organization's position in the market, protect it from fulfilling its purposes and eventually lead to reverse of negotiation.

The research paper is focused in the scientific discussion part on the impact of intercultural negotiations on the international business environment, it can ensure inspiration and guidance for entrepreneurs, as well as helping them to understand the complexity of economic factors as one of the intercultural negotiating features which is of more interest for the students who are working on cultural diversity and its impact on business. This research thoroughly connects the characteristics of various national cultures with different areas of international business and tries to show the relationship and complexity of international negotiation issues in different contexts. The article should be useful resource for experts, students and researchers who are conducting more research in this sphere.

*In the paper called **The Development of Quality Management in the Tourism Industry***, the Ph.D. student Bogdan Sofronov, is talking about tourism as a dynamic and competitive industry that requires the ability to adapt to the customers changing needs and desires, as the customers satisfaction, safety and enjoyment are the main focus of the tourism business. The author said that the development objective of tourism industry is to contribute to the enhancement of the quality and variety of tourism products and services in targeted destinations in order to increase the number of tourist visits, foreign exchange earnings and jobs. He says that tourism development mainly refers to the situation of getting quality growth in tourism sectors in terms of its development, strong plan and policies and marketing



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throughout the world. Moreover, the tourism development includes accessible way to reach the destination, proper facilities like hotels, means of transportation, amenities, for the tourist to have full satisfaction in the particular destination. The author concludes that quality is the most important competitive advantage of a tourism company or the key to competitiveness.

As we have seen, all the articles are interesting and deserve to be appropriated by those who are interested in understanding the specific issues of the economy.

If you liked our articles, please visit our website. If you want to write an article in our journal, we are waiting you to expose your ideas in new studies published by us.

Finally, hoping that you found interesting the Issue 2/2018, I strongly invite you to address your comments and suggestions at [ashues@spiruharet.ro](mailto:ashues@spiruharet.ro) and of course to submit your own paper via online submission system.

*Research is the breath of the future. Let's shape the world together!*

**Associate Professor Elena GURGU, Ph.D.  
Deputy Chief Editor**

# **ACADEMIA PAPERS**



**PERSONAL INCOME TAX ADMINISTRATION  
IN THE RURAL COMMUNITIES (A STUDY  
OF SELECTED LOCAL GOVERNMENT AREAS  
IN OGUN STATE, NIGERIA)**

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**Abstract**

*The study examined the effectiveness of Personal Income Tax Administration in the rural communities, focusing on assessment and revenue collection methods, effectiveness and efficiency of Relevant Tax Authorities. 125 copies of questionnaire were administered on respondents. Descriptive statistics was used to analyse the opinions of key stakeholders directly connected with Direct and Minimum Tax Assessments in six selected Local Government Areas in Ogun State, Nigeria. Testing of the hypotheses for the study was done using both simple and multiple regression analysis. The findings from the study indicate that tax assessment method significantly*

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*encourages voluntary enrolment into the tax net and that effective collection method adopted by the relevant tax authorities ensures optimal tax revenue collection. The study recommends that government should intensify its enlightenment programmes and to introduce awards for recognition of the best rural taxpayers.*

**Keywords:** *personal income tax; rural communities; tax administration; tax assessment; relevant tax authorities.*

**JEL Classification:** D<sub>31</sub>

## 1. INTRODUCTION

### 1.1. *Background to the Study*

The Nigerian Tax Policy (2016) states that “tax is any compulsory payment to government imposed by law without direct benefit or return of value or a service whether it is called a tax or not” (p. 1). Payment of tax is regarded as a civic and patriotic responsibility of citizens which provides a regular major source of fund for government to defray its expenditure on social amenities, provision of infrastructures, security and safety of life and properties within and outside the country [Adeyeye, 2009, 2013; Angahar & Alfred, 2012]. A good tax system is made up of the tax policy, tax laws and tax administration. These three elements of tax system are expected to interface to promote the attainment of the economic goal of the nation. The National Tax Policy (2016) provides the fundamental guidelines for the orderly development of the Nigerian tax system. The Policy is expected to achieve the following specific objectives among others: (i) guide the operation and review of the tax system; (ii) provide the basis for future tax legislation and administration; (iii) serve as a point of reference for all stakeholders on taxation; (iv) provide a benchmark on which stakeholders shall be held accountable; and (v) provide clarity on the roles and responsibilities of stakeholders in the tax system.

In an attempt to fulfil the above expectation, the national tax policy is expected to be in compliance with the principles of taxation which are the lubricants to effective tax system.

According to the Guiding Principles of Nigerian Tax System, all the existing and future taxes are expected to align with the following fundamental features: (i) Equity and fairness; (ii) Simplicity, certainty and clarity; (iii) Low compliance cost;

(iv) Low cost of administration; (v) Flexibility; and (vi) Sustainability [National Tax Policy, 2016]. This is in consonant with Adam Smith cannons of taxation which emphasised that a good tax system must be based on equity, certainty, convenience, economy, simplicity, productivity and efficiency [Uremadu & Ndulue, 2011].

Taxes are backed by laws. Tax Laws refer to the embodiment of rules and regulations relating to tax revenue and the various kinds of taxes in Nigeria. The assessment and collection of personal income tax in Nigeria is regulated by the Personal Income Tax Act (PITA) CAP P8 Laws of the Federation of Nigeria (LFN) 2004 as amended by the Personal Income Tax (Amendment) Act, 2011. The law provides that Personal income tax shall be collected by the various state governments through the State Internal Revenue Service (SIRS) which is the administrative arm of the State Board of Internal Revenue (SBIR), from individuals resident in the tax territory. Taxes from certain categories of individuals such as persons employed in the Nigerian Army, the Nigerian Navy, the Nigerian Air force, the Nigerian Police other than in a civilian capacity, officers of the Nigerian Foreign Services, residents of the Federal Capital Territory, Abuja (both employed and self-employed persons), a person resident outside Nigeria who derives income or profit in Nigeria are collected by the Federal Inland Revenue Service (FIRS) on behalf of the Federal Government [Joint Tax Board, 2012]. Even though the informal sector operators dominate the Nigerian economy, they do not see the need to pay tax, as to them, only the civil servants should pay tax on their earnings [Ayodele, 2006]. A number of authors have argued that assessing these informal sector operators to tax and collection of tax revenue from them is a herculean task and that the level of tax compliance is less than 27% [Abiola, 2007], even though arguably, the informal sector makes up to 50% of the Nigerian economy (Civil Society Legislative Advocacy Centre (CSLAC), 2014).

### 1.2. *Statement of the Problem*

Administration of Personal Income Tax in the rural communities is the focus of this research project. A rural area is a geographic area that is located outside the cities and towns, often characterised by government neglect and poor infrastructural development. Previous studies have observed that of all the taxes, personal income tax has remained the most disappointing, non-performing, unsatisfactory and problematic in Nigeria tax system [Asada, 2005; Kiabel &



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Nwokah, 2009; Nzotta, 2007]. A large number of the prospective taxpayers reside and work in the rural areas with difficult terrain and pay no tax at all on their earnings. A few others who are identified under direct assessment and minimum tax, pay tax on some earnings but fail to declare other additional sources of incomes. The peculiar nature of rural communities require that government should be up and doing in terms of provision of public goods and infrastructure. Akintoye and Tashie (2013) remarked that the peoples' willingness to pay tax is greatly influenced by their perception of the government's delivery. Angahar and Alfred (2012) explained that self-employed taxpayers are unincorporated individuals or body of individuals engaged in their own business either as a sole trader or in partnership. Such persons include individual contractors, traders, professionals, consultants, market men and women, artisans and all other entities that are not liable to tax under the Companies Income Tax Act (CITA), but under the Personal Income Tax Act (PITA). This means such persons are taxable on income accruing to them personally.

Adebisi and Gbegi (2013) observed that tax evasion and avoidance are problems that face every tax system; however, the Nigerian situation seems unique when viewed against the scale of corrupt practices prevalent in Nigeria. Under direct personal taxation as practiced in Nigeria, the major problem lies in the collection of the taxes, especially from the self-employed categorised as follows: professionals such as lawyers, doctors and accountants, to mention just three, artisans, traders, transporters and farmers. These individuals blatantly refuse to pay tax by reporting losses every year and live a lifestyle that is inconsistent with their reported income, which is usually unrealistically low for the nature of their businesses [Ayua, 1996]. Ayua (1996) opines that the tax system is grossly inadequate as it is characterized with tax evasion, avoidance and record falsifications which account for the consistent low tax yields.

The tax laws in Nigeria are complex and difficult for the common taxpayer to understand as many taxpayers are unaware of the existence of certain taxes. The problems associated with an enquiry into the tax administration in Nigeria seem to be numerous but it appears no studies have been comprehensively carried out to examine the system in a manner that attempts to relate the tax administration to tax laws and policies in Nigeria. This dearth of relevant literature on comprehensive analysis of tax administration, policies and laws in Nigeria seems to create a gap between what the people perceive to be reliable tax revenue administration and

what it is in reality. This therefore necessitated this study in order to redress these anomalies.

### 1.3. *Aim and Objectives of the Study*

The aim of this study is to investigate the various constraints faced by the State tax authority in assessing and collecting taxes from the self-employed taxpayers in the rural communities and proffer solutions as regard strategies to be adopted by the State tax authority for expanding the tax net and to improve tax collection drive covering the self-employed. Consequently, the objectives of the study are to:

- (i) Determine the extent to which the method of assessing personal income tax encourages voluntary enrolment into the tax net in the rural communities.
- (ii) Investigate the effectiveness of methods used in the collection of personal income tax in the rural communities for optimum tax revenue.
- (iii) Examine the extent to which the relevant tax authorities are effective and efficient in applying the personal income tax laws in the rural communities.

### 1.4. *Research Questions*

The study addressed the following research questions in line with the stated objectives.

- (i) How does the method of assessing personal income tax in the rural communities encourage voluntary enrolment into the tax net?
- (ii) How effective are the methods of collection of personal income tax in the rural communities for optimum tax revenue?
- (iii) How effective and efficient are the relevant tax authorities in applying the personal income tax laws in the rural communities?

### 1.5. *Research Hypotheses*

The following null hypotheses are formulated for the study to answer the above research questions.

**H<sub>01</sub>:** Personal income tax assessment method in the rural communities does not encourage voluntary enrolment into the tax net.

**H<sub>02</sub>:** Personal income tax collection methods in the rural communities are not effective for optimal tax revenue.

**H<sub>03</sub>:** The relevant tax authorities are not effective and efficient in applying the personal income tax laws in the rural communities.



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The study focused on personal income tax administration in the rural communities, with the study of six selected local government areas in Ogun State, Nigeria. The personal income tax examined was restricted to Direct Assessment (DA) and Minimum Tax (MT), being an area where tax assessment and collection are highly susceptible to tax evasion and avoidance in view of the status of the taxpayers as self-employed, nature of their business registration and geographical location of the rural communities, which is outside the city and towns.

## 2. REVIEW OF RELATED LITERATURE

### 2.1. *Conceptual Framework*

#### **Evolution of Personal Income Tax Administration**

The Income Tax Management Act (ITMA) 1961 was promulgated for the taxation of individuals. The main purpose of ITMA 1961 is to regulate the imposition of personal income tax throughout the Federation so that double taxation of incomes by the Federal Government and State Government will be avoided. The Act sets up a Joint Tax Board (JTB) which is charged with the responsibility of determining technical and other issues in which interests of those governments might otherwise be in conflict. Each government has sole jurisdiction to impose personal income tax on individuals resident or deemed to be resident in its territory, however, the 1961 Act does not seek to encroach upon the right of each government to decide upon the appropriate level of taxation of those individuals who under the provisions of the Act, fall within its jurisdiction. The Income Tax Management Act (ITMA) 1961 determines such questions as to what is taxable income, what deductions may be allowed against gross income to arrive at the taxable income and the period over which assessable income is to be determined. The above legislation (ITMA 1961) was later repealed and re-enacted as the Personal Income Tax Act (PITA) 1993 [Yerokun, 1997; Ariwodola, 2001].

The current law that governs the administration of personal income tax is the Personal Income Tax Act Cap. P8 LFN 2004 [as amended by Personal Income Tax (Amendment) Act, 2011] which imposes tax on incomes of individuals. It governs the whole process of assessment and collection of tax revenue, by the relevant tax authority. Personal income tax administration therefore is the whole process of tax assessment and collection of tax revenue by the tax officials. In order to achieve this objective, the Act authorized the State Government through the State Internal Revenue Service to collect personal income tax from individuals taxpayers resident



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in the State, and Federal Government through the Federal Inland Revenue Service to collect personal income tax from members of the Armed Forces, members of the Nigerian Police Force, residents of the Federal Capital Territory, Abuja, staff of the Ministry of Foreign Affairs and non-resident individuals.

### **Definition of Rural Communities**

These are areas and settlements that are geographically located outside cities and towns; and are sparsely populated, in which people farm or depend on natural resources, including villages and small towns that are dispersed through these areas (Government of *South Africa*, 1997). Rural communities in the Nigeria context are characterized by poor infrastructural development, bad roads networks and neglect in the provision of basic amenities such as pipe-borne water, electricity, schools and healthcare services to mention just a few.

Taxpayers in the rural communities are usually assessed to tax through direct taxation. Direct taxation could either be by way of direct assessment or minimum tax.

### **Direct Assessment**

This relates to taxes that are levied on the incomes, gains or profits of individual and business firms, and which are actually paid by the person or persons on whom it is legally imposed. Self-employed who register their business names with the Corporate Affairs Commission and also with the tax authority that are able to produce records of their business transactions, for instance, legal practitioners, accountants and other professionals, partners in a partnership business and sole proprietors are being assessed to tax through this medium.

### **Minimum Tax**

The Personal Income Tax (Amendment) Act, 2011, states that “where after all deductions allowable under this Act the individual has no chargeable income or where the tax payable on the chargeable income of that individual is less than 1 per cent (< 1%) of the total income of that individual, the individual shall be charged to tax at the rate of 1 per cent (1%) of his total income” [Section 37, Personal Income Tax (Amendment) Act, 2011]. Certain categories of self-employed such as the artisans, traders, farmers, motor-cyclists, drivers and transporters that have not registered their businesses and do not keep records of their business operations are being assessed to tax through this method.



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### **Relevance of Tax Administration in Rural Communities**

Income tax is one of the major important sources of revenue accruable to the government.

It is a source to think of in both the state and federal governments' budgets. The taxes collected do come back to the taxpayers in the form of social amenities provided by the government. However, the peculiar nature of the rural communities makes the administration of personal income tax more problematic. Mengesha and Ashebir (2013) observed that these taxpayers are most problematic category of taxpayers and are considered as hard-to-tax group. This is due to the fact that these taxpayers pay taxes at fixed rate/amount on the income estimated by the tax authority rather than declaring their income by themselves. Their daily income is estimated by 'best of judgment' assessment and the taxpayers have little room to express their view so that frequent friction is observed in this area [Mengesha & Ashebir, 2013].

### **Tax Assessment Procedure**

Tax assessment underpins tax collection, therefore a good tax system involves tax policy, tax laws to impose the tax, system of administration and efficient and effective method to assess and collect the tax revenue. Assessment procedure is not only determining tax liabilities which the taxpayers should pay to the tax authorities on the taxable income in case of income tax, but also knowing who should be on the tax net and which income should be subjected to tax liabilities. According to Barkoczy (1999), an assessment crystallizes the liability to pay tax and determines the time at which tax is due. Taxpayers are also entitled to object to assessment with which they are dissatisfied in accordance with the procedure laid down by the country's legislation.

### **Types of Assessments/Forms of Assessment**

There are three main types of assessments and these are Original or Initial Assessment, Revised or Amended Assessment and Additional Assessment. These types of assessments are based on the circumstances of the taxpayer concerned. The forms of assessment include Provisional Assessment, Best of Judgment (BOJ) Assessment and Self-Assessment.

### **Allocation of Tax Powers in Nigeria**

In order to address the challenges of multiple taxation in Nigeria, Taxes and Levies (Approved List for Collection) Act 1998 was enacted. Part I of the Act

contains taxes to be collected by the Federal Government, Part II consists of taxes and Levies to be collected by the State Government, while Part III contains taxes and levies to be collected by the Local Government.

#### **Problems Associated with Tax Assessment in the Rural Communities**

(i) *Identification of the person to be assessed.* Due to the poor terrain of the rural areas, non-existing method of house numbering and the very low degree of honesty, most taxable persons hide from tax authorities, and if possible would give fake addresses to conceal their identity. Many rural taxpayers do their business without any registration or any fixed addresses. It is therefore difficult to track down such persons for tax purposes.

(ii) *Identifying income for tax purpose.* The ascertainment of total income tax in most of the time proved difficult, for the simple reason that majority of the rural taxpayers do not keep records of their business transactions. Rural communities' taxpayers often flout notices to file return of income forms and either they fail to render any returns at all or even when they do, they render virtually useless returns, in the pretext that they are illiterates or do not know what to do.

#### **Tax Collection and Payment in the Rural Communities**

The tax charged by any assessment which is not or has not been the subject of an objection or appeal shall be payable within the stipulated time by the law [Soyode & Kajola, 2006]. The collection process is expected to be done through the banks in order to block leakages. However, this has not been the case, in view of various challenges confronting both the taxpayers and tax officials as there is tendency for collusion, thereby depriving government access to full recovery of tax revenue. Hence the following constraints are identified:

i. Non-availability of banks in the rural areas to effect collection, due to high cost of collection to be incurred both by the bank and the tax authority.

ii. Distance between the available bank in the city and the rural communities in most cases are far and this may discouraged the taxpayers, thus they develop non-compliance attitude.

iii. Non-availability of other mode of tax payments that can make it convenient for the taxpayer to perform his/her civic responsibility.

iv. **Acceptance of cash from the taxpayers by the tax officials under the pretence of** rendering assistance to the taxpayers; which eventually ends in their private pockets.

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### **Challenges of Relevant Tax Authorities in the Rural Communities**

There is the operating arm of the State tax authority in the rural communities that is responsible for the administration of Personal Income Tax Laws. This body is made up of tax officials with adequate knowledge in the field of taxation. However, the following still constitute great challenges to tax administration in the rural communities.

(i) ***Dearth of Experienced and Qualified Personnel/Administrative Challenge.*** Lack of experienced and adequate number of personnel to manage the various relevant tax authorities hinders the effective tax administration in the rural communities. Majority of the State tax authorities are poorly staffed both in terms of quality and quantity of staff.

Leyira, Chukwuma and Asian (2012) consider the paucity of administrative capacity as a major impediment to the government in its attempts to raise revenue in Nigeria. The predominance of support staff in a professionally inclined agency like the State tax authority does not augur well for the effective and efficient tax revenue collection.

(ii) ***Inadequate Penalties/Absence of Enforcement/Compliance Challenge.*** In Nigeria, the penalties for non-compliance with relevant tax provisions are too lenient to compel the self-employed to pay tax. There is also a general lack of enforcement of existing penalties. Low penalties, sometimes ridiculous for tax defaulters do not serve as deterrent for others. They are also not strict enough to encourage compliance. However, the recent Personal Income Tax (Amendment) Act, 2011 has taken good care of that, but how far it will be successful in the cause of implementation left much to be desired.

(iii) ***Attitudinal Problem.*** Most people do not know that it is part of their civic duties or responsibilities to pay tax and except for a few enlightened individuals, corporate organisations and salaried employees whose income are subjected to tax, taxpayers in the rural areas exhibit their nonchalant attitude towards payment of tax and therefore, do not regularly pay tax or not eager to pay tax at all.

(iv) ***Cumbersome Process of Payment/Low Image of Tax Officials.*** The procedure for paying certain taxes are too cumbersome and do not encourage prompt payment of tax by payers. In some instances they go scot free by bribing tax officials. The image of a tax man is that of a corrupt person. They are seen in the eyes of the public as not only corrupt but also lacking in personal integrity.

(v) **Challenge of Multiple Taxes.** Multiple taxation occurs where the tax, fee or rate is levied on the same person in respect of the same income by more than one state or local government Council [Abiola, 2012].

In a federal system of government, it is typical to have federal, state and local government taxes. However, according to the National Tax Policy (2016), “taxes similar to those being collected by a level of government should not be introduced by the same or another level of government. The federal, state and local governments shall ensure collaboration in harmonizing and eliminating multiple taxation” (p. 4). It is worthy of note that multiple taxation is still a challenge in the rural communities in Nigeria.

(vi) **Lack of Public Enlightenment.** Most of the self-employed taxpayers do not know what tax to pay, when to pay, who to pay to, where to pay and what relief and allowances they are entitled to. Government is faulted here because a good tax system should be certain and easy to administer. It is the responsibility of government at all levels to educate the public on their responsibility with respect to tax at all times.

(vii) **Level of Corruption.** Some tax officials collude with would be taxpayers to defraud the government of her taxes. A large chunk of tax revenue that is supposed to come into government coffers ended up in private pockets, thus compounding the problems of government’s inability to provide the basic infrastructure needed for the orderly development of the society.

(viii) **Autonomy of State Internal Revenue Service.** For revenue boards to achieve the much desired level of efficiency and effectiveness; and consequently achieve set goals, there must be financial and administrative autonomy without any form of undue direct or indirect interference from government. In essence, without full autonomy, tax administration will suffer setbacks, because initiative would give way to status bureaucracy [Mustapha, 2006].

## 2.2. Theoretical Framework

The study could be anchored on a number of theories. However, this study is based on two theories which are: (i) The Ability to pay theory; and (ii) The Benefits theory.

### The Ability to Pay Theory

The ability-to-pay approach stipulates that the taxation should be levied according to an individual’s ability to pay and that public expenditure should come from “him that hath” instead of “him that hath not” [Eftekhari, 2009, as reported

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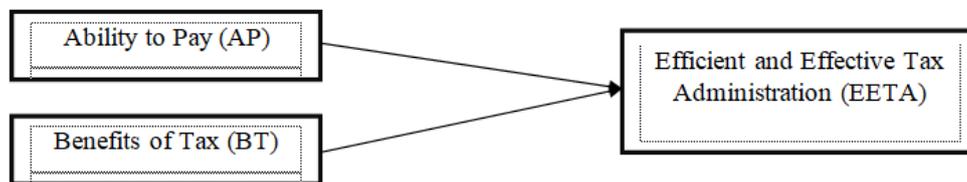
by Adebisi & Gbegi, 2013]. This is indeed the basis of ‘progressive tax,’ as the tax rate increases by the increase of the taxable amount. This principle is indeed the most equitable tax system, and has been widely used in industrialized economies. The usual and most supported justification of ability to pay is on grounds of sacrifice. Taxes paid are seen as a sacrifice by taxpayers, which raise the issues of what the sacrifice of each taxpayer should be and how it should be measured [Adebisi & Gbegi, 2013].

**The Benefits Theory**

Under the benefit theory tax levels are automatically determined, because taxpayers pay proportionately for the benefits they receive from the government. In other words, the individuals who benefit the most from public services pay the most taxes. The benefit theory has a modern version, known as the “voluntary exchange” theory [Adebisi & Gbegi, 2013].

**Conceptual Model**

Based on the various efforts by authors and researchers, this current study conceptualised the following model of how ability to pay and benefits of tax would influence efficient and effective tax administration in Ogun State, Nigeria.



**Figure no. 1. Conceptual Model for Efficient and Effective Tax Administration**  
 Source: Authors' Design, 2017

$$EETA = \beta_0 + AP + BT + \epsilon$$

Where:

EETA = Efficient and Effective Tax Administration

AP = Ability to pay  
BT = Benefits of tax  
 $\beta_0$  = Coefficient  
 $\varepsilon$  = Error term

In view of the various issues dealt with in the previous discussions, it could be concluded that many standards and parameters can be used to assess Personal Income Tax Administration in the rural communities. “Ability to pay” is based on simple, clear and understandability of assessment, both to those who must apply them and those who are subject to them [Adebisi & Gbegi, 2013]. This will most likely enhance efficient and effective tax administration. It is envisaged that “benefits of tax” in terms of delivery of social services, provision of merit and public goods which are urgently required in the rural communities will most likely encourage voluntary compliance, once the taxpayers can see how the government is judiciously applying their taxes.

#### **Relevance of Personal Income Tax (Amendment) Act, 2011 to Direct Taxation in the Rural Communities**

Personal Income Tax (Amendment) Act, 2011 was enacted to amend the Personal Income Tax Act, Cap. P8. LFN, 2004. No fewer than 41 items, including amendments to Cap.P8 LFN, 2004, 36 sections, First Schedule, Third Schedule, Sixth Schedule and Short Title of the old PITA law were reviewed. The new Act also provides more disposable income to the lower income earners following the amendment of the income Tax Table and adjustments in the applicable income tax incremental bands, which brings it in line with current income levels. The Act also simplified the compliance processes by consolidating the reliefs and allowances stipulated in the Act and lowering the burden on low income earners as well as widening the tax base by bringing in a huge number of potential taxpayers, especially in the informal sector, into the tax net. The Personal Income Tax (Amendment) Act, 2011 removes the obsolete, unrealistic and out-dated reliefs and allowances associated with the former Act, replacing them with enhanced consolidated reliefs and allowances. The Table below shows the current Personal Income Tax Rates.

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Table no. 1. Tax Rate from 2011 to Date

Table	Chargeable Income	Rate	Tax	Cumulative Income	Cumulative Tax
	₤	%	₤	₤	₤
First	300,000.00	7	21,000.00	300,000.00	21,000.00
Next	300,000.00	11	33,000.00	600,000.00	54,000.00
Next	500,000.00	15	75,000.00	1,100,000.00	129,000.00
Next	500,000.00	19	95,000.00	1,600,000.00	224,000.00
Next	1,600,000.00	21	336,000.00	3,200,000.00	560,000.00
Above	3,200,000.00	24			

Source: *Personal Income Tax (Amendment) Act, 2011*

### 3. RESEARCH METHODS

The population of this study consists of all rural taxpayers who are assessed to tax payment on direct assessment and minimum tax platform and all tax officials in various relevant tax authorities throughout the twenty (20) local government areas of Ogun State, Nigeria. Substantial numbers of these target rural taxpayers are categorized as Professionals (e.g., lawyers, doctors, accountants), Artisans, Traders, Transporters and Farmers. The study made use of both primary and secondary sources of data. The study adopted the survey research design through the use of structured questionnaire (on a 5-point scale) for gathering the primary data because of its ability to view comprehensibly and in detail the major questions raised in the study. This study relied on the twenty (20) local governments areas in Ogun State from where a total number of six (6) were selected. This is 30% of the local governments in Ogun State. It has been argued that the main purpose of a sample is how well it represents the characteristics of the population it purports to represent [Emory & Cooper, 2003]. Out of the thirty-four (34) existing operational relevant tax authorities, being maintained by the Ogun State Internal Revenue Service, twelve (12), which represents approximately 35% of the relevant tax authorities were spread across the six (6) selected local government areas for this study (Central Department of Statistics, Ogun State internal Revenue Service, 2014).

The selection of the six local governments was based on convenience sampling, using stratified random sampling method which ensures the representation of sub-



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groups within a population based on their proportion or characteristics in that population. In doing this, number tags were attached to each of the 20 local government areas in Ogun State, for identification and the six (6) were randomly picked as representatives of the entire local government areas, thereby giving opportunity of being selected to all the twenty (20) local government areas. This approach minimises bias and simplifies analysis of results. The six (6) local governments selected on simple random basis are considered as appropriate and adequate for this study. The selected local government areas are: Ewekoro, Ijebu-East, Ikenne, Obafemi-Owode, Sagamu and Yewa-South Local Government Areas. Thus, a sample size of twenty (20) respondents were randomly selected from each of the six (6) selected local government areas totalling one hundred and twenty (120) taxpayers and three (3) tax officials (comprising Tax Office Manager, Direct Assessment Officer and Minimum Tax Assessment Officer) randomly selected from each of the twelve (12) relevant tax authorities mentioned above, making a total of thirty six (36) tax officials. In all, one hundred and fifty-six (156) respondents were surveyed. The twelve (12) Ogun State Internal Revenue Service tax offices are located in the following rural communities: Itori, Ogbere, Ikenne, Iperu, Owode-Egba, Ibafo, Adigbe, Isheri, Sagamu, Ogijo, Ilaro and Owode-Yewa. (Central Department of Statistics, Ogun State Internal Revenue Service, 2014).

A number of researchers have suggested appropriate sample sizes to be at least 30 and need not be larger than 500 based on an analysis of acceptable confidence levels in behavioural research studies [Roscoe, 1975; Industrial/ Organizational Solution, 2010]. Thus the sample size of one hundred and fifty-six (156) respondents randomly selected for this study is considered to be appropriate and adequate. The secondary sources of data included research journals, articles, textbooks and internet facilities. Basically, for this research, the dependent variable is the tax revenue generation from the rural communities, while Personal Income Tax Administration constitutes the independent variable. To this effect, the variables listed below are operationalized.

Simple regression analysis was used to determine the amount of tax revenue generation from the rural communities (dependent variable) which can be associated with changes in the value of each of the components of the independent variables (Personal Income Tax Administration). For the purpose of his study, these components are the Assessment method, Collection methods and Relevant Tax Authority.

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### Model Specification

The three independent variables can be modelled against the dependent variables as follows:

*Model 1:*

$$y_1 = b_0 + b_1x_1 + \varepsilon$$

Where:

- $y_1$  = Voluntary enrolment
- $x_1$  = Tax assessment method
- $b_0, b_1$  = Regression coefficient
- $\varepsilon$  = Error term

*Model 2:*

$$y_2 = b_0 + b_2x_2 + \varepsilon$$

Where:

- $y_2$  = Optimal tax revenue
- $x_2$  = Tax collection methods
- $b_0, b_2$  = Regression coefficient
- $\varepsilon$  = Error term

*Model 3:*

$$y_3 = b_0 + b_3x_3 + \varepsilon$$

Where:

- $y_3$  = Personal Income Tax Act (PITA) Application
- $x_3$  = Effective and Efficient Relevant Tax Authority (RTA)
- $b_0, b_3$  = Regression coefficient
- $\varepsilon$  = Error term

Index of Personal Income Tax Administration, that is, Assessment method, Collection methods and Relevant Tax Authority represented by  $x_1$ ,  $x_2$  and  $x_3$  respectively are the independent variables. The  $x_1$  which is the first independent variable is the tax assessment method which is a major part of setting the expected target of tax revenue. That is, it reflects the expectation of the relevant tax authorities in terms of financial implication, since there can never be collection without assessment. The  $x_2$  is the tax collection methods, which can be regarded as vital turning point in ensuring that all tax revenue, actually get into government account; ensures total blockage of leakages and optimal tax revenue collection. The  $x_3$  is the relevant tax authorities which ensure policy implementation procedures and mechanisms for enforcement whenever there is non-compliance with the relevant tax laws.

The model specification above was specified to test the main effect of each independent variable on the dependent variable. The hypotheses 1-3 were further examined through multiple regression analysis using the multiple regression model shown below:

### Multiple Regression Model

$$Y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + \epsilon$$

Where:

- y = PITA Application in rural communities
- x<sub>1</sub> = Tax Assessment method
- x<sub>2</sub> = Tax Collection methods
- x<sub>3</sub> = Effective and Efficient Relevant Tax Authorities (RTA)
- b<sub>0</sub>, b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub> = Regression Coefficient
- ε = Error term

This study made use of both descriptive and inferential statistics. Descriptive statistics such as frequencies and percentages were used to present the demographic analysis of the respondents and also information relating to both the dependent and independent variables used for the study. Tests of hypotheses were carried out using Pearson's correlation and regression analysis with the aid of the Statistical Package for Social Sciences (SPSS) Version 20.00.

#### 4. DATA ANALYSIS AND PRESENTATION OF RESULTS

##### *Presentation of Demographic Variables of the Sample*

The demographic characteristics of the respondents relating to variables such as category, educational qualification, age, gender and marital Status are represented in Table 2 using simple percentages.

##### *Examination of Key Variables of Personal Income Tax Administration and Rural Communities*

The aim is to investigate the relationship and influence that the variables have on each other. The tests were carried out at, 0.05 level of significance. The decision to accept or reject the null hypothesis is based on the p-value, the decision rule which states that when the p-value is less than the level of significance, the alternative hypothesis should be accepted but when the p-value is higher than the level of significance, the null hypothesis should be accepted. **NB:** Tables 3, 5, 7 and 10 are well explained but not presented in the body of the paper in order to optimise the maximum pages allowed by the Journal.

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Table no. 2. Demographics for All Respondents (n = 125)

Variable	Response	Frequency	Valid %	Cumulative %
Age of the respondents (Years)	20-40	40	32.0	32.0
	41-60	55	44.0	76.0
	61 & above	30	24.0	<b>100</b>
Gender of the respondents	Male	81	64.8	64.8
	Female	44	35.2	<b>100</b>
Marital Status of respondents	Single	37	29.6	29.6
	Married	65	52.0	81.6
	Divorced	15	12.0	93.6
	Widow	8	6.4	<b>100</b>
Educational qualification	None	31	24.8	24.8
	Pry Sch. Cert	24	19.2	44.0
	SSS Cert.	30	24.0	68.0
	B.Sc./HND	18	14.4	82.4
	M.Sc./MBA	11	8.8	91.2
Categories of the respondents	Professionals	11	8.8	<b>100</b>
	Professionals	15	12.0	12.0
	Artisans	19	15.2	27.2
	Traders	23	18.4	45.6
	Farmers	18	14.4	60.0
	Transporters	20	16.0	76.0
	Tax Officials	30	24.0	<b>100</b>

Source: Authors' Survey, 2017

**Research Question 1: How do the methods of assessing Personal Income Tax in the rural communities encourage voluntary enrolment into the tax net?**

In order to answer the research question one (1), questionnaire items 6, 7, 8 and 9, were as analysed in Table 3 (not shown here). From the Table 3 (not shown here), it was observed that 54.4% of the sample disagrees with the opinion that the method of assessment is unfair and inefficient, though 36% said that the tax assessment method is unfair and inefficient, while the remaining 9.6% of the

sample were undecided in their response. Out of the 125 respondents on Table 3 (not shown here), revealed that 52% agrees that there is opportunity for taxpayers to complain about unfair tax assessment, 36% of the respondents disagree with the statement, while the remaining 12% did not answer at all. Table 3 (not shown here) also revealed that out of the 125 respondents that made up the sample, 73.6% of them disagreed with the statement that it is easier to identify taxpayers and income tax to be assessed to tax, 20.8% agreed with the statement while the remaining 5.6% were undecided. Analysis from Table 3 (not shown here) further revealed that 46.4% of the sample stated that the tax assessment method does not encourage voluntary enrolment into the tax net, 7.2% of the sampled respondents were undecided while the remaining 46.4% of the sample are of the view that the tax assessment method encourage voluntary enrolment into the tax net.

*Test of Hypothesis*

**H<sub>01</sub>: Personal Income Tax Assessment method in the rural communities does not encourage voluntary enrolment into the tax net.**

It can be seen from the hypothesis one that there are two variables of interest, namely: assessment method and voluntary enrolment into the tax net. In order to ascertain if there is a significant relationship between the two variables, the Pearson moment correlation was carried out and the result is presented in the Table 4.

**Table no. 4. Correlations between Method of Tax Assessment and Voluntary Enrolment**

	Method of Tax Assessment	Voluntary enrolment into the tax net.
Method of tax assessment	Pearson Correlation	1
	Sig. (2-tailed)	.955**
	N	.000
		125
Voluntary enrolment into tax net	Pearson Correlation	.955**
	Sig. (2-tailed)	.000
	N	125

Source: Authors' Survey, 2017

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The Table 4 shows that the correlation coefficient of the two variables is 0.955 which indicates that there is a strong and positive relationship between the two variables. Table 5 (not shown here) shows that a relationship exists between the independent variable (method of tax assessment) and the dependent variable (voluntary enrolment into the tax net). This is depicted from the coefficient of correlation value of 0.955. The model indicates that there is significant coefficient of determination (R-Square) of 0.912, which suggests that 91.2% of the variations in voluntary enrolment into the tax net would be explained by the method of tax assessment.

### **Regression analysis of method of tax assessment and voluntary enrolment**

The regression analysis of tax assessment method and voluntary enrolment into the tax net is shown in the subsequent Tables.

**Table no. 6. ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	296.621	1	296.621	1276.609	.000 <sup>a</sup>
Residual	28.579	123	.232		
Total	325.200	124			

a. Predictors: (Constant), Method of Tax Assessment.

b. Dependent Variable: Voluntary enrolment into the tax net.

Source: *Authors' Survey, 2017*

Table 6 indicates that the analysis of variance of the fitted regression equation is significant with F value of 1276.609. This is an indication that the model is a good one. Since the p-value is less than 0.05, it shows a statistically significant relationship between the variables at 95 per cent confidence level.

### **Research Question 2: How effective are the methods of collection of Personal Income Tax in the rural communities for optimum tax revenue?**

The influence of effective methods of collection on optimum tax revenue in the rural communities was considered, using the responses of the sample to the items that pertain to the questions. In order to answer research question two (2), questionnaire items: 10, 11, 12 and 13 were as analysed in Table 7 (not shown here). From the Table 7 (not shown here), it was revealed that 74.4% of the samples agree that the collection methods are secured and convenient for

taxpayers, 23.2% disagree, while the remaining 2.4% did not answer the question. Out of the 125 respondents on Table 7 (not shown here), 57.6% agree that banks, point of sales and automated teller machine cards are used in collection process, 16.8% of the respondents are undecided, while 25.6% disagree with the statement. Table 6 (not shown here) shows that 62.4% of the samples agree that tax officials do not encourage cash collection from taxpayers in the rural communities, 20% of the respondents think otherwise, while the remaining 17.6% of the sample did not answer the question. The Table 6 (not shown here) revealed that 60.8% of the sample respondents agreed that the blockage of revenue leakages through bank collection method, ensure optimum collection of tax revenue, 28.8% of the sample respondents disagree, while the remaining 10.4% of the sample were undecided.

***Test of Hypothesis***

**H<sub>02</sub>: Personal Income Tax collection methods in the rural communities are not effective for optimal tax revenue.**

This hypothesis considers the influence of the collection methods on the optimal tax revenue. In order to ascertain if there is a significant relationship between the two variables the Pearson moment correlation was carried out and the result is presented in the Table 8.

Table 8 shows that the correlation coefficient of the two variables is 0.657. This indicates that there is a strong and positive relationship between the dependent and the independent variables.

**Table no. 8. Correlation between Collection Methods and Optimal Tax Revenue**

		Collection Methods	Optimal Tax Revenue
Collection Methods	Pearson Correlation	1	.657**
	Sig. (2-tailed)		.000
	N	125	125
Optimal tax revenue	Pearson Correlation	.657**	1
	Sig. (2-tailed)	.000	
	N	125	125

Source: Authors' Survey, 2017

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**Regression analysis of collection methods and optimal tax revenue**

**Table no. 9. ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	107.587	1	107.587	93.447	.000 <sup>a</sup>
Residual	141.613	123	1.151		
Total	249.200	124			

a. Predictors: (Constant), Collection Methods.

b. Dependent Variable: Optimal tax revenue.

Source: *Authors' Survey, 2017*

**Research Question 3: How effective and efficient can the Relevant Tax Authorities apply the Personal Income Tax Laws in the rural communities?**

The influence of effective and efficient relevant tax authorities on application of Personal Income Tax Laws in the rural communities was considered using the responses of the sample to the items that pertain to the questions. In order to answer the research question, four (4) questionnaire items 14, 15, 16 and 17 were as analysed in Table 10 (not shown here).

**Table no. 11. Correlation between Effective and Efficient RTA and PITA Application in the Rural Communities**

		Effective and efficient relevant tax authorities	PITA application in the rural communities
Effective and efficient relevant tax authorities	Pearson Correlation	1	.218*
	Sig. (2-tailed)		.015
	N	125	125
PITA application in the rural communities	Pearson Correlation	.218*	1
	Sig. (2-tailed)	.015	
	N	125	125

\*Correlation is significant at the 0.05 level (2-tailed).

Source: *Authors' Survey, 2017*

*Test of Hypothesis*

**H<sub>03</sub>: The relevant tax authorities are not effective and efficient in applying the Personal Income Tax Laws in the rural communities.**

This hypothesis considers the influence of effective and efficient relevant tax authorities on Personal Income Tax Law application in the rural communities. Pearson moment correlation was carried out in order to ascertain if there is a significant relationship between the two variables and the result is presented in the Table 11.

The Table 11 shows that the correlation coefficient of the two variables is 0.218 which indicates that there is a positive relationship.

**Regression Analysis of Effective and Efficient Relevant Tax Authorities on the Application of PITA in Rural Communities**

**Table no. 12. ANOVA<sup>b</sup>**

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.988	1	9.988	6.117	.015 <sup>a</sup>
	Residual	200.844	123	1.633		
	Total	210.832	124			

a. Predictors: (Constant), Effective and efficient relevant tax authorities.

b. Dependent Variable: PITA application in rural communities.

Source: *Authors' Survey, 2017*

Table 12 tests the significant relationship between the independent and dependent variables. Given the asymptotic significance of 0.015, this value is less than the decision criterion value of 0.05; therefore the null hypothesis is rejected and the alternative hypothesis which states that the relevant tax authorities are effective and efficient in applying the Personal Income Tax Laws in the rural communities is accepted.

**Multiple Regression Analysis**

Multiple regressions analysis was also carried out in respect of hypotheses 1-3, and the results were as analysed in Tables 13 to 15.

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**Table no. 13. Model Summary**

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	.663 <sup>a</sup>	.439	.425	.813

a. Predictors: (Constant), Enforcement/taxpayers enlightenment education, method of tax assessment and collection/payment methods.

Source: *Authors' Survey, 2017*

R column represent the multiple correlation coefficient, which is one measure of the quality of the prediction of the dependent variable. R value of 0.663 indicates a good level of prediction. R Square ( $R^2$ ) at 0.439 explains that 43.9% of the variance in the dependent variable (PITA application in rural communities) is attributable to the influence of independent variables (enforcement/taxpayers enlightenment education, method of tax assessment and collection/payment methods).

**Table no. 14. ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	62.591	3	20.864	31.587	.000 <sup>a</sup>
Residual	79.921	121	.661		
Total	142.512	124			

a. Predictors: (Constant), Enforcement/taxpayers enlightenment education, method of tax assessment and collection/payment methods.

b. Dependent Variable: PITA application in rural communities.

Source: *Authors' Survey, 2017*

The ANOVA Table 14 shows the overall significant relationship between the independent and dependent variables. With the value of the F test (3, 121) = 31.587, and given the asymptotic significance of 0.000, this value is less than significant value of 0.05; therefore we say a relationship exists between the variables of enforcement of tax law on defaulters/taxpayers enlightenment education, method of tax assessment and collection/ payment methods.

Table no. 15. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.159	0.238		4.871	0.000
	Method of tax assessment	-0.418	0.059	-0.558	-7.085	0.000
	Collection/payment methods	0.316	0.065	0.401	4.834	0.000
	Enforcement and taxpayers enlightenment education	0.207	0.065	0.242	3.189	0.000

a. Dependent Variable: PITA application in rural communities.

Source: Authors' Survey, 2017

Since the simple linear regression is written  $y = a + bx$ , where  $y$  is the dependent variable, 'a' is the constant, 'b' is the regression coefficient and  $x$  is the independent variable. The p-value of both constant and independent values being 0.000 means that the value for the regression equation that significantly influence Personal Income Tax Administration in the rural communities is  $y = 1.159 + -0.418x_1 + 0.316x_2 + 0.207x_3$ . Beta (Standardized Coefficients); because of its weights and co-linearity, it expresses the relative importance of each independent variables in a standardized terms. Both independent variables are significant predictors and also show that collection/payment methods have a higher impact than enforcement/taxpayers enlightenment education and method of tax assessment. (Beta = 0.401, 0.242 and Beta -0.558).

## 5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

### *Summary of Findings*

This study was conducted to investigate the problems associated with Personal Income Tax Administration in the rural communities and proffer possible solution to the problems. Six Local Government Areas in Ogun State, Nigeria were selected for the study. The findings revealed that there is a relationship between Personal Income Tax assessment method in the rural communities and voluntary enrolment into the tax net. It also revealed that there is a relationship between the collection/payment methods and optimal tax revenue; and that the efficiency and effectiveness of the relevant tax authorities has significant impact on the application



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of Personal Income Tax in the rural communities. Other findings include the opportunity afforded the taxpayers to complain about unfair tax assessment. Availability of Banks, Point of Sales (POS) and the use of Automated Teller Machine (ATM) in the process of collection/payment of tax assessed. This ensures blockage of tax revenue leakages, thereby giving confidence to the rural taxpayers that their taxes actually get into government's coffer. Regular enforcement of tax laws on defaulters and taxpayers' enlightenment education justified the effectiveness and efficiency of tax officials as they appear to be competent and having adequate knowledge about Personal Income Tax Administration.

### *Conclusion*

The findings of the study among others indicate that there is a relationship between administration of Personal Income Tax and rural communities. It shows that an efficient tax assessment method is one of the prerequisite that can support voluntary enrolment into the tax net. The challenge observed in the course of the study is the need to always ensure that taxpayers are given adequate opportunity to complain and express their view, which is provided for by the Personal Income Tax law and also in consonant with the mission statement of OGIRS: "To help the taxpayers understand and meet their tax responsibilities, by providing efficient top quality service and applying the tax laws with integrity and fairness to all". Using commercial banks, micro finance banks, point of sales and automated teller machine in the collection methods proved to be successful. The multiple regression equation shows that the banks and other alternative methods of collections have significant impact on optimal tax revenue. Engagement and deployment of competent and carrier tax officers to manage the rural tax offices impacted significantly on the efficiency and effectiveness of the relevant tax authorities. The study revealed that tax inspectors attaches significance to enforcement of tax law on defaulters and taxpayers enlightenment education, since it will help to grow tax revenue and improve the knowledge of the taxpayers in the administration of Personal Income Tax. This paper contributes to knowledge by comprehensively analysing the combined effect of tax administration, policies and laws in Nigeria and thus filling the gap in literature between what the people perceive to be reliable tax revenue administration and what it is in reality. This study used six local government areas in Ogun State, Nigeria, it might be necessary for future research

in this area of study by researchers to explore more local governments in Ogun State or even possibly extend the study to more local government areas in other States of Nigeria for more robust and more embracing results.

### **Recommendations**

Based on the findings of the study, the following are recommended:

(i) Taxpayers in the rural communities need to be educated on the importance of performing their civic responsibilities through an effective means of communication.

(ii) The government should carried out an enlightenment programmes which may include award for the recognition of the best rural taxpayers, not necessarily by financial reward, but through letter of commendation and recognition, which will further elicit competition among the taxpayers and cooperation with the relevant tax authorities.

(iii) An important finding of this research pertains to the fact that tax officials do not encourage cash payment / collection, thereby retaining the confidence of the rural taxpayers that all tax payments goes into government coffers. If other innovative methods of collection and payment for example, the use of tax recharge card via mobile phone in collaboration with mobile network providers are implemented, there may be a great improvement in tax revenue, in view of the fact that mobile phone is widely used in the rural communities.

(iv) It is also recommended that training and retraining programmes be put in place to equip tax officials in the rural communities on what it takes to be an effective and efficient tax administrator.

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## RURAL EMPLOYMENT AND DECENT WORK IN ROMANIA

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### Abstract

*The aim of this paper is to study the Romanian rural employment and its perspective to achieve the decent work goals. The United Nation's 2030 Agenda for Sustainable Development aims to 'promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' (Goal 8 of 17, 2015). The decent work is a desideratum that reflects on the wellbeing of the population. The ILO's Rural Employment and Decent Work Programme aims at minimizing rural decent work deficits that include higher rates of un- and under-employment (especially among youth and women); an alarming prevalence of child labour; a higher incidence of precarious work as wage work is mostly seasonal or casual; widespread informal activities; limited social protection; exposure to adverse working conditions due to poor labour standards coverage and monitoring; and little or no unionization or social dialogue.*

**Keywords:** rural development; decent rural employment; rurality; predominantly rural regions; significantly rural regions.



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**JEL Classification:** E<sub>24</sub>, J<sub>80</sub>, O<sub>18</sub>

### **Introduction**

The different perception on ‘rural area concept’ approached by national administrations, international organizations, policymakers and researchers generates economic, social and policy implementation issues. [See Paszto *et al*, 2015]

The Romanian Law no. 351/2001 named ‘rural locality (village) the area where the majority of the workforce is concentrated in agriculture, forestry, fishing, providing a specific and viable way of life for its inhabitants, and which, through its modernization policies, will also preserve its rural features or the majority of the workforce is in fields other than agriculture, forestry, fishing, but currently offers insufficient equipment to declare it as a city and which, through its upgrading and modernization policies, will be able to evolve to the urban localities.’

National Rural Development Programme (NRDP) 2014-2020 defined ‘the rural area as the total of the communes at the level of the administrative-territorial unit, the commune being the lowest administrative-territorial unit, NUTS 5 level’.

As an example, from NRDP point of view, villages belonging to municipalities and towns are not eligible to access funds through the programme as villages are components of communes (the only ones considered as rural area).

Starting from the *Report on Decent work* (1999), International Labour Office (ILO) has promoted *decent work* for all, regardless of race, creed, sex or country of origin. Decent work sums up the aspirations of people in their working lives as ‘opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity’. [ILO, 1999]

Ribeiro *et al* (2016) used the conception of “working” instead of “work,” as “working” is a more dynamic and structuring conception that indicates action and process in a given context (verb representing an action), while “work” is a more abstract, stable and structured conception constructed in a given context and incorporated in others (substantive representing a state). Hence, “working” represents the abstract concept of “work” in action through human activities in a specific socio-historical context. By decent work point of view, the conception of ‘working’ is considered more appropriate than the employment’s one, that often excludes multiple coexisting forms of working (informal). [Ribeiro *et al*, 2016]

Based on macro-indicators, most scholars analysed the employment opportunities for decent work such as: higher labour force participation rate (activity rate) and



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employment-to-population ratio and low unemployment rate [Anker *et al*, 2002; Ghai, 2003], even if ‘decent work remains a very broadly defined concept, which is impossible to measure across countries’ [Burchell *et al*, 2014].

Through the recently developed Psychology of Working Theory that describes how decent work leads to need satisfaction, work fulfilment, and wellbeing, there are scaled 5 components of decent work: (a) physically and interpersonally safe working conditions, (b) access to health care, (c) adequate compensation, (d) hours that allow for free time and rest, and (e) organizational values that complement family and social values. [Duffy *et al*, 2017]

The labour market in our country still has an important informal component that contravenes to the principles of decent work, a higher employment at risk of poverty, an imbalance between labour market demand and educational supply and a social protection system that works inappropriately in many ways. [Patache & Bebeșelea, 2017]

According to the ILO’s report *The World Employment and Social Outlook – Trends 2016*, in spite of its relative prosperity, Europe faces very high levels of long-term unemployment in the region that raise serious concerns about the deficit of adequate quality employment creation. So, to achieve target 8.5 on full and productive employment and decent work for all by 2030, European countries will need a comprehensive approach to restore growth and address deficits in job quality [ILO, 2016]. Romania, classified among emerging economies of Eastern Europe, registered lower unemployment rates than Northern, Southern and Western Europe but negative employment growth, too [ILO, 2016]. This information reveals limits in determining the unemployment rates due to the method of data collection (e.g. only the persons who need support in finding a job by the National Agency for Employment were registered). Also, the rural workers unable to find a job are extremely numerous.

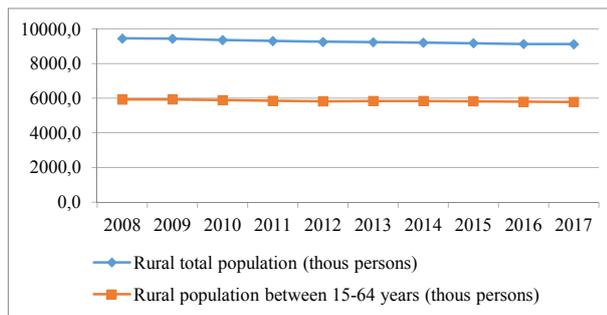
Youth unemployment has increased dramatically in recent years. The percentage of young people without a job, or not in education or training, is much higher in rural areas than elsewhere. Exodus of young people is one of the most pressing issues for any future sustainability of rural communities. Young people’s migration decisions are influenced by the geography of the locality, the social setting, the level and the degree of accessibility to infrastructure, the provision of social services, the condition of the local labour market and the role of family, friends and social networks. [European Commission, 2017]

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‘In order to combat social exclusion and poverty, the Union recognises and respects the right to social and housing assistance so as to ensure a decent existence for all those who lack sufficient resources, in accordance with the rules laid down by Union law and national laws and practices.’ [The European Parliament, the Council and the Commission, 2016, art. 34 (3)]

**Romanian Rural Employment**

According to Romanian National Institute of Statistics (NIS), in the rural area, on 1 July 2017, there were 2,861 communes with 12,487 villages and 470 villages are belonging to municipalities and cities. In this area, 46.39% of total population (9,113,095 persons) lives with 3.47 p.p. less than in 2008, but with a higher share in total. Depopulation of rural area is accompanied by the decreasing of working-age population due to the migration and the aging of population. (Figure no. 1)



**Figure no. 1. Romanian rural population, during 2008-2017**  
 Source: *Tempo database*, Romanian National Institute of Statistics (NIS), <http://statistici.insse.ro>

In several studies is pointed out the fact that education, health and the quality of public services in rural areas are at lower level than in urban Romanian areas.

[Zamfir, 2017, Badiță *et al*, 2015, Patache *et al*, 2015; Chipea *et al*, 2013, Kerekes & Pakucs, 2013; and others]

Regarding the Romanian human capital in the latest years (based on NIS Census data), a phenomenon of human capital polarization was registered. 'It means that in the post-communist period, Romania displays a contemporaneous increase in the share of people with tertiary education and an increase in the share of people with lower secondary education at most. Moreover, educational attainment by area of residence indicates that this polarization tends to widen the gap between an educated urban area and a poorly educated rural area.' [Zamfir, 2017]

**Table no. 1. Macroeconomic indicators in rural areas**

Indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016
Rural total population (thous. persons)	9441.1	9429.1	9352.6	9296.8	9242.3	9229.5	9200.5	9172.5	9124.5
Rural population between 15-64 years (thous persons)	5920.9	5932.9	5885.7	5851.3	5817.3	5840.4	5842.4	5819.3	5791.0
Active rural population (thous persons)	4588.0	4474.0	4317.0	4131.0	4195.0	4180.0	4165.0	4146.0	4017.0
Employment in primary sector (thous. persons)	2407.4	2410.7	2439.9	2442.0	2510.0	2380.1	2304.1	2003.1	1726.8
Labour productivity in agriculture (USD/employee)	4858.6	3836.9	3137.8	4328.6	3024.2	3989.2	3727.9	3307.6	3654.1
Net investment in total (mil. USD)	39512	24576	22749	28805	25688	24294	25726	24687	23687
Net investment in the primary sector (mil. USD)	1347.1	957.4	837.0	1077.6	972.2	1279.3	1311.1	1331.5	1076.9
GDP/ capita (USD)	10290	8404	8182	9094	8499	9520	9976	8925	9472
GDP of primary sector (mil. USD)	13144	10804	9884	10994	8092	10294	9302	7543	8065
GDP of primary sector (% of total)	6.9%	6.9%	6.6%	6.8%	5.4%	6.1%	5.3%	4.8%	4.8%
ILO rural unemployed (thous persons)	212.1	238.1	208.6	225.6	208.2	218	219.8	273.5	251.7
ILO unemployment rate	5.6	6.5	7	7.2	6.8	7.1	6.8	6.8	5.9
ILO rural unemployment rate	4.6	5.3	4.8	5.5	5	5.2	5.3	6.6	6.3
NEET %	15.6	14.1	16.2	19.2	20.0	20.1	20.5	20.0	21.1
NEET rural areas %	n.a.	19.1	23.1	24.7	24.8	25.1	25.3	25.2	25.9
Average monthly nominal net earnings (USD)	520	446	438	474	435	474	507	464	504
Average monthly nominal net earnings by primary sector (USD)	363	330	322	342	315	354	379	342	399
Exchange leu/USD	2.519	3.049	3.178	3.049	3.468	3.328	3.349	4.006	4.059

Source: Authors calculation based on *Tempo database* of NIS and the National Bank of Romania

The Eurostat regional yearbook mentions that at least half of the rural population in Romania was at risk of poverty or social exclusion in 2015; most of the Member States that joined the EU in 2004 or more recently recorded a higher



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risk of poverty or social exclusion among their rural populations than in cities or in towns or suburbs. [EUROSTAT, 2017]

The gap between urban and rural areas is highlighted by: low average monthly income with an important 'in kind' component (about one-third, 257 USD in 2017); higher risk of poverty or social exclusion; fewer years of schooling and low education's quality; higher rate of youth neither in employment nor in education and training (NEET), age group 15-34 (25.9 % in 2016) and so on.

Due to the economic and financial crisis and depreciation of the national currency, the Romanian GDP per capita in USD significantly decreased from 10,290 USD/capita (2008) to 8,925 USD/capita (2015). During 2015-2017 the GDP per capita followed an ascendant trend to 10,704 USD/capita in 2017. (Table no. 1)

The decline in the Romanian rural population is accompanied by the decreasing in working-age and active population, but an increase in the inactivity rate.

Regarding the structure of employment in primary sector by professional status, about 49% are self-employed and other 43% of total are unpaid family workers and only 7.2% are employees even if the employees' number increased at 20% during 2008-2016.

If employment in the private ownership represented 83% of total in 2016, the employment in agriculture, forestry and fishing was about 98%. At present, the main form of agricultural holding is the small peasant household, with an average area of 1.95 ha of agricultural land, accounting for 53.5% of the country's agricultural area. The agricultural units with legal personality have an average area of 190.8 ha and own 42% of the country's agricultural area, as evidenced by the Agricultural General Census in 2010 at the country level.

The low level of labour productivity and its unfavourable evolution in the primary sector (see Table no. 1) is also a vulnerable point of rural development. The evolution of the average monthly nominal net earnings is not correlated with the labour productivity in primary sector but the last one is correlated with net investment in the primary sector (correlation coefficient is 0.689) and specific GDP (0.524) and both have a downward trend during 2008-2016.

Long term unemployment, living in rural areas and poverty are the key factors that can generate not just economic problems, but also physical and mental health problems. So, 'the risk factors for depression in both groups (employed and unemployed) are: female gender, age between 51 and 55 years old, divorced, living in rural area, low level of education and poverty' [Mihai et al, 2014]. From this

point of view, long-term unemployment disguised as inefficient or unpaid self-employment is one of the main characteristic of rural environment.

### **Perspectives for decent rural employment**

*Decent rural employment* in Food and Agriculture Organization of the United Nations (FAO) vision emphasizes six priority dimensions that are crucial to achieving decent work in rural areas:

- ✓ respects the core labour standards as defined in ILO Conventions (is not child labour; is not forced labour; guarantees freedom of association and the right to collective bargaining, and promotes the organization of rural workers; no discrimination at work on the basis of race, colour, sex, religion, political opinion, national extraction, social origin or other);
- ✓ provides an adequate living income;
- ✓ entails an adequate degree of employment security and stability;
- ✓ adopts minimum occupational safety and health (OSH) measures, which are adapted to address sector-specific risks and hazards;
- ✓ avoids excessive working hours and allows sufficient time for rest;
- ✓ promotes access to adapted technical and vocational training. [FAO, 2016]

Despite of Decent Work Agenda for Romania that promotes elimination of trafficking and other worst forms of child labour, it is a fact that the poverty prevalent in rural villages forces many children to work. Though it is estimated that today only 1% of children are working in Romania, this number is still a concern.

By the fact that employment in rural areas is overwhelmingly based on self-employment and unpaid family workers, it have no sense to spoke about a collective bargaining or other forms of organization for Romanian rural workers.

In rural areas, the day labourers are widely hired but not with legal forms. Order no. 831/600 of 2015 issued by the Minister of Labour on the approval of the Methodological Norms for the Application of Law 52/2011 on day labourers' sets out specific measures for the protection of day labourers and to ensure health and safety at work for these workers, but the contracts for hiring day labourer are rarely used.

Romania has the highest percentage of adults who are at risk of poverty despite being in work in the EU. Also, in-work poverty is higher among people in non-standard employment and among the self-employed without employees. [Eurofound, 2017]



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People living in rural areas are generally more inclined to leave education or training early, in many cases due to the fact that they are not supported to continue their studies and do not have the financial resources and the necessary school infrastructure.

### Conclusions

Romanian rural employment is precarious and far from meeting the standards of decent work.

Employment of about 20% of the population in the primary sector of activities that contributes only 4.7% to national GDP, it cannot ensure the conditions of decent work in this sector of activity.

Increasing investment in non-agricultural sectors in rural areas can be a viable solution to poverty alleviation. Measures to support education and health, too, can play an important role in determining life chances and raising the quality of life of an individual. Young people from rural areas are requiring increased attention to not become discouraged or excluded from the labour market.

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## **THE ROLE OF INTERDEPENDENCES BETWEEN CRITICAL INFRASTRUCTURES FOR SUSTAINABLE DEVELOPMENT**

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### **Abstract**

*Critical Infrastructure Systems must provide and guarantee a good basis  
for people, goods, services and information on which the health, safety, comfort  
and economic activity of a society depends.*

*The phenomenon of globalization causes an increase in risks to critical  
infrastructures. For mitigation of these, the criteria of dependence and  
interdependence between them are imposed.*

*The security risks increasing related with interdependences between  
critical infrastructures that are not readily identifiable by traditional risk  
identification processes. A systematic analysis of the interdependences between  
critical infrastructures, using five dimensions (physical, cyber, geographic,*

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*logical and social) is necessary. The relationships between Critical Infrastructure (CI) failure and their resilience are in function with interdependences between subsystems of each CI.*

*In this paper we show some considerations on the dimensionality of interdependences between critical infrastructures from the energy sector and Information and Communication Technology (ICT). After a breakdown of SCADA systems, we presented few examples of cybernetic attack against ICT and energy infrastructures. Main technological, economic, and regulatory changes have modified the relationships among infrastructures, and the information technology revolution has led to substantially more interconnected and complex infrastructures with generally greater centralization of control.*

**Keywords:** *threats; vulnerabilities; risks; critical infrastructure; interdependences.*

**JEL Classification:** O<sub>33</sub>

### Introduction

Regionalization and polarization, the two contradictory dimensions of globalization, reveal the essential importance of interconnections and interactions between different components and elements of human spaces, from localities to economic sectors, from interest groups to cultural associations, from local structure to institutions, from companies to individuals, etc. Globalization requires a vision of the world, human space, a vision that seems to be more appropriate to man's existential relating.

The network calls for decentralization and deconcentration, specialization and cooperation, autonomy and convergence, emphasizing synergy and entropy, highlighting the importance of rules and institutions.

Sustainable rural development implies building a complex of activities legislative, organizational, economic, financial, social and cultural ones to ensure the improvement of the material and spiritual situation of the rural population through the non-destructive valorisation of the rural space resources.

The complexity and diversity of risks and threats, interconnected and characterized by multiple determinations, calls for an integrated, systemic and comprehensive approach to security objectives, with a focus on protecting those



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vital components for the safety and well-being of socio-economic life. Critical Infrastructure Protection (CIP) activity involves common efforts to identify and evaluate any vulnerabilities, threats and risks. As such, the protection of critical infrastructures – a determinant element for maintaining stability and security – requires developing and harmonizing strategies in the field. They must allow the identification and early warning of risks while at the same time adopting and timely initiating preventive and counter-interventions decisions / approaches.

The analysis of social vulnerability towards critical infrastructure failure has the potential to inform a population about planning and design of schemes.

The vast issue of CIP and the interdependencies between them has been dealt with in many papers, of which I recall [Leaua & Ardeleanu, 2012; Badea *et al.*, 2012; Setola & Porcellinis, 2007] and in many normative acts (Directive 2008/114/EC, etc.).

Concerning critical infrastructures from different fields of society, as subsystems within a global system, it is necessary to analyze the connections (unidirectional dependencies or bidirectional interdependencies) that exist between them.

Dependency between two critical infrastructures is a one-way connection, whereby the operation of one of the infrastructures directly influences the operating state of the other.

Unlike dependence, interdependence is a bidirectional connection between two or more infrastructures, through which the operation of each influences the state of others, i.e. two infrastructures are interdependent when each is dependent on the other.

In practice, interdependences between infrastructures lead to a more complexity of 'systems and subsystems' assemblies, which are characterized by multiple connections between feedback and feedforward infrastructures and implicitly between related domains. In view of this, the analysis of the behaviour of an infrastructure viewed in isolation from the general environment is a wrong or at least incomplete approach.

A correct approach should take into account the analysis of bi-directional interdependences between infrastructures.

According to this approach, in this paper we present the role of interdependences between critical infrastructures in development of society, with particular reference at two infrastructures (energy and information and communications technology – ICT), as well as Supervisory Control and Data Acquisition – SCADA systems.

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### **General considerations on the dimensionality of interdependences between critical infrastructures**

In the literature [Leaua & Ardeleanu, 2012] five categories of interdependencies are identified: physical, cyber, geographic, logical and social. Although each has distinct features, these categories are not mutually exclusive.

- “physical” interdependencies;

Two infrastructures are physically interdependent if the capacity of one depends on the material performance of the other.

For example, ICT infrastructure ensures data monitoring, control and adjustment for an energy infrastructure, while electricity generated by the generator provides the energy required to operate SCADA, ICT facilities for energy infrastructure.

- “cyber” interdependencies;

Two infrastructures have “cyber” interdependence if the state of one depends on the information provided by the other data transmission system. In this case, information products resulting from the operation of an infrastructure constitute “raw material” for the operation of the other infrastructure.

For example, the state of the operation of an ICT infrastructure has an overwhelming impact, through the information transmitted, on energy infrastructure. Conversely, the informational results transmitted from the energy infrastructure can be used by the ICT infrastructure to make adjustments, operational safety measures, stopping subsystems to avoid damage, etc.

- “geographic” interdependencies;

Infrastructures are geographically interdependent if the occurrence of a local event can create disturbances in the state of operation of those other infrastructures. Geographic type interdependence occurs when elements of two or more infrastructures are in spatial proximity. Because of this proximity, events such as an explosion or a fire can cause disturbances or damage to these spatially interdependent infrastructures. Such related disturbances are not caused by “physical” or “cyber” connections, but rather because of the influence that the event exerts simultaneously on all infrastructures.

For example, a gas pipe or an energy line that has telecommunication lines in the vicinity.

- “logical” interdependencies;

This type of interdependence is determined by control systems linking a component from an infrastructure to another component of another infrastructure



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without a direct physical, cyber or geographic connection. An example of this may be interdependence between electricity generation and transport infrastructure, energy market regulations and existing investments in this area. The “logic” interdependence between infrastructures is due to human decisions and activities and not as a result of a direct physical interaction.

Research, analysis, evaluation of results and decision-making in the fields of energy and ICT are logically interdependent.

- “social” interdependencies

Represents the influence that an event associated with a component of an infrastructure may have on social factors (for example, public opinion, population confidence, fear or cultural issues). Even if there is no physical or direct relationship, the manifestation of the event has consequences on other infrastructures. This influence can be distinguished over time by the initial causes. For example, a major damage to the energy system would substantially reduce ICT outcomes at society and vice versa.

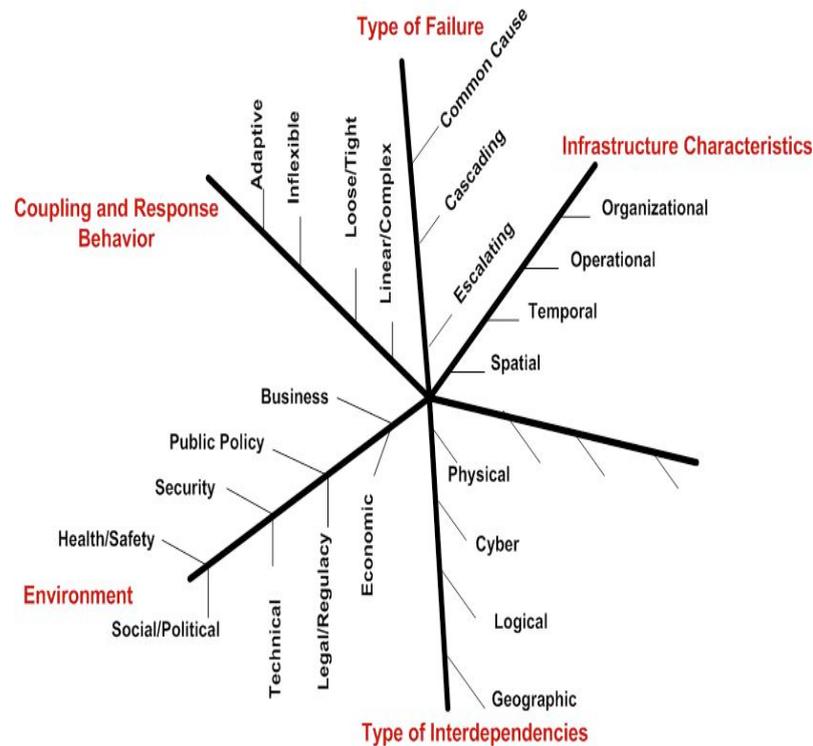
While it is generally accepted that interdependences are critical when jeopardizing the normal functioning of the economy and society in general, a deeper assessment of the impact on national economy and security has only developed over the last decade. That is why the key aspects of knowing the effects of interdependences are their chaining across multiple critical infrastructure sectors and the possibility of unforeseen effects.

The study of interdependences can be used to qualitatively assess the vulnerability of industry sectors to infrastructure disruption and can support the estimation of potential impacts induced by infrastructure service outages, at organization and industry sector level. This can inform and foster public and private sector investments to enhance infrastructure resilience [Giovinazzi *et al.*, 2016].

Rinaldi *et al.* (2001) provides a clear and exhaustive elicitation of infrastructure interdependencies that can be used to identify security risks. The framework (figure no. 1) is a conceptual high-level model that presents six dimensions of interdependency that are subsequently explored, analyzed, and dissected. Though the framework does not explicitly attempt to model and analyze security threats that arise from the interdependencies, it does however bring together in a very neat abstract level the factors (technical, legal, economic, business, social/political, legal/regulatory, public policy, health and safety) that

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influence the operation of critical infrastructures and drive the complexities of the interdependencies observed [Rinaldi, Peerenboom, Kelly, 2001].



**Figure no. 1. Six dimensions of interdependency that are subsequently explored, analyzed, and dissected**  
(after Rinaldi, Peerenboom, Kelly, 2001)

Disruptions to critical infrastructure systems such as electric power or transportation frequently cause major social and economic loss in disasters, both directly and through failures in one system leading to or compounding disruptions

in another. Strategic approaches regarding infrastructure failures are needed to guide community mitigation and preparedness efforts [Chang *et al.*, 2007].

In the following figures are presented the vital systems and their essential components in the form of graph (nodes and connections) of all the relationships that exist between different systems and their effects (figure no. 2, figure no. 3).

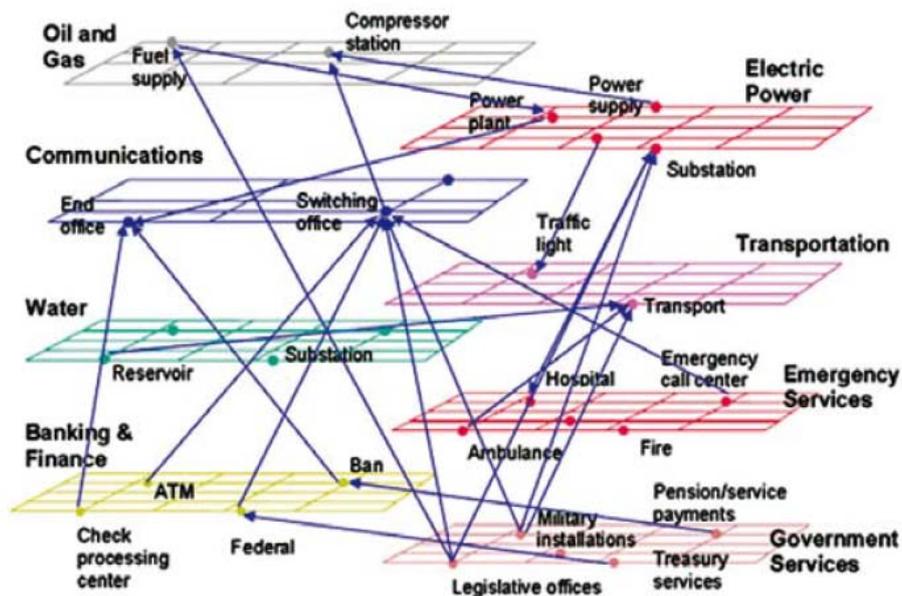


Figure no. 2. The interdependence graph and the propagation of effects between critical systems (after Steven Rinaldi in Liviu Dumitrache, 2011)

In order to quantify the dependence and interdependence of critical infrastructures, the following parameters were introduced: the dependency index (a measure of robustness relative to inoperability transmitted) and the influence of gain (a measure of the influence that a specific infrastructure transmits on the overall level of the system).

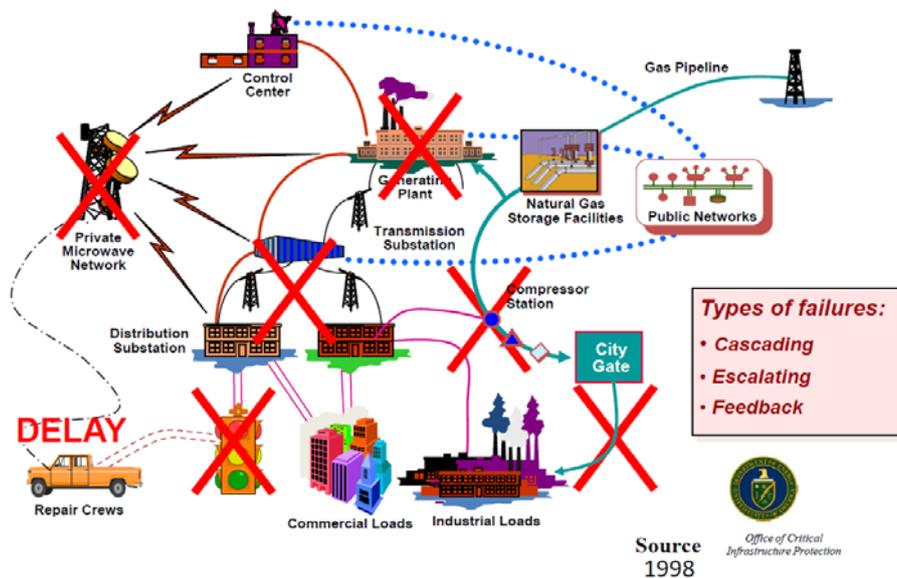


Figure no. 3. Example of interdependence in the energy industry (after Roberto Setola, 2013)

Inoperability is the incapacity of an infrastructure to perform specific operations. Coefficients of inoperability can be quantified using the Leontief matrix, of which there are many scientific articles in specialized literature. The development of input-output models using matrix computational theory, simplex problem solving, stochastic processes theory and other methods of operational research, numerical analysis and statistical analysis are not the subject of the present paper (due to the large expansion of each methodology). The common point of each method is to determine the inoperability coefficients of the critical infrastructure subsystems that is dependent on the operation of other infrastructures and their subsystems. For any method chosen, however, the entry data in the model should be identified as accurately as possible. This is very laborious due to the lack of properly spent and monitored events, and in places where we have unknown input data, we have to estimate them based on scenarios.



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### **Interdependence between critical infrastructures from the energy sector and Information and Communication Technology (ICT); SCADA systems**

Within the energy sector, at the convergence of communications and information technologies has developed a complex technology that specializes on tasks related to the management of transmission and distribution networks. These networks with many variables, complex interactions and branches are of a very long length and can cross different areas [Hildick-Smith, 2005]. SCADA systems have been designed to address complex issues within the energy sector's objectives.

Transport and distribution networks are extremely difficult to administer. This was done (prior to SCADA systems) by placing measuring tools and training ground teams at key points of the network. Field teams were meant to read the values of networking tools or make measurements, communicate the readings to those responsible for network management, and perform the operations required by them. The communication of the readings to the network administrators, as well as in the opposite direction, was done either by telephone or by transmitting stations. The process was very tedious and even inefficient. In order to make the values read and perform remote operations more efficient, the telemetry and remote command methodologies have been introduced. This has become possible thanks to the development of modern means of communication.

On the other hand, the computing equipment became more and more advance.

Once a SCADA system has been implemented, operations can be monitored and controlled, and the system produces profit maximization information. Since SCADA is the centre of triggering, transmission, and distribution of operations, anyone who uses the system information can benefit from an overview of the site, installation, and operation of the system.

SCADA systems are made up of components of a different nature, which are connected to each other. The master schema of a SCADA system includes the following main components [Badea *et al.*, 2012]:

- measuring components;
- actuating and automation components for electrical networks: switches, circuit breakers, etc.;
- hardware devices and computers, printers, plotters, monitors, synoptic displays, intelligent process control modules, programmed logic control modules, storage units;
- software components, operating systems (in real time or not), data collection systems, database management systems, simulation programs, communication programs, data archiving / restoration programs;



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– communications components (LANs, network cables, network cards, telephone lines, modems, terrestrial radio communications, broadcasting stations, transmission relays, satellite communications, satellite broadcasting stations, etc.).

To provide decision support, SCADA systems must offer a wide variety of services. Exhaustive enumeration of all services may be even impossible, so I will only call the most representative ones: the communications service, the data acquisition service and the remote-control service, the display of the most important states, the data logging and the interface operating, trend tracking and analysis services, remote order launch services, tracking and checking data, etc. If one of the exceptional conditions has occurred, the alarm service is triggered.

An important goal is to verify access to the system, this is done by the security service, which allows access to passwords. At each computer or terminal access is protected and has a certain level of access. Also, system operators have a password that gives a certain level of access (from their own computer or terminal). An operator's access to a system at a particular terminal is based on his / her own password, the access privileges granted by the system being the minimum of the implicit rights of the terminal and the operator.

One of the analysis tools of a SCADA system is a special place for the simulation service. This allows simulation of the network, which offers, among other things, the advantage that fewer measuring elements can be mounted, because the simulation will allow the interpolation of the values and at some points where such instruments are not mounted. On the other hand, the entire simulation system allows the analysis of some scenarios (the impact of some developments, network expansions, the effect of parameter changes due to damage, the fall of a transformer station in the case of an electrical network, etc.).

The requirements for the SCADA system and its components are multiple, the most important of which is the opening and observance of standards. The purpose of the opening is the possibility of working with other systems such as enterprise information system, design software system, consumption billing system, LAN / WAN workstations, distributed control systems, manufacturing management systems, modelling systems processes, optimization systems, etc.

Opening must be present both in terms of hardware (different hardware platforms), software (different operating systems and portable code), communications (international and de facto standards) and data management (such as SAG-SQL Access



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Group) and applications (interfaces and support offered for other programs). In most cases, in order to meet this requirement open-ended client-server architecture was chosen.

The second important requirement is adaptability: the ability to configure the components according to the concrete requirements, even if these requirements change over the life of the system; the ability to connect new equipment or programs to the existing system.

Making available timely data is another very important goal, so useful and timely action can be taken that could cause accidents.

Data security is also very important, the intrusion into the system can lead to disclosure of confidential information, which can cause serious malfunctions in the system. It is also necessary to set up an archiving system, once recorded data can be consulted and then for analysis. The system must provide the ability to quickly detect network failures and locate them as accurately as possible. It should also be able to provide all the data regarding the possible elements involved in the repair of the fault.

Since the implementation of a large-scale SCADA system involves very large investments, the problem of implementing such a system needs to be conceived gradually. Also, since the design phase, it has to be taken into account the possibility of extending the system, both in terms of increasing the number of measuring points and extending the functionality of the system.

The management of the firm must be convinced of the usefulness of introducing such a system by demonstrating the material advantages and the possibility of gradual implementation. Users are likely to show reluctance to a completely new system that they have not used to working on, so they need to be educated in advance with the system being put into service. Also, with the introduction of new elements, users need to know what they are and what their role is. For the implementation, operation and maintenance of the system, the goals pursued need to be clearly defined, the tasks to be performed and the persons who will deal with these issues must be determined. The access rights of these people must also be delimited very strictly and clearly. In order to assist the SCADA system, an intervention team will be set up, which in case of exceptional events can carry out the necessary repairs and will periodically carry out the maintenance of the equipment.

An energy system can be functionally found in one of the following states: normal operation, alarm, incident-failure and restoration.



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In the vast majority of time, the energy system is capable of operating under normal conditions (stable mode). In this operation, attention is given to economic functioning as well as functioning to successfully deal with small-scale incidents.

The alarm operation mode is characterized by the fact that for any incidents or damages that are detected (accidental shutdown of a large power energy group, the start of a transmission line, etc.), preventive measures are taken by starting from the reserve of groups, change of the electrical network configuration, etc. The emergency operation mode is characterized by the occurrence of a primary incident or an emergency (the triggering of a transmission line which leads to important moments in the power circulation and the voltage values), in such situations the energy system must have the necessary reserves (group starts from the reserve – hydropower and hydroelectric power plants – changes in the system's electrical network configuration) to successfully deal with these phenomena (static and dynamic stability reserves). As a rule, the major incident is followed by associated incidents (firing of electric lines and energy groups, power pervasions on power lines and energy groups), resulting in the energy system being required to the maximum from the point of view of static or dynamic stability.

There is a state of restoration in which, when the energy system has successfully dealt with the demands, the triggered lines and energy groups are started in which no failures occurred, and when the energy system has ceased to function, it first restores the connection between the important parts of the power system, parallel to the power plants and the important arteries, then all the networks and plants are put into operation (parallel), supplying to consumers alimentation with energy.

The safety of the functioning of the energy systems, in a scientific approach to problems, regarding the energy supply of the society, led to the establishment of a conception of this field, and to the use of a probabilistic method of analysis logically framed in an independent discipline, called Reliability. Reliability is concerned with the study of the functioning of technical systems in order to meet the objectives for which they are achieved. Reliability, as defined by the International Electronic Committee, is characteristic of a device that expresses the likelihood that the device will perform a precise function, under determined and time-bound conditions. In the most general form, the safety of a system can be defined as its ability, within a given time frame, to operate under well-specified conditions. The energy system consists of all the installations and equipment's that produce, transport, distribute and use the



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electric and thermal energy produced in district heating, intended to supply these forms of energy to all sectors of economic and social cultural activity. The main objective of our country's energy system (SEN) is to ensure that consumers supply electricity and heat produced safely, economically and at established parameters.

The study of the reliability of the energy systems is based on statistical and probabilistic methods, on economic models for optimization of technical solutions and is complemented by a set of technical and organizational measures applied in the phases of conception, execution and exploitation of the installations. Thus, the safety of an energy system implies a succession of operating, intermediate conditions, stops for planned repairs, etc., characterized by the state of the installations for the production, transport, distribution and use of electric and thermal energy. The operation of an energy system can, however, be influenced by the fuel supply, by the existing reserves in the fuel supply. Faults in the operation of the energy system and its component parts (transport networks, transformers, control equipment and information technology, telecommunication equipment, etc.) are defined and grouped conventionally into several categories.

Current malfunctions are deviations from the normal state or deficiency of equipment and installations or their component parts that do not require them to be shut down or decommissioned and can be remedied during operation or at planned stops.

Disturbances are failures in the electrical networks that lead to the interruption in power supply of consumers in the low-voltage grid in the thermoelectric power stations leading to forced triggers or forced stops of equipment or installations which do not directly affect the production of electric or thermal energy, such as, as a rule, equipment and installations in annexed households, or in hydroelectric plants.

Incidents are defects caused by an event or a sequence of events that change the previous state of operation of an installation or its element with consequences either of immediate or future reduction of power produced in the energy system or of interruption in electricity or heat supply to consumers. An isolated incident is one that occurs at a given time in an installation or an element thereof and does not cause other incidents and does not affect the operating state of other installations or elements but only as a result of the current operation of protection and automation with which they are provided. Associated incident is the operating incident occurring in an installation or its element at the time of the primary incident. The failure is an incident of a certain complexity or succession of incidents occurring at a given time in an installation, system area, or overall energy system resulting in



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significant equipment damage or power outages or heat, or both of these forms of energy, of particular industrial consumers or consumer areas.

The management of the activities of an owner / administrator / operator in the energy field should mainly cover the following areas:

- technical, commercial and economic, corresponding to the MIS (Management Information System), GIS (Geographic Information System), etc.;
- the operation of electrical installations in low, medium and high voltage networks which correspond to the SCADA / DMS systems [System Control and Data Acquisition / Distribution Management System];
- the measurement of the electrical energy corresponding to the AMR (Automatic Meter Reading) type subsystems.

Strategic Objectives in MIS domain:

- Provide integrated information from all operational / specialized IT systems / subsystems (ERP, GIS, SCADA, etc.) to all users, including subsidiaries, to support strategic and operational decisions.
- Ensuring transparency to customers and partners by providing interactive, online information using INTERNET / INTRANET specific technologies.
- Optimal use of development and production funds for the development of the national integrated IT system through the preservation / development of branch-level investments and / or the acquisition of outsourcing software provider at central level and subsidiaries.
- Computer administration of the archive of physical documents, transposed in electronic format, according to the legislation in force.
- Managing the information within the national integrated IT system to be done under Confidentiality, Integrity and Availability according to the ISO 27000 security standard and based on IT best practices in accordance with ITIL (Information Technology Infrastructure Library) standards.
- Basic infrastructure: Data area equipment – LAN (Local Area Network) – Storage Area Network (SAN) Storage Devices – Servers, Operating Systems, Databases for all information systems / subsystems (MIS, GIS, SCADA, etc.).
- Uniformity of computer systems / subsystems in relation to the information technologies used by similar electricity companies within the European Union.
- Reduction of operating costs of the National Integrated Information System.
- Reducing power consumption at the main CPCD and Disaster Recovery [DR] Reserve Centres.

- Ensure technology independence (servers and operating systems) at the level of software applications, programming languages, and databases.
- Increase the integration of information systems (MIS, SCADA, GIS, etc.) using a single integration technology.

Another example of the interdependence between ICT infrastructures and oil and gas transport infrastructure through air surveillance, the installation of warning markers, advanced video surveillance systems, telecommunication and intrusion detection (conducted by HELINICK). The system is based on Distributed Acoustic Sensing (DAS) technology that prevents incidents that can affect transport pipelines, primarily by providing information before events that can lead to an incident. The principle is based on the optical fibre cable capture technology installed along the pipeline and uses advanced software algorithms to provide real-time pipeline status information. With this technology, sounds and images in real time are obtained from areas where burglary or incidental attempts are detected. The telecommunication system is based on optical transmission to the control centre and monitoring stations. Telecommunication networks use VSAT technology as a back-up solution and if the optical transmissions are interrupted, telephone, SCADA and security services are automatically taken over to the VSAT system to ensure continuous operation.

### **Cybernetic attack through energy infrastructures**

The National Centre of Cyber Security Incident Response – CERT-RO is a national contact point for cyber security incidents and has as main activity the realization of general views on the nature and dynamics of these types of events / incidents, relevant for assessing cyber security risks for IT infrastructures and electronic communications on the national territory of Romania, within the competence of CERT-RO.

Computer threats to the national cyber space have diversified, both from a quantitative perspective and from the point of view of technical complexity. Some examples of this type:

- Botnet drone – Network of computer systems compromised, controlled remotely by other people / organizations than their owners.
- Microsoft Security & Security Centre: Attackers use botnet to send spam, spread computer viruses, attack other computers and servers, or commit other types



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of fraud or crime. If your computer becomes part of a botnet you could involuntarily become an accomplice to the attacker.

- Industrial Control Systems (ICS) – control and control computer systems used in industrial processes.

- SCADA (Supervisory Control and Data Acquisition) – ICS's largest subgroup.

- Smart Grids – a modern electrical network with bidirectional communication capability between customer and supplier, as well as complex measurement and monitoring systems.

Examples of cyber-attacks on energy infrastructures:

STUXNET – 2010

- it was identified at the Iranian nuclear plant at Natanz;

- views 4 zero-day vulnerabilities;

- the worms used a series of default passwords of some Siemens (WinCC, PCS7) applications to access Windows operating systems;

- it succeeded in changing the rotation speed of the centrifuges used to determine uranium concentrations.

DUQU – 2011

- uses identical techniques to those of Stuxnet;

- it seems to have been created only for recognition actions on industrial control systems.

FLAME – 2012

- apparently developed by DUQU creators;

- specialized on stealing information through various methods in computer systems;

- discovered in computer systems running in SCADA from Iran, Lebanon, Syria and Sudan.

## Conclusions

The economic and social development stimulated by the accelerated technological progress and the phenomenon of globalization has strengthened the strong interdependence and interaction of the systems that ensure the security and welfare of human society. The need to interconnect systems against the background of the trend towards the removal of administrative barriers, together with the



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integration of infrastructure networks, drives global security and stability developments.

The transnational interconnections of infrastructures and the sphere of risk manifestation, which have borrowed the elements of representation and evolution that are shaped by the globalization process, prefigure the perpetuation of the critical infrastructure risks and allow the extension of the “cascade system” on other countries, the effects of aggression on systems or processes.

The phenomenon of globalization, together with the positive advantages and positive transformations it brings to the international level, enables the rapid spread of direct threats to the security of all on a planetary scale. Trends in globalization of insecurity must be addressed through firm measures to block and eliminate current threats and threats, as well as the establishment of a globalization system for security.

Risks and threats to vital goals for the functioning of society and the security of citizens have gained new valences with high dynamics and increased intensity, which has led to the need for an integrated approach to the concept of critical infrastructure. Starting from the basic characteristics of critical infrastructures, the critical element of their stability, including in a cross-border context, has gained new connotations in the context of national / transnational strategies.

Priorities for the development of a strategic energy infrastructure (electricity, gas, oil) – production, transport and distribution to the final consumer requires consideration and adaptation of several sectoral measures, including protection and resilience specific to each critical infrastructure. Terrorist events, which can hardly be forgotten, require prioritization of measures to protect against terrorist acts, but other threats, vulnerabilities and risks that generate significant destructive effects and endanger the safety or security must be considered; or even people’s lives.

According to this approach, Directive 2008/114/EC on the identification and designation of European Critical Infrastructures and the assessment of the need to improve their protection obliges operators of critical infrastructure in the energy sector as well as operators in other infrastructures to assess all possible risk situations (all hazard approach) and to develop a Security Plan that takes into account cyber-attacks, human disasters, natural disasters and various technological threats.

In order to quantify the dependence and interdependence of critical infrastructures, will use the dependency index (a measure of robustness relative to



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inoperability transmitted) and the influence of gain (a measure of the influence that a specific infrastructure transmits on the overall level of the system).

Coefficients of inoperability, incapacity of an infrastructure to perform specific operations, can be quantified using the input-output models using matrix computational theory of Leontief. The common point of each method is to determine the inoperability coefficients of the critical infrastructure subsystems that is dependent on the operation of other infrastructures and their subsystems. For any method chosen, however, the entry data in the model should be identified as accurately as possible. This is very laborious due to the lack of properly spent and monitored events, and in places where we have unknown input data, we have to estimate them based on scenarios.

The interdependence between critical infrastructure in the energy sector and information and telecommunication technology is particularly strong, and the most obvious example is SCADA systems.

Power generation and distribution is managed by SCADA systems that depend on telecommunication services for data transmission between the systems. At the same time telecommunications rely on electricity to power communications circuitry. An interdependency exists where transport systems such as trams depend on electricity but at the same time the generation and supply of electricity may depend on the transport system, for instance to ferry in the coal, or the fuel needed to run power plants.

There are also many examples of this interdependence in the case of warning systems about the imminence of earthquakes or geomagnetic storms. Practically, the operation of the power system would be impossible without substantial input from the field of information and communication technology.

Reciprocally, information and communications technology, as well as all areas of human activities, is dependent on the use of energy in full security.

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## HUMAN RIGHTS RELATED TO THE RIGHT TO RELIGION AND ECONOMY IN THE CONFLUENCE OF CULTURES

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### Abstract

*The paper is focused on the authors' opinion, based on deep research, that religion and education go side by side and could help a lot and should be the basic law for the development, rural or urban, against the background of the nowadays European challenges. Europe is confronted today with oncoming waves of immigrants from all over the world who have been invading it for several years, bringing with them cultures, customs, observances, different in many ways from ours. Under these circumstances, the authors would like to highlight their point of view, mainly the idea that the words of Martin Luther King Jr.: "Hate paralyzes life; love releases it. Hate confuses life; love harmonizes it", are much truer than ever. To keep an open mind on religious*



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*education, to be flexible, loving and understanding should be of vital importance in developing rural communities against the background of the European competitiveness.*

**Keywords:** rural; development; European; competitiveness; religion; education.

**JEL Classification:** I<sub>25</sub>, Z<sub>12</sub>

### Introduction

The paper aims to emphasize that the European political system should insure that the diversity of religious beliefs would never become a source of social and/or political injustice, hate, hate crimes, racism. It, on the contrary, should forbid to give special favours to any religion or to hinder the free practice or exercise of any religion of any kind. Although the European states have no European state-supported religion, and each and every state has its own religion, or religions, a kind of Christian consensus or agreement, about God's place in European life and government has developed. The arrival of large numbers of Muslim, Asian, African, Indian, Jew immigrants has challenged that consensus. Now, more than ever, in this newly and ongoing changing and religiously diverse Europe, among the rights that should be guaranteed, as a political necessity, is the freedom of religion as a basis for education and development of individuals.

A mosaic of nations in Europe requires tolerance, mutual understanding, freedom of expression, duties and rights, and above all, Christian LOVE. To develop as an individual against such a multicultural background, you need religious education which is preached in/by the Bible. Let us remind ourselves that the first schools in our country used the Bible to have the children read, learn, write and form their characters. Love is a feeling by which we defeat hate, anger, envy, which helps us be good, share our goods with those less fortunate than ourselves, give a hand to the needy and is a feeling much met with in the Bible. In courts, people swear on the Bible. Presidents, judges and high officials swear on the Bible when they are invested in their offices. Therefore, a condition *sine qua non* to live and develop beautifully, honestly, in harmony with nature and other people is to read, know, and study the Bible which is a jumping board towards education. "We, the people" of Europe, to paraphrase the words in the U.S. Constitution, more than ever must be aware that we are the hosts and we are the home for the new comers



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and, consequently, we must behave ourselves on principles grounded in the Holy Book and be models of manners, morality, education.

The first author, Anca Magiru, would like to present the American point of view compared to the Romanian and European views on immigration, education and religion, from her own experience lived there due to the Fulbright scholarship, the documentation in some of the U.S. great libraries, the social and academic life there, the attending of some different confessional services in different churches, taking part in the Washington D.C. Supreme Court cases, while the other co-authors would like to add information from the books read, studied, consulted.

This paper could not have come into being if documents in this field had not been written. The very first book in the mankind history on which this paper focuses on is the Bible, as a source of cultural, educational, legal, and moral basis; then, the authors keep on going deeply into the matter by finding their inspiration from The Constitution of the United States and the Declaration of Independence, 1987; Anne Cusack (Religion in America, 1991), S.E. Ahlstorm, (A Religious History of the American People, Martin E. Marty, Pilgrims in Their Own Land: 500 Years of American Religion, 1985) and others which are to be mentioned in the paper itself and the bibliographical references.

#### **Literature review**

The authors would like to emphasize that in America, religious freedom is guaranteed by the First Amendment to the Constitution, which states that, “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof;” while the Declaration of Independence, states that, “all Men are created equal, that they are endowed by their Creator with certain unalienable Rights,” and that, “the laws of Nature and Nature’s God”, entitled them to form a new nation. Among the rights that the new nation guaranteed, as a political necessity, in a religiously diverse society, was freedom of religion. [The Constitution of the United States and the Declaration of Independence, Commission on the Bicentennial of the United States Constitution 1987, Washington, D.C.] The First Amendment insured that the American government would not meddle in religious affairs or require any religious beliefs of its citizens.

In some way, the U.S. Government supports all religions. Religious groups do not pay taxes in the United States. The armed forces pay chaplains of all faiths. Presidents and other political leaders often call on God to bless the American



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nation and people. Those whose religion forbids them to fight can perform other services instead of becoming soldiers. Government does not pay ministers' salaries or require any belief, not even a belief in God, as a condition of holding public office. Oaths are administered, but those who, like Quakers, object to them, can make a solemn affirmation, or declaration, instead. American courts have become more sensitive in recent years to the rights of the people who do not believe in any God or religion. However, in many ways, what the Supreme Court Justice William O. Douglas wrote in 1952, is still true, "We are a religious people," he declared, "whose institutions presuppose a Supreme Being". [Cusack, 1986, rev. 1991.]

In the early years of the American nation, Americans were confident that God supported their experiment in democracy. They had just defeated Great Britain, the most powerful nation in the world at that time. Protestant religion and republican forms of government went hand in hand. America thought herself to have a divine mission to make her unique combination of political freedom and "Yankee" thrift and ingenuity, a model for the world to follow. [Ahlstorm, 1972, rev. 1975.] For example, what can be more challenging than a Cathedral welcoming the people of all faiths and none? Fulbright Scholar Dr. Anca Magiru is speaking here of Washington National Cathedral which she and her husband visited in November 4, 2008. The conclusion is that no matter your church, your faith, or your reason for visiting, all are welcomed to come in here. This Cathedral is today an Episcopal Cathedral for national purposes, it is a catalyst for reconciliation and interfaith dialogue to promote respect and understanding, an invitation for all people to share in the American commitment to create a more hopeful and just life. In this respect, the words of Cathedral Dean Samuel Lloyd are remarkable, "My hope for this Cathedral is that it will be known not only as a great and holy building, but as a Place of reconciliation and healing, and a People serving Christ and working for justice among the broken and hurting of our world." [Washington National Cathedral, [www.nationalcathedral.org](http://www.nationalcathedral.org)].

On the other hand, on the opposite coast of America, at the Pacific Ocean, in San Francisco, California, we are welcomed by Grace Cathedral, a house of prayer for all people without exception. Symbols of the world's religions, Christianity, Islam, Taoism, indigenous faiths, Shinto, Hinduism, Judaism, Buddhism, Jainism and all other faiths, appear as elements in the chapel. That is why, today, the Cathedral has become an internationally-known place of pilgrimage, home to a vibrant and diverse congregation, and a place for civic celebrations and commemorations, truly "the city's church". [Grace Cathedral. [www.gracecathedral.org](http://www.gracecathedral.org)]



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Today, in an American large city, you might see a multiplicity of Orthodox churches: Greek, Romanian, Carpathians-Russian, Serbian, and on and on. All these Orthodox bodies are one church. The ethnic designation refers to what is called the parish's "jurisdiction" and identifies which bishops hold authority there. The astonishing thing about this ethnic multiplicity is its theological and moral unity [Abortion. What the Church Teach. The Orthodox Perspective on Abortion as Presented to the United States Supreme Court in the Amicus Curiae. Concilliar Press Ben Lomond, California, 1990].

It was from the religious and political Western world that the vast majority of early colonists came to make their homes in the New World. Here they could be free to live without fear or threat of incrimination from either Roman Catholic or Protestant dictums [Gaustad, 1982]. The Pilgrims left behind them a continent torn by religious quarrels where, by the 16<sup>th</sup> century, many people had grown to resent the richly decorated churches and ornate ceremonies of the Catholic Church [Sparks, 1995]. In America, they had formed their congregation. They made a contract, which became known as the "Mayflower Contract". With this contract they agreed to form a "civil body politic" which could make "just and equal laws" for the colony [Marty 1985, reprint of 1972 edition]. Caring for the poor and disadvantaged has always been a concern for the religious people.

#### **Pluralism and religious tolerance for all**

By the middle of the 18<sup>th</sup> century, many different kinds of Protestants lived in America, Lutherans, who had come to America from Germany, Dutch whose Reformed Churches flourished in New York and New Jersey, Presbyterians, one of the largest Calvinist groups, who came from Scotland and, Huguenots, French Protestants, who subscribed to Calvin's doctrines, and who came from France. Congregationalists, as the Puritans came to be called, still dominated in Massachusetts and the neighbouring colonies, an area which came to be known as New England. [Hudson, 1981] Although the Church of England was an established Church in several colonies, Protestants lived side by side in relative harmony. Already they had begun to influence each other. The Great Awakening of the 1740s, a "revival" movement which sought to breathe new feeling and strength into religion, cut across the lines of Protestant religious groups, or denominations. At the same time, the works of John Locke (1632-1704) were becoming known in America. John Locke reasoned that the right to govern comes from an agreement or



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“social contract” voluntarily entered into by free people. The Puritan experience in forming congregations made this idea seem natural to many Americans and, taking it out of the realm of social theory, they made it a reality and formed a nation.

It was politics and not religion that most occupied Americans’ minds during the War of Independence (1775-1783) and for years afterward. A few Americans were so influenced by the new science and new ideas of the Enlightenment in Europe that they became deists, believing that reason teaches that God exists but leaves man free to settle his own affairs [Bellah *et al.*, 1985].

In the 19<sup>th</sup> century, another Great Awakening of revival swept through New England. Many had given up Calvin’s idea of predestination, which is the belief that God chooses those who will be saved, and that man cannot win salvation through good works or other means, salvation can only come from God, and then, only to the “elect”. Some Protestant clergy now preached that all men had free will and could be saved, while others moved on to positions yet more liberal, giving up many traditional Christian beliefs. In this liberal setting, poets and philosophers flourished. Ralph Waldo Emerson (1803-1882) developed a transcendental philosophy, which stressed the presence of Spirit in man and nature; individual experience and Puritan virtues like self-reliance received a new spiritual foundation; the writings of Emerson and other Transcendentalists are read by millions of schoolchildren in American elementary and high schools. [Bellah *et al.*, 1985]

The idea of progress was appealing to liberal Protestants of the 19<sup>th</sup> century and they began to ask themselves why religious doctrines should not become more rational as science made the natural world more open to human understanding. In Europe, and particularly in Germany, scholars were reading and studying the Bible in a new way. They questioned the reality of Bible miracles, and challenged traditional beliefs about Bible authors. Liberal Protestants believed that if Christianity were to continue to appeal to educated people, it must accept these ideas. In the same spirit, liberals wrestled with the problems which Charles Darwin’s theory of evolution presented. If human beings had descended from animals, an idea which almost all scientists quickly accepted, then the story of Adam and Eve, the Biblical first parents of human beings, could not be literally true. To the many questions raised by the progress of science, Protestants sought and found answers which stressed the moral and spiritual meaning of the Bible but did not depend on its reliability as a book of factual history [Tillman, 1995].



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What set apart the 19<sup>th</sup> century liberal ministers from their descendants in the 20<sup>th</sup> century was their optimism about man's ability to make progress. Some, like Henry Ward Beecher (1813-1887), still held that poverty and sin went hand in hand. Some liberal ministers were not very critical of the excesses of capitalism. But others, like Walter Rauschenbusch (1861-1918), thought that the Church should concern itself with reforming society. They discovered a "social message" in the Gospels, the Biblical accounts of Christ's life, and began to concern themselves with the problems of workers and the city poor.

Modern liberal clergymen are less optimistic about the speed and extent of social reform, but they are still convinced that the Church must fight for the rights of poor people. They manage shelters for homeless people, feed the poor, run day-care centres for children and speak out on social issues. They seek areas of agreement with other Christians, with Jews and with those of other world religions. Many are active in the ecumenical movement, which seeks to bring about the reunion of Christians into one church. While some New England clergymen embraced the rational side of Puritanism, others turned toward the emotional or spiritual side. These ministers welcomed the "Second Awakening" of the early 19<sup>th</sup> century and they preached the message of man's sinfulness and Christ's redeeming grace. Evangelical religion, a conservative kind of Protestantism which relies on the authority of the Bible, spread rapidly. Evangelical preachers spoke simply and directly about the Christ of the New Testament Gospels who died to save mankind. The religious enthusiasm which their preaching aroused often led to the forming of associations, or groups, to carry on the work of reforming morals or spreading the gospel and these groups were often interdenominational, all Protestants were welcome to join them. Some groups were formed to fight sin; others were formed to spread God's word around the world and missionaries were sent to Africa, the Far East and to the American Indians in the western United States. Some of these groups, such as the American Bible Society, still exist today. Evangelical religion was fervent throughout America and especially on the frontier. Methodist and Baptist preachers competed with each other to win the settlers' souls for Christ [The New Testament, 1993]. The Methodists, beginning as an evangelical society of the Church of England, became established as an American church in 1784, sending travelling preachers, or circuit riders, into the Appalachian Mountains and beyond. The Baptists, like the Methodists, used lay preachers who preached to small frontier congregations on Sundays. Travelling evangelists preached at camp meetings, revival gatherings which became a regular part of life in the American West [Good News



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Bible, 1996]. The Methodists and Baptists grew rapidly in numbers. As both denominations matured their pastoral leadership was assumed by ordained pastors with formal seminary educations. They are still chief denominations in the southern United States. They have many members in other parts of the country as well [Brown, 1987, rev. 1992].

Most religious people were slow to condemn slavery, though from the earliest days the Quakers opposed it and risked their lives helping black slaves to freedom. By the 1850s, however, northern ministers of many denominations were preaching that slavery was a national sin. In the South, however, many clergymen defended slavery and even owned slaves. Northern victory of the Civil War (1861-1865) meant freedom for the slaves. In the war-damaged South, most of the freed slaves became poor farmers, working land they did not own for a share of the crop. Segregation, or racial separation, became a way of life. Many whites were just as poor as blacks. Black and white alike sought comfort in a conservative, evangelical form of religion. The South became a stronghold of “old time religion”.

In 1925, a biology teacher, John Scopes, was convicted under a Tennessee state law which forbade teaching the theory of evolution in a public school. Scopes' conviction was overturned on a legal technicality. But a number of other states in the South passed laws against teaching Darwin's theory. Even today, teaching the theory of evolution to the exclusion of religious teachings is controversial in parts of the United States [Knappman, 2003].

After the Civil War, northern factories grew rapidly. American Protestants did not give up trying to help the poor or convert non-Christians. But they spent a major part of their moral energy for the next 50 years on the temperance movement, an attempt to make all alcoholic drink illegal. Finally they succeeded, and for over ten years (1920-1933) it was illegal to buy beer, wine or liquor in the United States. However, America was changing and, by the late 19<sup>th</sup> century, a kind of Protestant consensus, or agreement, about God's place in the American life and government had developed. The arrival of large numbers of Catholic and Jewish immigrants challenged that consensus.

### **Education/Schools and Religion**

By the Civil War, over a million Irish Catholics had come to the United States most of them being working people. The anti-Catholic prejudice was so strong that, on few occasions, it broke out in mob violence [Tindall *et al.*, 1992]. Although Catholics were not shut out of public schools and hospitals, they built their own



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schools, colleges and hospitals. Catholics believed that these institutions were needed to preserve their faith. Many Catholics now attend public schools and secular colleges even though Catholic institutions still serve large numbers of Catholics, who are attracted by the discipline and education, offered in these schools [Melton, 1985].

By the 1950's, many Catholics had risen to positions of leadership, not only in labour unions, but in business and politics as well [<http://stmarylaw.stmarytx.edu>]. The costs of modern education had made Catholic schools very expensive to maintain.

The lawmaking bodies of many states were sympathetic to these demands, but most attempts to provide help for religious schools were ruled unconstitutional by the Supreme Court of the United States. Giving public money to a religious school was held to violate the First Amendment to the Constitution which prohibits the establishment of religion. Public money for religious schools remains an issue in American politics in the 1980s. If Catholics feel that government should support the non-religious aspects of private education, other American groups call for even less government connection to religion. Sunday closing laws were a real hardship to Jews and Seventh Day Adventists. They were forced to observe two Sabbaths, their own and the majority Christian one, as well. Non-believers and some religious people as well, objected to prayer and Bible reading in public schools. They thought that a modern government in a free society should be basically secular [Tiedebohl, 2008]. In 1962, the Supreme Court declared that prayer and Bible reading could not be used to start the day in public schools. The Court decision was extremely unpopular and, in 1983, a survey showed that eight out of ten Americans favoured amending the Constitution to allow prayer in school [McNally *et al.*, 1975]. Like Catholics, Jews were a small minority in the first years of the American republic. Anti-Semitism was not a big problem before the Civil War, but when Jews began coming to America in great number, anti-Semitism appeared. Usually, Jewish children attended public schools. The children of the immigrants moved rapidly into American universities, where many became intellectual leaders. When faced with prejudice and discrimination, Jews responded by forming organizations to combat prejudice. The Anti-Defamation League has played a major role in educating Americans about the injustice of prejudice and making them aware of the rights, not only of Jews, but of all minorities [Bernstein, 1995]. By the 1950s, a kind of "three faiths" model of the United States had developed. Americans were considered to come in three basic religious varieties: Protestant, Catholic and Jewish, the order reflecting the strength



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in numbers of each group. In 1990, Protestants of all denominations numbered about 79,000,000 people. Catholics, the largest single denomination, numbered 55,000,000, over 5, 900,000 Jews lived in the United States. However, an increasing number of Americans did not fit into any of these categories. And some who could be considered Protestant had a style of life and beliefs that did not fit into “mainstream” America [Tindall *et al.*, 1992].

Americans trace the origins of their nation to the English colonists who came to the eastern coast of the North America in the 17<sup>th</sup> century. The largest group of these first colonists were the Puritans who sought for freedom to practice their religion and they found this freedom in the small towns and villages they built on the edge of the forest in Massachusetts. They believed that every person should be able to read the Bible and they wanted, therefore, one hundred percent literacy which seemed like a dream in the 17<sup>th</sup> century. In less than 20 years after their arrival, they set up a system of education in their colony: 1. In 1634, they opened a Latin Grammar School for those who wanted to prepare for college; 2. In 1636, Harvard College for training religious ministers was founded; 3. In 1634 and 1638, they passed laws declaring that all property could be taxed for the common good which included the support of schools. 4. In 1642 and 1647, they passed laws requiring all parents to provide reading education for their children. The 10<sup>th</sup> Amendment of the Constitution included the right of each state to provide for the education of its people. In the 1800<sup>th</sup>, Americans wanted each child to learn to write his/her name, to do simple arithmetic, to learn the local rules of conduct. Most of all, they wanted their children to learn to read. The first colonists believed that literacy was important to the preservation of religious freedom. They also believed that the ability to read was important to preserving a democratic republic. Thomas Jefferson, third president of the United States, argued that Americans should be given an excellent education. Nevertheless, improvements in educational opportunity continued to be made in both the 19<sup>th</sup> and the 20<sup>th</sup> centuries. By the early 20<sup>th</sup> century, compulsory education was very important in the States. The old dream of universal literacy seemed to come true. More than that, the schools were becoming centres for the “Americanization” of immigrants from all over the world.

The Department of Education, established in 1979, sponsored the National Commission on Excellence in Education which tried to raise the standards of performance in each subject. On the other hand, schools must deal with a large influx



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of immigrant children, many of whom do not speak adequate English. They must meet community demands that the curriculum reflect the culture of the children attending the school. Schools are meeting these challenges in ways that they reflect the diversity of the U.S. educational system. [Johnson *et al.*, 1981]. President Clinton and state governors made a commitment to improving America's education system with the Goals 2000 Act, a decade-long effort to improve the education started by ex-president Bush. The six education goals focus on high standards and excellence and offer all communities some help to reach for these standards by encouraging and supporting their own action plan that these goals be achieved by the end of the century. The goals are as follows: "Goal 1: by the year 2000, all children in America will start school ready to learn. Goal 2: the high school graduation rate will increase to at least 90 percent. Goal 3: American students will leave grades four, eight, twelve having demonstrated competency over challenging subject matter, including English, mathematics, science, history, and geography. Goal 4: the U.S. students will be the first in the world in math and science achievement. Goal 5: every adult will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise responsibilities of citizenship. Goal 6: every school will be free of drugs and violence and will offer a disciplined environment conducive to learning" [Rippa, 1996].

#### **Religious diversity in the confluence of cultures**

The United States has always been a fertile ground for the growth of new religious movements [Tindall, 1992]. Individuals may believe anything they please in America, but they may not do anything they want, even if the action is based on a religious belief. Such questions do not usually cause great controversy, because they do not reflect basic divisions in American society. However, there are some questions which reflect continuing conflicts in the American life. When a 1973 Supreme Court decision made abortion legal in America, many Catholics and all Orthodox people were shocked. Many evangelical Protestants and Orthodox Jews also objected. Yet more liberal Protestant and Jewish clergymen joined nonbelievers in maintaining that abortion is a basic right in a pluralistic or religiously varied society [Knappman, 1973]. Inter-religious meetings and discussions are frequent.

Other world religions are increasing their numbers and influence in America. Over two million members of the Islamic religion live in America. Some are immigrants, others are Americans, including some black Americans who have



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converted to Islam. Buddhism is a growing faith in America. Recent immigration from Asia has raised the number of Buddhists in America, no one seems quite sure how many. Several hundred thousand Hindus have also come to America. In recent years, young native-born Americans have shown great interest in these and other Eastern religions and philosophies [Bellah *et al.*, 1985].

American pastors are as varied as the flocks they serve. Some of them are women. The Protestant Episcopal Church now ordains women as priests, although the Catholic Church continues to have an all-male clergy. The United Methodist Church has appointed women as bishops. Women can also be ordained as rabbis among some Jewish congregations. Catholic nuns teach and manage large hospitals. Chaplains of all faiths visit the sick in hospitals and nursing homes. Pastors of churches are expected to be active in the civic affairs of their communities. Often they have psychological training and spend part of their time counselling people with personal problems. They preach to congregations assembled in small chapels and huge city cathedrals, in modern synagogues, and even sometimes in drive-in churches, where people can worship without leaving their cars. Some evangelical preachers reach a television audience of millions.

How do Americans of so many different religions manage to live together under common laws and pursue common goals? This is a question for everybody to ask. Most Americans are proud of America's religious variety and they consider it a natural result of religious freedom. On public occasions, they stress the ideas that most religious people share belief in God and the importance of living a good life, which seems to be a great model to follow, for the whole world, having a precise goal: to promote peace, friendship, understanding, tolerance, in the confluence of cultures, and also, to say: "NO", to War, Hate, Racism!

### Conclusions

The authors conclude that the ambitions of this research proposal have been: 1) to emphasize the value of a knowledge of the American religious and educational systems against their historical background and the associated mechanisms of legal reasoning which might become increasingly important for Romanian citizens especially now, when there are many changes in the Romanian social, political, judicial, religious and educational fields which vitally require rural development; 2) another ambition of this project has been to stress the importance of the democratic American educational and religious systems as a model for the reform

begun in the Romanian system regarding the rural development against the European background of immigration. Accordingly, the investigation has intended to be a complex process in which concepts such as freedom, human rights, tolerance, pluralism, confluence of cultures and education interact dynamically with the American history in order to offer a model of democracy and a source of inspiration for a multicultural and multilingual Europe.

The authors would like to make it clear that the American model cannot be transferred entirely into another cultural background however only some elements, such as the openness towards various confessions, tolerance, for instance, can be values which could inspire educational, pedagogical models. Traditionally and historically, the rural background is conservative, sometimes hostile and less flexible to modernity and change than the urban background, therefore the implementation of some values connected to peaceful and harmonious living among cultures, religions and languages different from ours, is a challenge for the decades which are to come.

The project has also been intended to: 1) offer new opportunities to learn more about life and democracy in the U.S.A.; 2) be a valuable contribution to the intellectual environment. Therefore, Romanians and people overseas will greatly benefit from the paper as it is grounded in current educational thinking and research and also cross-culturally and internationally based. The authors' intention is to use the paper as a starting basis for a research-to-be-article in the field of rural development against the European competitiveness by going deeply into possibilities, ways, realities, reasons which might help improve democracy.

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## CHANGES IN THE NATIONAL STRUCTURE OF POPULATION IN THE SOUTHERN ECONOMIC REGION OF THE REPUBLIC OF MOLDOVA IN THE PERIOD 1979-2014

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### Abstract

*The present work has as its main objective the identification of the differences in the national structure of the population in the Southern Economic Region of the Republic of Moldova, received between 1979 and 2014 as a result of the politic and economic changes in the country, the knowledge of which plays an important role in the elaboration of strategies for social and demographic development. For the realisation of this goal a few objectives have been settled: the identification and inquiry of the speciality literature that elucidates the subject of investigation; collection, analysis and graphic and cartographic interpretation of the data collected based on the information from the National Bureau of Statistics of the Republic of Moldova, through modern means of work, programs for statistical analysis Statgraphics and Instat Plus and the SIG technique; identification and description of the impact of the historical events on the population of the territory and the diversification of the national structure; temporal clause analysis of the statistical data and the emphasize of the modification tendencies in the time lap indicated; description of the particularities of the national structure of the population at the level of administrative structure in the context of the political*



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*and economic changes in that period; appreciation of the complexity of the cohabiting nationalities within the rural localities.*

**Keywords:** *national structure; ethnic groups; population of the territory; nationalities; cohabitants; rural localities.*

**JEL Classification:** J<sub>11</sub>

### Introduction

Along with the constitution of the state by the end of the 14<sup>th</sup> century and since, the Country of Moldova has been characterised by economic stability and politics that attracted a real important number of Armenians, Hungarians, Germans, Tatars, etc., to this territory. According to Dmitrie Cantemir's narrative in the book *Description of Moldova*: „Besides Moldavians, in this territory, live Greeks, Albanians, Serbians, Bulgarians, Polish, Kazakhs, Russians, Hungarians, Germans, Armenians, Jewish, Roma and many more nations. Probably, there is no other village this small, in which so many nations live” [Cantemir, 1473]. Alongside the influence of various factors, the ethnic structure of the southern population changes throughout the centuries, it nevertheless remains very diverse up to this day.

The key geopolitical position of the Southern Economic Region of the Republic of Moldova, which is considered to be *the gate* between the Balkans and Central Europe due to the possibility to control the flow of goods on the Danube, but also the relations between the Balkan countries and the East-European ones, to whom many nations manifested great interest for this territory in history. Firstly, the attention should be drawn to the Russian nation, within these, which after the Russian-Turkish war of 1792, annexed the territories between the Dniester and the South Bug to the Russian Empire and afterwards, in 1812, with the pretext of the necessity to protect, Russian diplomats voted for the annexation of Bessarabia to the Russian Empire. Parallel to the annexation, the authorities started a campaign of modifying the ethnic composition, in this way stimulating the permanent settlement of the representatives of many nations such as Bulgarians, Gagauzes, Ukrainians, Russians, Belarus, Germans, etc., contributing essentially to the change of the ethnic composition of the population in this region.

Together with the dissolution of the Soviet Union, Moscow continued to pursue interests in this territory, stimulating and provoking separatist movements in the Republic of Moldova. Both ATUG and the Pridnestrovian Moldavian Republic



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benefit until today from the protection of the Russian Federation, this way trying to keep the control of the strategic Balkan region, or trying in this way to maintain its influence on the Republic of Moldova, which serves as a *buffer zone* between the Russian Federation and the European Union.

One of the tools used by the authorities in this sense is the initiation of interethnic conflicts nourished mainly by the social problems with which the society fights. In this sense, the necessity of deeper research on the change of the ethnic composition of the republic generally, but also particularly of the region is needed for specific solutions regarding the re-establishment of the economic situation in the districts/regions' administrative structures.

The present paper suggests solutions for one of the important scientific questions – knowledge of the spatial distribution of nationalities, which offers the possibility to plan durably the regions, their economic and socio-economic objectives, in dependence of their ethnic demographic particularities such as: an increased birth rate in the Gagauz families and a lower one in Ukrainian and Russian families; Gagauz's tendencies to populate the rural spaces and the concentration of Ukrainians and Russians in the urban areas.

#### Literature review

The research on the national component of the population in the region made by: Cantemir D. [1473], Zamfir A. [1898], Nistor I. [1944], Zelenchiuk V. [1973], Kabuzan V. [1974], Zagorodnaya E., Zelenchiuk V. [1983], Zagorodnaya E., Zelenchiuk V. [1987], Matei K. [1991], Mitcu M., Hachi M. [2008], Matei C., Paladi G, Sainsus V. [2009], Matei K., Hachi M. [2014].

Aspects of the history of population of the region are exposed more detailed by Кабузан В., thus corresponding to the data published in the work *Народонаселение Бессарабии и области левобережных районов Приднестровья* [Kabuzan, 1974] the ethnic component of the region has essentially changed as a result of the migration, mainly to Crimea, of the nogais families that led to the depopulation of the region, creating premises for a promotional campaign of attraction of Bulgarians, Russians and Ukrainians. The same subject has been studied by many authors one of which is Zelenciuc V. in his work *Население Молдавии* [Zelenchiuk, 1973], Zamfir A. in *Bessarabia in the 19<sup>th</sup> Century* [Zamfir, 1898] etc.

A detailed description of the basic characteristics of the population at the country level, with mentioning of the regional particularities has been made in the work *The Green Book of the Population of the Republic of Moldova* authors Matei



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C., Paladi G., Sainsus V. [Matei et al., 2009]. Profound examinations of the demographic component of ethnic minorities in the Republic of Moldova have been reflected by Matei C., Hachi M. [Matei & Hachi, 2014] in the publication *Demographic Evolution of the Republic of Moldova*.

### **Theoretical background**

The present study has been made in accordance to the data offered by the National Bureau of Statistics of the Republic of Moldova, in which the data regarding the number, demographic characteristics, national composition, etc. is presented, but also of those offered by the Archive of the National Bureau of Statistics regarding the ethnic structure of the population in the rural areas of the region. The collected data refers to eight administrative districts, an autonomous region and 325 rural localities and include the research period between 1979 and 2014.

The analysis of the information has been realised with the help of programs processing the statistical data. In the initial work phase everything has been done in a Microsoft Excel (a component of the Microsoft Office Professional) data base in a tab form with a structure on years, ethnics, administrative unit, and rural area. In the next phase, the statistical processing of the information and its graphic and spatial representation has been done with the help of Statgraphics, Instat Plus and ArcGis.

The present research has been done through modern transversal analytical methods, but also with the traditional ones, out of which the statistical remarking, map-drawing, spatial-temporal estimation through a repeated usage of historic, deduction, comparison, analysis and synthesis, etc. have a great importance.

For the calculation of central values, of variation index (maximal and minimal values, the variation amplitude, etc.) programs of statistical analysis and graphic representation were used (Statgraphics and Instat Plus).

In the maps' elaboration, the methods of statistical tests were used along with SIG (Sistem Informatic Geografic – Geographic Information System) techniques, more specifically the ArcGis10.2.2 programs, with the help of which the final data was modelled through many interpolation methods (Spline, IDW, Kriging).

### **Paper content**

The Republic of Moldova in general and the Southern Economic Region particularly is characterised by a heterogeneous national structure, determined by the history of the population of the territory, in the same time the population of

Romanian origins formed the prevalent part in the past, but in the actual stage as well, representing on average on the regional level around 62% in 1979 and approximately 65% in 2014. A special effect on the ethnic structure emerged due to the historic events in different periods, time within which frequent borders modifications and massive migrations of the nomad people occurred and no strict evidence of the population were conducted, reasons why scientific research was done with difficulties.

*The impact of historic events on the population and diversification of the national structure of population in the Southern Economic Region*

One of the first interventions into the national population structure takes place between the 16<sup>th</sup> and the 18<sup>th</sup> centuries, when Moldova as a state is taken under the rule of the Ottoman Empire, which in the second half of the 16<sup>th</sup> century forced the nomad nogaic population to settle into the Bugeac Steppe. Gradually they moved into the centre of the territory occupying by 1672 the territories until the „Xilil-pasha” line (situated a little bit further than the upper Valul lui Traian) and the Botna River, but after the loss of the Moldavian army in 1711, they extended their territories even more to the north. In this way, between the '60s and the '70s of the 18<sup>th</sup> century, the Turkish rayas (territories held under the direct administration of the Ottoman Empire) partially populated by nogais constituted ¼ of the whole Moldova [Zagorodnaya & Zelenchiuk, 1987] and the whole examined territory.

An important modification into the ethnic structure of the region takes place within 1770 and 1776, when the Russian army wins the Turkish and the Russian government forces the nogais settled in the Bugeac to evict, relocating them in the Caucasus and some of the regions in Novorussia [Mohov, 1961]. According to the research done by the scientists Zelenchiuk V. and Karbuzan V., until 1806 approximately 17 thousand families of nogais were forced to move [Zelenchiuk, 1973]. As a result, a massive depopulation of the region occurs and the Russian government stimulates solutions for this problem through: free land possession; exemption from taxation for certain periods of time; liberation from the military service, etc. In consequence, immigrants from the Russian Empire and European countries move to the Bugeac. For example, between 1772 and 1774 here settled approximately 400 Serbian families [Bachinskii, 1966]. In the same time, the government of the Russian Empire develops a policy of forced population of the territories through imposing the countrymen from Russian provinces to move here.

The loss the Russians experienced in the Russian-Turkish war in 1807-1812, attracts after it a flood of Bulgarians into the Bugeac Steppe because they were afraid



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not to be punished by the Turkish for helping the Russians in the war [Nistor, 1944]. It's important to say that the Russian tsar Alexander the 1<sup>st</sup> appreciates the Bulgarians and on December 28<sup>th</sup>, 1819 emits a decree to the Bulgarian colonists from the tsarist Bessarabia which gives them rights and certain facilitation: *the status of colonists to the transdanubian immigrants, the allotment with 60 tithes to those who had no land; exemption from any taxation and labour conscription to the state for 7 years; liberation from the military service and liberties concerning culture and traditions.* The policy results in an increase in the number of transdanubian descendants settled within the territories given to the immigrants. Thus, in 1823, a census was conducted which resulted with an official data of 550.000 inhabitants, 161,000 more than in the official data from 1818 [Arbure, 1898].

Despite the fact that this region was populated by a huge number of foreigners (Albanians, Serbians, Bulgarians, Ukrainians, Russians, Germans, Gagauzes, Roma, etc.), still the locals constituted the majority of the population, fact confirmed by statistical data presented by the Russian scientist L. K. Berg, who estimates the number of population of Romanian origins to approximately 920.9 thousands, which represents almost 47.8% of the total of the population in 1897 [Berg, 1918].

The historic events that took place right after contributed to the change of the national component of the territory, determining some nations to leave, and other to re-establish here.

Another period that marked the ethnic structure matches with the Soviet era, when within the region, as well as in the whole country, the idea of a diverse ethnic structure and denationalisation is being promoted. The authorities encourage the migration of the population within the republics in the union, mixed marriages, opening of Russian schools, etc. As a result, the density of Russians, Ukrainians, Belarus increases.

Therefore, in the process of populating the territories many different nations were actively participating, such as Gagauzes, Bulgarians, Russians, Ukrainians, Germans, Jewish, Roma, etc., thus actually the south is characterised by the most diverse ethnic structure compared to other regions of the country.

*The analysis of the evolution of the national structure of population in the region between 1979 and 2014*

The analysis of the national structure of the population in the region between 1979 and 2014 was realised under the census offered by the National Bureau of Statistics. According to them, within the region, the Moldavians who cohabit with

the Gagauzes, Bulgarians, Russians, Ukrainians, Germans, Jewish, Roma, etc. prevail. The confronting data from 1979 and 2014 exposed in tab. 1 emphasise the following ethnic proportion variations:

✓ increases in case of: Moldavians with 2.84%, Gagauzes with 2.96%, Bulgarians with 4.62%, Romanians with 4.67%, Gypsies with 0.07%;

✓ decreases in case of: Russians with 0.67%, Ukrainians with 1.99%, Jewish with 0.2%, Byelorussians with 0.13%, Germans with 0.14%.

Moldavians have the most stable situation, whose percentage increased throughout the whole period, but with the fall of the socialist system and the gain of the liberty for speech, an increased number of people declared themselves as being Romanians. Thus, if in 1979 approximately 62.32% of the population declared themselves Moldavians, then by 1989 their proportion increased with 2.68%. Afterwards, in the period between 1989 and 2004, we can note an increase of 2.21% of those who consider themselves Moldavians plus 1% of the population who declared themselves Romanians, in this way the total increase would be of 3.21%. For the period between 2004 and 2014, we can testify just the proportion of the population who declare themselves Romanians with 3.76%.

The percentage rate of the Gagauzes increases between 1979 and 1989 with approximately 4.21%, followed by a period of decrease with 1.4% (1989-2004) and again an increase with 0.14% in the following decade.

The Bulgarians' proportion increases constantly until 2004, in 1989 with 3.20%, compared to 1979 and with 1.64% in 2004 in comparison to 1989, while at the last census (2014) a decrease of 0.22% occurs.

A more specific situation is assigned to the Roma, who though attest, in the examination period, an increased proportion with 0.07%, still don't register a constant active dynamic, thus, if in 1979 they represent 0.24%, by 2014 they only record 0.31%.

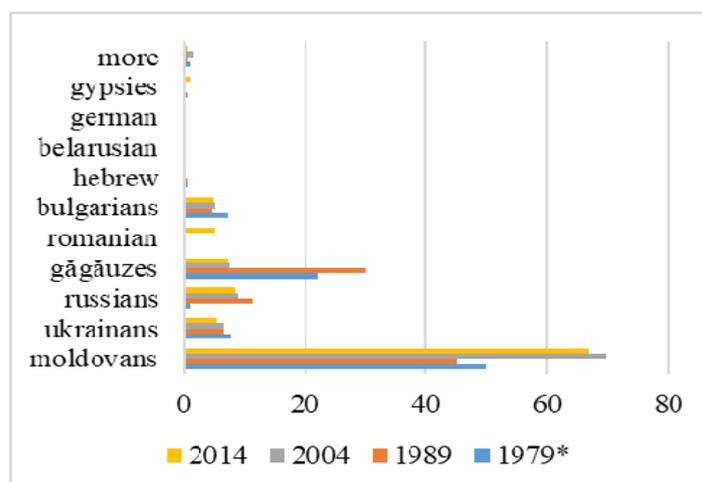
Other cohabitant nationalities are characterised by an ongoing decrease, thus even though the proportion of Russians and Ukrainians grows between 1979 and 1989 with approximately 1.46% and 0.26% respectively (apart because of the migration of experts from the ex union republics), after the fall of the Soviet Union, because of the economic and political instability, but also because of an increased attractiveness of the mother lands [Mitcu & Hachi, 2008], a big part of the population emigrates, thus the number of Russians between 1989 and 2014 decreases with 2.13%, of Ukrainians with 2.23%, and other nations such as: Jewish, Byelorussians, Polish, Germans are testified in a very small number, becoming not significant from the statistical point of view.

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The ethnic structure of the region is determined mainly by the natality rate specific to the nationalities, which in 1979 constitutes, on average for the whole country, 19.4%, assigned to nationalities as: 21.1 – Gagauzes; 20.6 – Moldavians; 17.9 – Bulgarians; 17.5 – Ukrainians; 15.4 – Russians [Zagorodnaya & Zelenchiuk, 1983].

**Table no. 1. The ethnic structure of the Southern Economic Region, 1979-2014, %**

	moldovans	găgăuzes	bulgarians	russians	ukrainians	romanian	hebrew	belarusian	german	gypsies	more
1979	62,32	8,76	6,07	4,33	5,29	0,00	0,2	0,13	0,14	0,24	0,4
1989	65,10	12,97	9,27	5,79	5,65	0,00	0,4	0,10	0,2	0,11	0,3
2004	67,31	11,57	10,91	4,27	4,22	1,00	0	0	0	0	0,7
2014	65,16	11,72	10,69	3,66	3,42	4,67	0	0	0	0,31	0,4



**Figure no. 1. The ethnic structure of Basarabeasca distinct between 1979 and 2014**

Corresponding to the data from the National Bureau of Statistics, for 2014, in the prolificacy top, the same nations prevail, thus the biggest number of children registered on one childbearing woman is noted to women who declared themselves as being Roma (for 1,000 women who are 15 years old over 1,883 children are 104

born), followed by those who declared themselves Gagauzes with 1,765 children, Moldavians with 1,672 children and Russians with 1,387 children.

It's important to mention that high natality rates are specific for the Gagauzes until now, influenced by the living mainly in the rural regions, a low level of education in women and cultural characteristics of this nation.

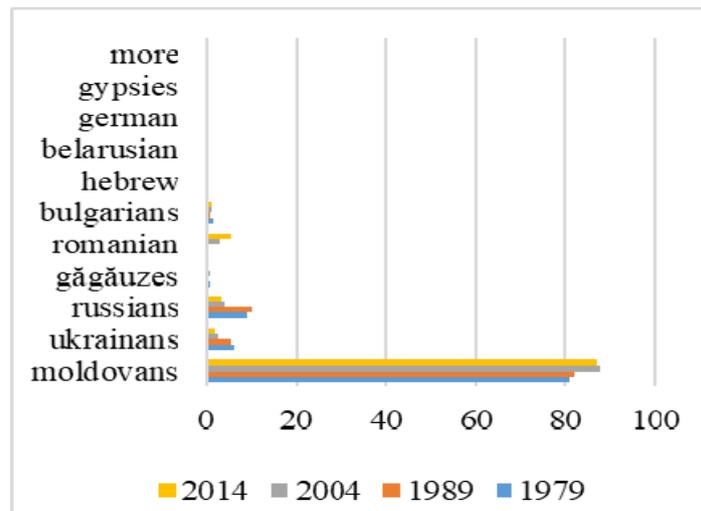


Figure no. 2. The ethnic structure of Caușeni distinct between 1979 and 2014

*The dynamic of the national structure of population at the administrative entity level*

The analysis of the ethnic structure at the level of administrative districts emphasises the predominance of Moldavians in all the districts with the exceptions of ATUG and Taraclia. It is necessary to mention that the Basarabesca (figure no. 1), Caușeni (figure no. 2), Cimișlia (figure no. 3), Ștefan Vodă (figure no. 4), Leova (figure no. 5), Cahul (figure no. 6), Cantemir (figure no. 7) districts during the whole period of examination the proportion of Moldavians increases.

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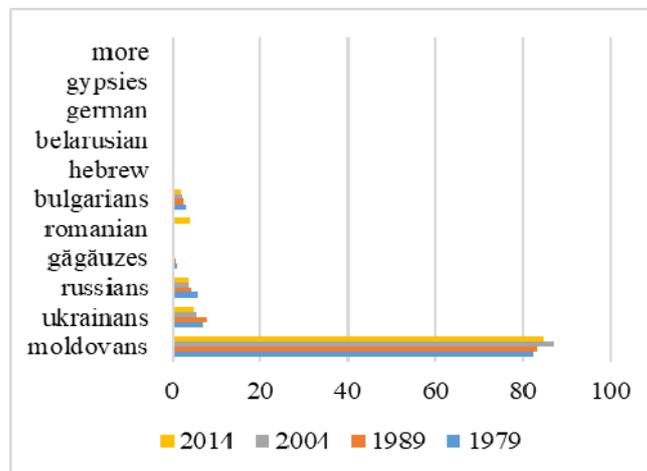


Figure no. 3. The ethnic structure of Cimișlia distinct between 1979 and 2014

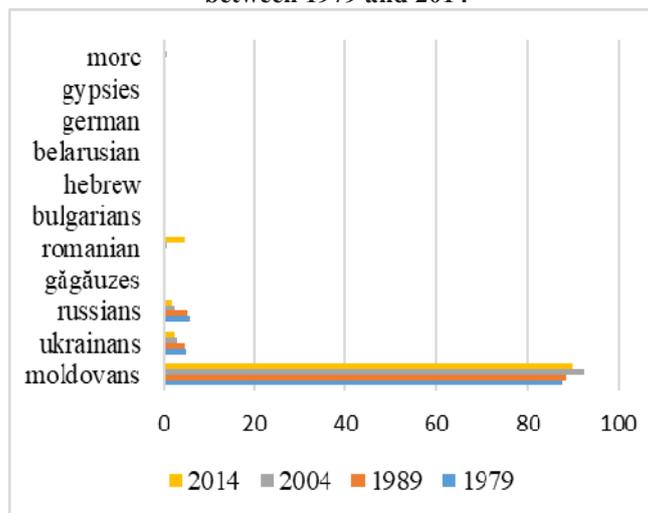


Figure no. 4. The ethnic structure of Ștefan Vodă distinct between 1979 and 2014

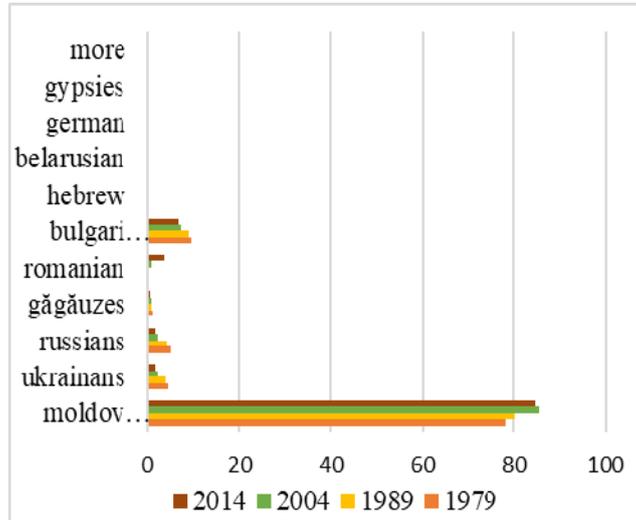


Figure no. 5. The ethnic structure of Leova district between 1979 and 2014

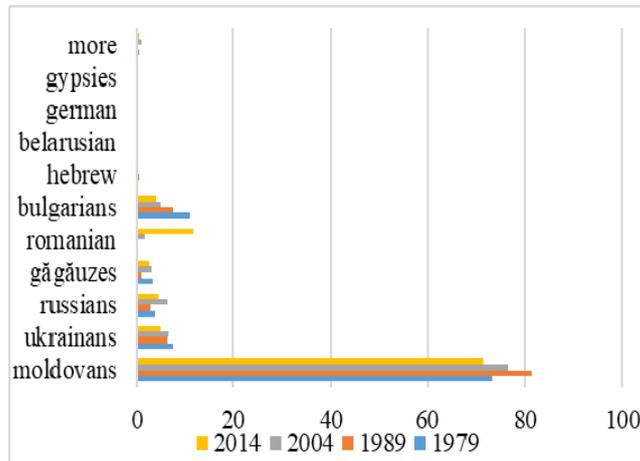
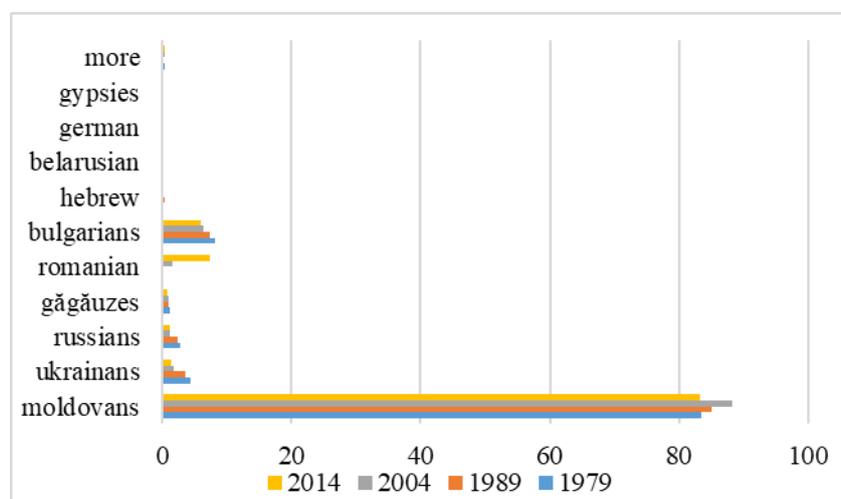


Figure no. 6. The ethnic structure of Cahul district between 1979 and 2014

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The smallest increase registered in the case of Ștefan Vodă with approximately 2.07%, but the smallest is specific for the Basarabeasca district with 17.3%. In the Cantemir and Cahul districts, the proportion of Moldavians decreases, but once Moldova gains its independence (1991) the proportion increases with the same values as the proportion of population who declare themselves Romanians (with 0,16 and respectively 1,86).



**Figure no. 7. The ethnic structure of Cantemir distinct between 1979 and 2014**

While examining the proportion of other ethnicities in the national structure of the administrative units of the region's population, it can be concluded that the referred period does not sum up more than 10% of the total population, moreover, after 1989 it is in decline. Similarly, from 1989 to 2014, the proportion of Ukrainian ethnicities decreased by variable values of 0.7-5.65% (with the exception of the Basarabeasca district, where a growth of 7.78% can be observed); the Gagauzian one diminishes with included values of 0.5-18.51%; the Bulgarian by 0.03–6.86 (excluding Basarabeasca district, which experienced growth since the formation of ATUG with the average of 25.91%).

The analysis of the ethnic spatial repartition highlights the fact that the biggest changes manifested themselves in the same time with the dissolution of the socialist system and proclamation of the independence. Thereafter, the analysis of figure no. 8 and 9 underline the up growth of the proportion of Gagauz in ATUG and of Bulgarians in Taraclia, as well as the lowering of the proportion of other ethnicities in all the administrative units. Upstarted modifications are explained by the deep economical and political crisis in which the Republic of Moldova is drowning beginning with 1991, the abrupt provocation of war by the separatist structures, encouraged by the government of Russian Federation and the intense national movement of Romanians/Moldavians in 1991-1993. As a consequence, besides the decrease in density of the Gagauzes in ATUG and of Bulgarians in Taraclia district, the migration of Russian, Ukrainian, German, Jewish ethnicities back to their country of origin, which are characterised by a higher economical potential is more attractive for the population [Matei et al., 2009].

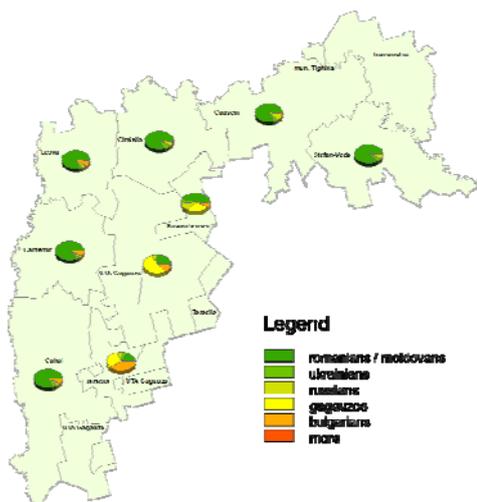


Figure no. 8. Ethnic distribution in 1989 at level of administrative structures

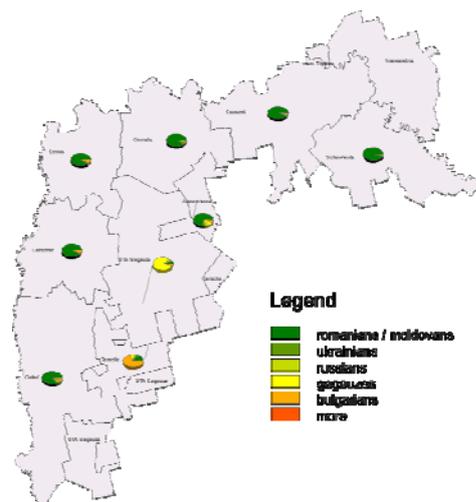
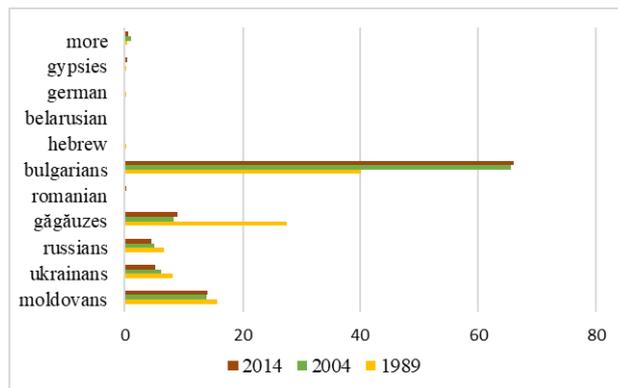


Figure no. 9. Ethnic distribution in 2014 at level of administrative structures

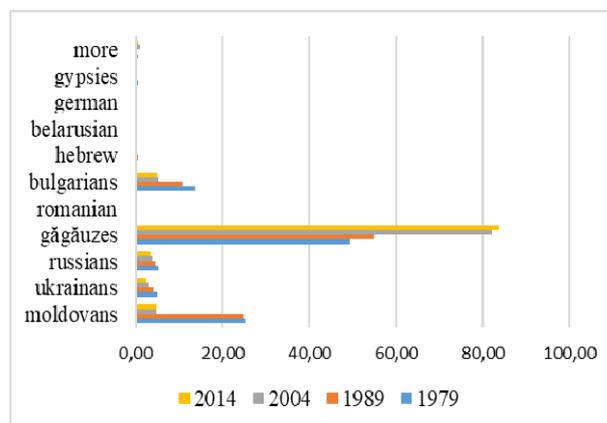
Two of the administrative units of the region are characterised by the predominance of other ethnicities than Moldavians. In Taraclia district (figure no.

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10) the proportion of Bulgarians equals 66.11%, growing by 25.91% comparing to 1991 (Taraclia was not even existing in 1979, the localities included today into its component were part of Cahul, Vulcănești and Ceadr Lunga before).



**Figure no. 10. The ethnic structure of Leova district between 1979 and 2014**



**Figure no. 11. The ethnic structure of ATUG between 1979 and 2014**

In ATUG (figure no. 11) the Gagauz are the big majority of 83.78%, by 34.32% more than in 1979 (in 1979 their density was 49.47%). The data of 1979, 1989 were ensued from the percentage share of Gagauzes observed in Ceadâr Lunga, Comrat and Vulcănești districts.

*The ethnic groups' distribution on the rural localities level*

The analysis of the ethnical composition of the rural localities of the region stresses the successful cohabitation of representatives of different ethnicities, ascribed to high level of tolerance demonstrated by the local population. Therefore, in 98.14% of the cases, the localities are multinational and just 1.85% are homogeneous (all being 100% formed of Moldavians): Suhat, Craciun, Popovca from Cantemir district; Ursoaia Nouă and Ștefănești from Caușeni district; Victoria from Leova district.

In 65.4% of the localities, Moldavian ethnics constituted over 60.01% of the total population. At the other extreme are the Jewish, Roma and Polish, which in 100% of cases form up to 10% of total population of the localities.

The data regarding the level of concentration of ethnic groups within the limits of the rural localities at the level of administrative units are too overviewed in table no. 2.

Approximately 91.98% of Russians, 84.57% of Ukrainians, 82.72% of Bulgarians and 82.10% of Gagauzes live scattered, forming up to 10% of the total local population and just in some cases their density exceeds 60%. The localities in which Russians sum up more than 60% of the total population constitute 0.93% of the total localities inhabited by Russians, such as Zviodocica (Căușeni), Troițcoe (Cimișlia), Semionovca (Ștefan Vodă). In 1.85% of the total inhabited localities by Ukrainians, their proportion exceeds 60%, for instance in: Bogdanovca Veche, Bogdanovca Nouă, Albina (Cimișlia district), Brezoaia (Ștefan Vodă), Musaitu (Taraclia), Cîșla (Cantemir). In the following localities: Stoianovca, Taraclia (Cantemir), Constantinovca (Căușeni), Dimitrovca (Cimișlia), Troița, Colobabovca, Vozneseni, Troian (Leova), Corten, Cairaclia, Valea Perjei, Cortenul Nou, Albota de Jos (Taraclia), over 60% of population of Bulgarian ethnicity is concentrated and represents 4.63% from the total localities inhabited by Bulgarians.

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Table no. 1. The repartition of ethnicities at the local level, 2014

	Percentage of ethnicities, %	romanian / moldovans	russians	ukrainians	bulgarians	găgăuzes	hebrew	gypsies	polish
Basarabeasca	0-10	1	9	7	7	7	10	10	10
	10.01 - 30	1	1	2	3	2			
	30.01 - 60	3		1					
	60.01 - 100	5				1			
Cahul	0-10	0	52	39	48	50	55	55	55
	10.01 - 30	2	3	12	3	1			
	30.01 - 60	13		4	4	4			
	60.01 - 100	40							
Cantemir	0-10	0	51	50	44	49	51	51	51
	10.01 - 30	2			2	2			
	30.01 - 60	3			3				
	60.01 - 100	46		1	2				
Căușeni	0-10	3	37	39	43	44	45	45	45
	10.01 - 30	2	4	4	1				
	30.01 - 60	7	3	2					
	60.01 - 100	33	1		1	1			
Cimișlia	0-10	1	37	33	36	39	39	39	39
	10.01 - 30	5	1	3					
	30.01 - 60	1			2				
	60.01 - 100	32	1	3	1				
Leova	0-10	3	40	36	31	38	40	40	40
	10.01 - 30	3		2	3	2			
	30.01 - 60	3		2	2				
	60.01 - 100	31			4				
Ștefan Vodă	0-10		23	24	26	26	26	26	26
	10.01 - 30	2	2						
	30.01 - 60	2		1					
	60.01 - 100	22	1	1					
Taraclia	0-10	5	19	19	3	12	26	26	26
	10.01 - 30	12	7	4	11	8			
	30.01 - 60	6		2	5	6			
	60.01 - 100	3		1	7				
UTAG	0-10	22	30	27	30	1	32	32	32
	10.01 - 30	7	2	4	1	3			
	30.01 - 60	2		1	1	3			
	60.01 - 100	1				25			

A higher level of concentration is specific for the Gagauzian ethnics, consequently in 24 localities the percentage share of the representatives of this ethnicity go over 60%, which embodies 8.33% of the localities in which Gagauzes live, such as: Baurci, Cazaclia, Beșalma, Congaz, Tomai, Copceac, Cișmichioi etc. (ATUG).

### Conclusions

Following the motives and objectives of this research, the analysed data allowed us to draw several main conclusions, to list implications and suggestions for further research:

1. The Southern Economical Region represents the most diverse national structure out of the economic regions of the country, represented by Moldavians, which embody the majority of nation and cohabit with other ethnicities: Gagauzes, Bulgarians, Russians, Ukrainians, Jewish, Germans, Roma, formed as a consequence of the geographical and geopolitical position, but as well due to the historic events which took place throughout the centuries.

2. The national structure of the region is determined mainly by the dominance of the territory by the Russian Empire as an aftermath of the victory over the Ottomans in the Russian-Turkish war of 1770-1776, by simulative measures and the forced population policy, applied by the tsarist government in that period.

3. The communist regime had a massive impact over the modifications of the ethnic structure, when within the limits of the region, as of the country generally, the idea of diversity of the ethnic structure was promoted and of denationalisation, moreover the migration of the population within the union republics being encouraged by the authorities, mixed marriages, schooling in Russian institutions etc., contributing this way to the growth of the population of Russians, Belarusians and Ukrainians.

4. In 1979-2014, the ethnic groups living in this territory manifested themselves differently, hence the proportionality of Moldavians, Gagauzes, Bulgarians, Romanians, Roma grows by 2.84; 2.96; 4.62; 4.67 and 0.07% respectively.

5. Some of the cohabiting nationalities are characterised by a constant decline, therefore although the density of Russians and Ukrainians rises between 1979-1989 by approximately 1.46% and 0.26% respectively (especially due to the migration of the specialists from the ex union republics), after the dissolution of the Soviet

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Union, because of the economical and political instability, but also due to the higher and more attractive level of economic activity of the states of origin, a part of the population immigrates and the number of Russians and Ukrainians decreases in 1989-2014 by 2.13% and 2.23% respectively.

6. The most significant changes in the national structure are registered in Taraclia district, where the proportions of Bulgarians increases by 25.91% in 2014, comparing it to 1989 and it constitutes 66.11% (in 1979, Taraclia district did not exist and the localities included today into its component were part of Cahul, Vulcănești and Ceadr Lunga) and ATUG in which the Gagauz proportionality grown in 2014 by 34.32%, compared to 1989 and forms 83.78%.

7. The national structure of the Basarabesca, Caușeni, Cimișlia, Ștefan Vodă, Leova district doesn't change significantly and is characterised by an increase during the whole period of investigation of predominance of Moldavians with values in limits between 2.07 and 17.03%.

8. Cantemir and Cahul district are characterised by the decrease of predominance of Moldavians starting with 2004 and an increase in the predominance of Romanians with the same values, because after the gain of independence a majority of the population declares themselves as Romanians.

9. Due to the increased tolerance level manifested by the population in the region it manages to live in harmony with the representatives of other nationalities, thus in 98.14% of the cases the rural areas are multinational and only 1.85% homogeneous (all formed by Moldavians in proportion of a 100%) Suhac, Craciun, Popovca, Cantemir district; Ursoaia Nouă and Ștefănești, Caușeni district; Victoria, Leova district. Approximately 91.98% of Russians, 84.57% of Ukrainians, 82.72% of Bulgarians and 82.10% of Gagauzs live separately, constituting up to 10% of the population in the localities.

10. Based on the idea of various ethnic component of the region, aiming to reduce the possibility of interethnic strained relations encouraged by the foreign contributions, it is necessary to increase the average level of life in the rural communities, through reduction of poverty, solving the issue of the access to drinkable water and to good quality roads, as well as improving the level of services and endowment of the residences.

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## ICTs AND EMPLOYMENT: NEW OPPORTUNITIES ON THE LABOUR MARKET

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### Abstract

**Objectives:** *In this paper, the potential for increasing employment opportunities and skills availability is investigated. **Prior work:** E-work activities differ by countries, with impact in various fields. **Approach:** The statistical data are used to underline the trends. **Results:** E-work is an emerging process and supports the development of a new business model. **Implications and value:** From the businesses perspective, e-work phenomenon may represent a new opportunity, and competitiveness could be improved. Also, e-work may present advantages and disadvantages with influences on the results of workers and businesses. In this paper such trends are analysed, in a comparative approach.*

**Keywords:** *information and communication technologies; e-work; e-employment.*



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**JEL Classification:** E<sub>24</sub>, J<sub>21</sub>

### **Introduction**

Nowadays, the traditional employment model has evolved and transformed, passing through various shapes and stages. The potential for increasing employment opportunities and skills availability is investigated in this paper. This aspect is important to be analysed, and one important influence came from the growth of online work possibilities that changed the way businesses actually evolve. Thus, businesses may develop teams of qualified employees that work together, no matter of time zone. In this study, the statistical data are used to underline the trends. Also, various aspects of the literature are underlined to support the results of the paper.

Regarding e-work, people searching for jobs are no longer limited to the domestic labour market but are now competitors for the jobs available anywhere on the planet. There are no geographic boundaries anymore and this leads to new growth perspectives for the new employment model in various directions, mainly because those which are interested in a job may choose when to work, where, and so on. E-work refers to activities mainly carried out using ICT and various devices. In the literature we can also find terms such as “teleworking” and “telecommuting”.

The term “telework” was first used in early 1970s (*a title of a project started in 1973 at the University of Southern California that aimed to study the public policy on the telecommunications – transport trade-off*) [ILO, 2016]. Teleworking can take many forms, usually related to the work conducted at home by the workers. Another way to perform job-related activities in a location other than the headquarters of the employer refers to the possibility for workers to meet in satellite offices, remote locations of the headquarter offices, in an area of residence for employees where the access is much easier, reducing travel time, expenses, and so on. Other possibility concerns specific work centres organized by neighbourhood (neighbourhood work centres), with workspaces for employees from different companies, in only one location. A modern method is related to information and communications technologies (ICT) use in any location, turning this into a mobile office, whether an airport, hotel or employee car.

“Teleworking” refers to the use of ICT for solving tasks related to work place in other locations than the office. All types of work assisted by ICT, carried out in a workspace (including work performed at home) are considered as teleworking. An

employee can be referred to as a teleworker if she/he has to work with a personal computer (PC), away from the employers' premises, for at least a quarter of the working time [Welz & Wolf, 2010]. "Telecommuting" concerns the work performed at a particular location, involving the decrease of the period of time required for employees to get to the company's headquarters. That location can be at home or in a place where work-related activities can be performed, but remotely. This can be facilitated by the use of a PC, an Internet connection, a telephone, etc.

For teleworking there are terms like "telecommuting" or "remote work", used to underline the situation where employees of a company are not moving to its premises to carry out activities. Therefore, the person that performs such activities is called "telecommuter", "teleworker" or "home-sourced employee". At the EU level, telework is considered as an expression of the knowledge-based economy and information society [European Commission, 2008].

E-work consists in e-activities, i.e. activities based on and implemented through ICT. These e-activities include e-business, e-commerce, virtual businesses, e-learning, e-training, and so on. All these e-activities rely on computer support and communication technologies.

### **The profile of young graduates' employment**

In various EU countries, youth unemployment rates are particularly high. They form a group with major risks on the labour market. Many young people complete a form of education and start to be implied in activities in the informal sector. The improvement of the educational offer in Romania may positively influence the youth employment on medium and long term [Bălan, 2011].

On the labour market, the selection of employees is made by using criteria such as: knowledge of the specific field, experience, knowledge of foreign languages, communication skills, willingness to accept mobility at work, ability to work under pressure, and so on.

Jobs expectations of young graduates are modified. Many of them are willing to accept a lower wage comparing with the situation from years ago.

The youth employment model is changing, mainly because they want to avoid long-term unemployment that may occur after completion of higher education. Consequently, they may accept part-time or full-time employment, temporary employment or a contract for an indefinite period, but the access to jobs may not be always easy, taking into account that many companies require work experience.



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Thus, young graduates are representing a category at risk on the labour market. The profile of young graduates may be characterized by aspects related to a high level of education, strong attitude towards solving work tasks, desire to develop a professional career, desire to become an employee, prone to mobility at workplace, availability for taking professional development courses, and so on.

They enter the labour market into a direct confrontation with people of different ages and experience that are also looking for a job. However, young graduates have an important advantage in the labour market: they can easily adapt to requirements and conditions set by employers, being very flexible in their decisions. Finding and keeping a job are pressing issues among young people, but they are very creative, have advanced communication skills and can carry various team activities, aspects that underpin the success in identifying a job in an increasingly competitive labour market.

### **E-work typology**

The connectivity between different types of jobs related to e-work is underlined by the fact that it supports jobs-specific services-workers. They are from the software/hardware sector, social media, etc. Besides these, e-workers are those which use ICT. In their opinion, multiplied jobs have a modern form of management at company level (workers that manage online reports, comparative analysis, etc.), develop a teleworking system and assure networking. Different types of e-work employees are highlighted by the literature. Thus, Bates and Huws (2002) indicated four distinct types, namely: the full time at home e-work employee (or “telehomeworking”); multilocational e-work employee (which usually involves alternating work between working from home and working at the employer’s premises); e-lancing worker, a self-employed e-worker offering business services from home based on information; e-enabled self-employed e-worker, an e-worker from home using ICT who does not provide information-based business services. In the opinion of Bates and Huws (2002), the definition of e-work activities is a broad one, including all information processing activities performed away from headquarters, using a computer and a telecommunications network to send the results of work, whether they were made directly by employees or through outsourcing, a distinction being made between e-work activities performed by employees working away from the office (for example, at home) or in multiple locations, and those working remotely, in offices type spaces.



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According to OECD (2008), the term “telework” refers to work that is based on ICT and is carried out in a location away from headquarters, meaning other location than the place of production or office, away from peers, employers or clients. The classification of various types of work at distance (“teleworking”) is based on characteristics such as the place where work is carried out (at home, while travelling, and so on), the period of time while the activity is conducted away from the office (a week, a month, etc.), and the type of contractual relationship with the employer.

Teleworking represents a work arrangement in which it is not necessary for employees to get to the office to solve job tasks, but e-employment is referring also to workers who solve job tasks in an online environment.

Teleworking may be important for the business strategy of many organizations. Stimulated by the progress occurred in the ICT area, it is the fastest way to get results related to job from home premises. As stated by Eurofound (2012), the terms “telework” or “telecommuting” are related to the use of ICT at job, work being carried out away from employer’s premises. The workers who do not work all the time at their employer’s or their own business premises and who use ICT are known as electronic nomads or e-nomads (workers who work out of employer’s premises and use PC, Internet or email to solve job tasks). The term “e-nomads” refers to workers who use ICT at least sometimes and do not have their employer’s premises (or their own premises if self-employed) as their main place of work (or if they do, they have worked in another location at least three months).

As ICT advances, e-work may become a business practice. This may be more than to provide an option for only some employees. Workers’ productivity can be improved by minimizing the time spent in the route to the workplace. The most important barriers to the spread of e-work may be the reluctance of companies to use it, and the fact that many jobs are not compatible.

Workers which commit to the goals and objectives of companies – through the relationship employee/employer – are always needed [Messer, 2010]. E-work has many features, often linked to a number of conditions set by the main players on the market and the public decision-maker.

### **E-work development**

In the literature, there are various discussions related to e-work, in an attempt to highlight the advantages and disadvantages for the employer and the employee. E-work evolves with the development of ICT and knowledge-based economy.



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Some linkages between the benefits of e-work and the effects on the market are highlighted. Flecker and Kirschenhofer (2002) presented a synthesis report of the results from Emergence Study – 2001, with emphasis on employment relocation and e-work, defined as “information-processing work carried out at a distance with extensive use of computer systems and on the basis of telecommunication links”. The authors concluded that “relocated e-work offers less stable employment than comparable workplaces”. They also stressed the importance of telephone and face-to-face meetings, taking into account that “there are considerable limitations to the full replacement of direct communication by electronic information exchange”.

Perez et al (2002) analysed the differences between human resource (HR) managers’ perceptions of the benefits and barriers to telework adoption. The results indicate that teleworking is seen more feasible where there is a large number of female employees and female HR managers, because they perceive teleworking differently than males HR managers. Women accept more easily the idea that there is some potential of teleworking.

Regarding the extension of e-work on countries and fields of activity, Bates and Huws (2002) discussed about Emergence Project, where a survey was carried out on the situation of some employers from industry, business, financial, and other services, to determine the extent to which employers currently use e-work. According to the survey, there are major differences between countries, both in terms of the extent, and the type of e-work activities performed. The authors pointed out the need for more reliable statistics in EU related to the individualised e-work and the possibility of individualised e-work growth in the EU, taking into consideration the connection with ICT in the case of employers and individuals.

Perez et al (2003) presented the results of a study on the perceptions of HR managers about the feasibility of teleworking in their organizations and discussed aspects such as the percentage of suitable tasks for teleworking, employees involvement in the tasks design, the percentage of salespeople in the workforce, the combined use of teleworking locations, the use of ICT, the company’s innovativeness, aspects which positively influence the HR manager’s perception of teleworking adoption. Perez et al (2004) analysed the environmental impacts of teleworking, the variables that may influence the use of telework in urban areas, the variables that may influence the link between teleworking adoption and environmental impact (such as geographical dispersion, advanced services, gender, and logistic supplier strategy), and developed a model to evaluate the monetary value

of the environmental impacts of teleworking, underlying that the largest benefit is related to reduction in traffic congestion. Perez et al (2004b) developed a model for the adoption of telework, based on the principles of technology acceptance model, and pointed out that there are three categories of influencing factors: technology, human resources, and organizational factors. The model may be used to identify organisations that are interested in implementing teleworking, and factors such as an innovative culture that fosters change are supporting its adoption. Perez et al (2005) investigated the differences between companies that adopt teleworking and those which do not adopt it. According to the results, the companies from the area of teleworking adopted multiple devices, and the differences are significant for all information equipment types, except for PC. There is a positive correlation between the number of equipment and company size.

Regarding the situation from the European countries, in 2000, the share of employees involved in telework was about 5.3% in EU15, and 4.2% in candidate countries. In 2005, the share rose to 7% for the EU27 area. Many of the countries with a high incidence of telework have had higher growth rates in 2000-2005. The percentage of remote workers rose almost fivefold in the Czech Republic and more than twice in Belgium, Denmark and Latvia. A downward trend in the use of telework was evident in five countries – Bulgaria, Cyprus, Luxembourg, Portugal and Romania, while the share in the UK seemed to stagnate at a level above the average [Welz & Wolf, 2010]. There have been more than 9 million e-workers in Europe in 2000, with the largest group of multilocational e-workers, estimated to 3.7 million persons, which includes employees who work partly at home and partly at work place and those who work in “nomad” mode or at customers’ premises [Bates & Huws, 2002].

In 2002, teleworking share was different depending on the country (% of total workforce) [OECD, 2008]. In EU10, Finland was on first place for the situation of a regular teleworker (which works at least 1 day/week) with 10.8% of total workforce, followed by Netherlands (8.3%) and Sweden (8.0%). The lowest value was in 2002 in Ireland, of 1.9%, and the EU10 average was 4.1%. For EU, the category “occasional teleworker” (which works less than 1 day/week) is considered with highest values for Sweden (7.2%), Netherlands (6.3%), and Finland (6.0%), while the lowest values were registered for Spain (0.8%), Italy (0.7%), and France (0.6%), with the EU10 average of 2.0%.

In 2004, within EU15, the percentage of employees who used Internet for finding information and who worked outside the company headquarters in the last



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three months was the highest in Germany and Luxemburg (about 42%), and the lowest share was recorded by Lithuania (about 12%). In the case of Internet usage for communication, the country ranked on first position was Germany (about 31%), and the lowest value was for Latvia (about 10%).

According to Eurofound (2005), in EU27, the highest percentage of employees involved in teleworking was in the Czech Republic, where 15.2% of employees practiced teleworking for “at least a quarter of the working time or more”, followed by Denmark (14.4%) and Belgium (13%). Romania had a per cent of 2.5% of people engaged in teleworking. Bulgaria had the lowest percentage, with only 1.6% of workers which use telework “at least a quarter of the working time or more”. Regarding the category “% of persons engaged in teleworking almost all working time”, on the first three positions were the Czech Republic (9%), Slovakia (3.4%), and Austria (3.2%). Romania had a per cent of about 0.7%. The lowest value was found in Sweden and Portugal (0.4%).

The category of e-nomads in EU27 (%) registered the higher percentage in financial services sector (nearly 50%) and the lowest in wholesale, retail, food and accommodation sector (about 15%). Regarding occupations, “managers” represented the category with highest percentage (nearly 50%), followed by “professionals” (slightly above 45%), with the lowest percentage for elementary occupations (about 5%). About 25% of European workers were in the category of e-nomads, with shares varying by country: Bulgaria, Romania (just above 5%), Netherlands, Denmark, Sweden (about 40%), and Finland (45%). Also, e-nomads were mostly men (65%), with tertiary education (55.5%), with age between 35-49 years old (45%) [Eurofound, 2012].

The situation of teleworking in some EU countries had the following evolution [Arsov, 2008; Ciutacu, 2008; Coletto, 2008; Díaz, 2008; Hárs & Neumann, 2008; Eurofound, 2012; Jean, 2012]:

- **EU** – in 2003, the proportion of teleworkers amounted to an average of 13% in the EU15, while in the new Member States that joined the EU in 2004, the average share of teleworkers was 5.4%; only 18% of workers were teleworkers in 2012, when financial services, other services, education, and public administration and defence were the sectors with the higher incidence of e-nomads; in 2012, on average, e-nomads worked longer hours.

- **France** – only 9% of workers were teleworkers in 2012; the government adopted a development plan for teleworking; European framework agreement on

telework was included in the French law in 2005; the possibility for public servants to work remotely was included in legislation in 2012.

- **Italy** – a national agreement which transposed the European framework agreement on telework was signed in 2004; the spread of teleworking in 2006 was higher in the following sectors: post and telecommunications (24.6% of all companies in the sector have developed one or more forms of teleworking), chemical products (14.4% of chemical companies have used some form of teleworking) and wholesale and retail trade (8.4% of all companies have implemented one or more practices on telework); in 2005, in the public sector, the number of remote workers has risen to 470 persons – the equivalent of 0.1% of the total employees in this sector; of the 470 teleworkers from public administration, 314 were women and the majority – 365 workers – have worked for local authorities; in 2006, 31.2% of companies with more than 250 employees have developed one or more forms of telework, while only 2.9% of businesses with 10-49 employees have applied practices on telework.

- **Spain** – there was a royal decree governing such type of employment in the public sector; the number of teleworkers was among the lowest in the EU15 before EU enlargement in 2004 and 2007, above Portugal (3.4%) and below France (6.3%); in most companies, teleworking was not covered by collective bargaining.

- **Hungary** – in 2004, the estimated number of teleworkers was 36,000 persons, 60% men and 40% women; in the same year, teleworkers represented 2% of the total employed population, or 2.1% among male and 1.8% among female; 20% of teleworkers were senior officials and managers, compared with 7% of the total employed population, and 32% of teleworkers were professionals, compared with 13% of the total employed population; some 10% of teleworkers were clerks; more than half of teleworkers were in the services sector, and 13% of them in manufacturing; among the different service sectors, the most important were: real estate and various business service activities (19% of all teleworkers), trade (11%), education (10%), and public administration (9.5%).

- **Bulgaria** – in 2003, teleworkers represented 5.5% of the total workforce; at the beginning of 2006, between 70% and 82% of companies had access to the Internet, and about 30% of employed persons could use the Internet at work; only 2% of Internet users were online all the time; the highest share (11%) used it on a more casual basis (less than 8 hours/week).

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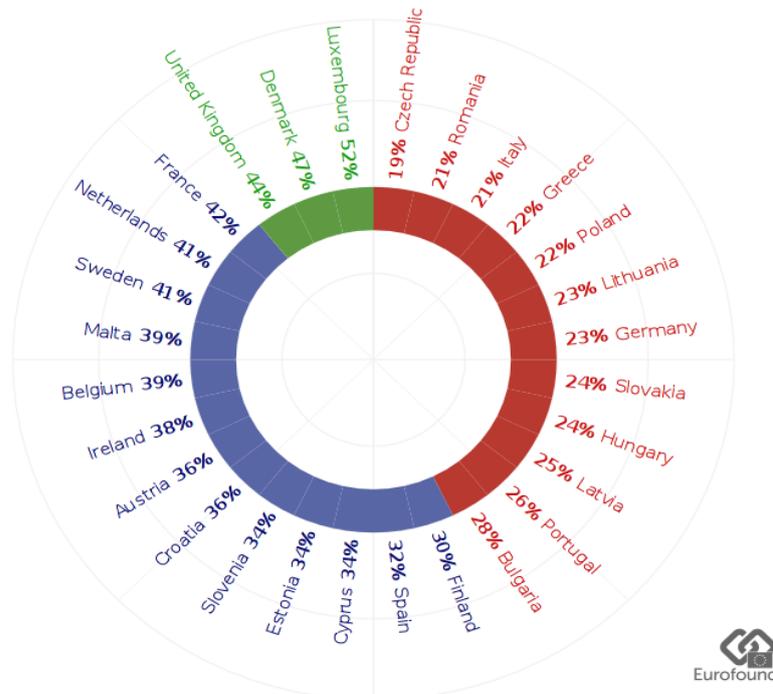
- **Romania** – the potential number of remote workers ranged between 16,500 and 56,000 people in 2000; these figures increased to 33,400 and 90,300 teleworkers in 2005, when people working at home represented 13.7% of total employment; the distribution by age group of people working at home was as follows: 16.4% (15-24 years), 8.8% (25-49 years) and 25.8% of workers with 50 years and above 50 years; the share of e-workers was estimated at 0.5%-1% of the labour force in 2008.

**Table no. 1. The distribution of the answers to the question: “Does your work involve working with computers, laptops, smartphones, etc.?” (%)**

Sector	(Almost) all of the time	(Almost) never	Between ¼ and ¾ of the time
<i>Public administration, education and health</i>			
European Union	32	30	37
Romania	25	35	40
<i>Financial and other services</i>			
European Union	50	34	17
Romania	31	55	15
<i>Construction and transport</i>			
European Union	19	61	20
Romania	15	62	23
<i>Commerce and hospitality</i>			
European Union	25	48	27
Romania	30	49	20
<i>Agriculture and industry</i>			
European Union	23	55	22
Romania	12	75	13

Source: *Eurofound*, 2015.

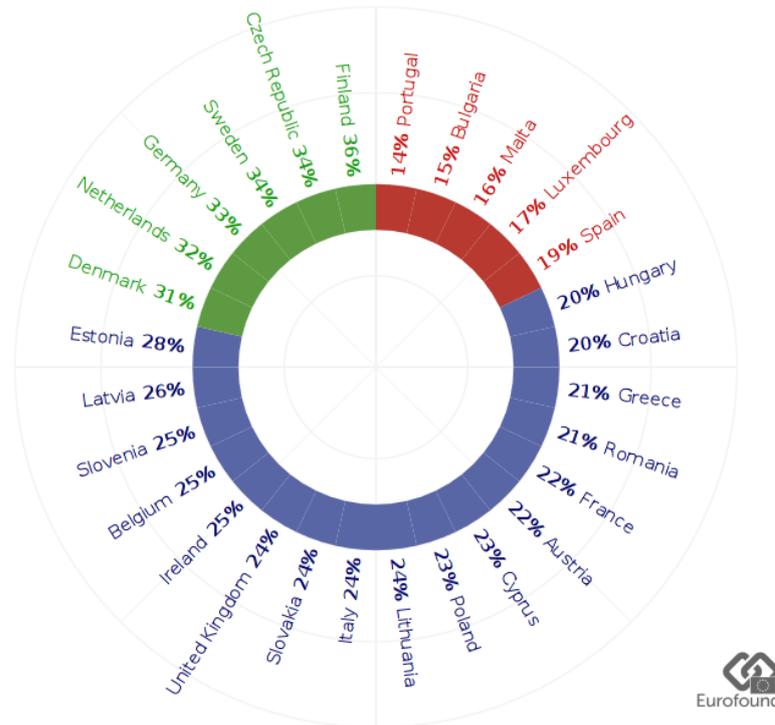
In Romania, in 2013, of the total employed population of 9,247 thousand persons, 3,473 thousand persons were users of ICT, and only 632 thousand persons were working remotely, using ICT. Most users of ICT within the developed activities were males from urban areas. A small percentage of employed men and women were working remotely using ICT [INS, 2014].



**Figure no. 1. The share of respondents that declared they used IT devices (almost) all of the time, by country, %**  
 Source: Eurofound, 2015.

The spread of digital technologies contributed to the growth of the share of workers that declared in 2015 that they used ICT at work with a high intensity (*a high intensity means using ICT at least 3/4 of all time*). The increase was from 21% in 2005, to 26% in 2010 and to 37% in 2015. At the same time, within the same period, the proportion of those indicating a medium use of ICT at work increased from 15% to 20%, but the share of persons that worked with a low intensity of ICT recorded a significant shrinkage of 21 p.p., from 64% in 2005, to 43% in 2015 [Eurofound, 2017].

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**Figure no. 2. The share of respondents that declared they used IT devices between  $\frac{1}{4}$  and  $\frac{3}{4}$  of the time, by country, %**  
 Source: Eurofound, 2015.

According to the results of the Sixth European Working Conditions Survey, Romania was placed on a higher position than the EU-average in terms of public administration, education and health (40% of the Romanian workers from these sectors have declared they used IT devices between  $\frac{1}{4}$  and  $\frac{3}{4}$  of the working time, as compared to 37% – EU average). A similar situation was recorded as regards the sector of construction and transport: Romania – 23% vs. EU average – 20%. In

turn, Romania ranked on inferior positions from the point of view of the share of those answering that they (almost) never used IT devices at work. The greatest discrepancies were recorded in financial and other services (55% vs. 34% – EU average) and in agriculture and industry (55% vs. 75% – EU average). As regards to the share of answers indicating the use of IT devices at work (almost) all of the time, commerce and hospitality represents the only sector for which Romania recorded a highest share compared with the EU average (30% vs. 25%).

The analysis of the answers received irrespective of workers' sector of activity revealed that Romania ranked in the group of EU states with the lowest shares of respondents that indicated they worked with IT devices (almost) all of the time (21%, representing the second lowest share within the EU; by comparison, Luxembourg accounted for the highest share: 52%).

At the same time, Romania was placed between Greece (21%) and France (22%), the share indicating that the persons worked with IT devices between  $\frac{1}{4}$  and  $\frac{3}{4}$  of the time (21% vs. 36% in Finland, representing the highest share).

The results of the latest survey also indicate that about 9% of the employees in the EU member states use IT devices outside of the employer's premises. The share of employees that telework mainly from home was 2%. The share of ICT-mobile workers was 7%, namely those who used IT devices at least three quarters of all time outside of the employer's premises [Eurofound, 2017].

In Europe, in 2013, unemployment was high and also there were unfilled vacancies in ICT (*according to Neelie Kroes, Vice-President of the European Commission responsible for the Digital Agenda at that time*), underlying the need to take actions in favour of digitally skilled workers. The proposals in this respect were related to: raising awareness related to ICT careers; modernising education, mainstreaming ICT for pupils; matching ICT training offer with the labour market needs; encouraging mobility for ICT workers; creating a system for recognising qualifications in ICT by employers, in various European countries [European Commission, 2013].

An important objective in the EU aimed at supporting connectivity of web entrepreneurs, creating awareness about ICT importance for entrepreneurship activities. Also, another EU objective was related to the support of young women and their interest in ICT careers, as they are under-represented in the industry [European Commission, 2013b].

Within the EU, there was a key performance target for halve the number of Internet non-users from 30% (in 2009) to 15% by 2015. In 2012 the rate fell to

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22%, this rate varying substantially by country: in Sweden was about 5%, while a rate of about 40% was found in Bulgaria, Greece, and Romania. The reducing rates of non-use had the following profile: Portugal (-7 p.p., to 34%), the Czech Republic (-5 p.p., to 19%), Cyprus (-5 p.p., to 36%), Croatia (-4 p.p., to 35%), Lithuania (-3 p.p., to 30%), Italy (-2 p.p., to 37%), Poland (-1 p.p., to 32%), etc. [European Commission, 2013c].

More recently, the studies related to teleworking are focused on a variety of topics, such as:

- the effects of telework and flexible work schedules on the performance of teams in new product development (NPD) projects; telework has a positive effect on NPD performance [Coenen and Kok, 2014];
- the gap between high social expectations and the reality of home-based telework; telework it is mainly an informal working arrangement [Aguilera et al, 2016];
- the implementation of telework, highlighting the inconsistencies in the outcomes of various surveys, discrepancies resulted from differences in legislation of countries and methodologies used in surveys [Bajzikova et al, 2016];
- the organisational measures for enhancing individual and organizational outcomes of telework [Bentley et al, 2016];
- the comparison and identification of the differences between traditional work arrangements and telework; a leadership model for teleworkers' induction is presented [Wojcak et al, 2016];
- how organizational structures shape communication flows of membership negotiation and activity coordination (flexibility policies related to worker teleworking) [Nordback et al, 2017];
- the use of information and communication technology (ICT) by older people; a great number of older people working with ICT agree to work longer if they can use telework [Arvola et al, 2017a];
- the interaction between senior employees' teleworking and well-being [Arvola et al, 2017b];
- the analysis of the effects of telework and ICT-mobile work on the world of work; the incidence of this type of work arrangement varies substantially across countries [Messenger, 2017];
- the critical elements for telework programs' sustainability in a multinational company [Aderaldo et al, 2017];

- the modelling concept to simulate the decision to telework [Moeckel, 2017];
- the main features of changes in desire for mobility and the opportunities and tools available to meet them (changes occurred as a result of ICT) [Snellen & de Hollander, 2017];
- the features that characterize telework; telework is likely to yield more good than bad for individual health [Tavares, 2017];
- the relationship between teleworking, air quality and traffic; teleworking can be a tool for urban planning and development [Giovanis, 2018].

E-work has a number of limitations, as well as advantages. The perception of human resources experts is different and it takes into account various aspects, such as: the content of the work, work place, the activities with business partners and characteristics derived from e-work activity, but also aspects related to e-employment (particularities related to gender, age, area of activity, etc.).

In order to observe e-work trends, factors influencing individuals behaviour (e.g., gender, age, level of training) are important, but also the work place characteristics, such as type of the activity of the company, endowment with ICT equipment, substitution of “face-to-face” communication with online communication, etc. Also, the location where the worker activity is performed is important, that can be at the office, at worker’ home (location is fixed), mixed, or unspecified (using smartphones, tablets, laptops, etc.).

### **E-work assessment**

E-work might provide various advantages, both for employees and employers. Teleworking activities might allow a balance between activity at workplace and family life, providing to the employees a sense of flexibility.

Through e-work is possible to develop various job tasks right from home and this is achievable due to technological progress. Also, this is possible due to the new skills that individuals have, mainly related to use of computers, electronic devices, computer software, and so on.

For **employees** and **employers**, the assessment of e-work may take into consideration the following aspects:

- the accessibility to employment, expanding the categories of persons who can perform such activities – with the advantage of the possibility to work from home for people with disabilities; also, there is the situation of the improvement of the

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work–life balance. The disadvantage is related to difficulties that may arise in the situation of solving job tasks, if the employee has children and they are at home. Another disadvantage of the employee working from home is the lack of interaction with peers, which can lead to a state of discouragement and loneliness. Also, there might be a higher involvement in child care and a low involvement in solving job tasks. The opportunities are related to the reduction in rush hour traffic jams, reduction of number of accidents, reduction of the pressure on infrastructure, and reduction of greenhouse gas (GHG) emissions and energy consumption;

- in the area of knowledge and skills, there may be some disadvantages related to the minimum standards and qualifications needed for e-work;

- individual performance at job (productivity and work quality), with the advantage of the reduction of the time spent in the means of transportation, which can be used to work on tasks, but also with disadvantages related to the idea that the employee may be easily attracted by other activities and may neglect the job tasks. Some risks might appear, such as unannounced interruptions in electricity supply at home, which can lead to loss of data. There are opportunities related to the fact that the worker will not be bothered by other co-workers;

- teambuilding is important in a company, but for an employee working from home, there is the disadvantage of low possibility to socialize with peers;

- flexibility in the workplace provides the advantage to the worker to create his own working program. The disadvantages might be related to the overtime work, resulting in extension of work time. The risks may be related to fatigue, stress, and illness, while the opportunities are connected to the possibility for the worker to solve other tasks not related to the job;

- autonomy – the employee may have the possibility to work on its own, with many breaks, as long as at the end of the day the deliverables are sent to the employer. The disadvantages may be expressed by frequently phone calls received from business premises with new tasks to be solved, a permanent link (24 h) with the employer being thus created;

- risks related to career evolution – solutions to various problems can easily be found in the meetings from the work place;

- working conditions, with the advantage for the employee of the increase employment flexibility; some risks may be related to the necessity to protect the data used and processed by teleworker for business purposes; the employer has to respect the privacy of the teleworker;

- expenses related to the job, with the advantage of reduced transport costs for the worker; advantages for employers may be expressed through: decreasing maintenance costs with company offices, decreasing labour costs for e-workers, decreasing parking fees level for employees' cars. The disadvantage may be related to an increase of the equipment costs (where a PC and an Internet subscription are made available to employee to work from home); for employees, a risk may appear, related to the unequal treatment of workers (from the office) and remote workers;
- for the employer, another disadvantage may arise if the tasks solving process by the employee cannot be monitored.

**Box no. 1. The impact of telecommuting/teleworking on the new employment model, underlined by various surveys**

In 2015, in the U.S.A., telecommuting represented an option that is rather linked to a particular socioeconomic status and educational attainment, being adopted more frequently by the most educated workers (55% of college graduates declared that they telecommuted, as compared with 26% of non-college graduates), those who earn higher incomes (52% of those having an annual household income of \$75,000 or more, as against 26% of those earning below \$75,000) and white-collar professionals (44% declared they telecommuted, as compared with 16% of blue-collar professionals). The share of workers that telecommuted has increased four times, from 9% in 1995 to 37% in 2015. The perceived productivity of those who worked remotely was about similar to that of employees working in offices for 56% of telecommuting respondents, while 24% of them considered that the first category was made up of more productive workers (Gallup's Work and Education poll was conducted between 5 and 9 August 2015 on a sample of 1011 adults, aged 18 and older) [Jones, 2015].

The survey carried on in 2015 (February-May) on an international sample of 2,759 knowledge workers revealed that almost 80% of the respondents performed telework. Near two thirds of this category declared that they have noticed a positive change in the attitude towards telework within their organizations. Also, 60% of teleworking respondents declared that they would quit their current job for a similar position with the same pay if they could work from home full time. More than half of the 20% of respondents that never performed their job tasks outside the

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company offices mentioned that they wished they could telework [PGi Global Telework Survey, 2015].

A more recent survey conducted in 2016 on knowledge workers from all over the world highlighted that the majority of respondents were working from home only one day per week or less. The highest share of this category was found in Asia Pacific region (68%), followed by North America (58%) and Europe and Middle East region (51%). However, as compared to the results of 2015 survey, teleworkers expressed their desire to work more days outside the company offices. Thus, 52% of the teleworking respondents of Asia Pacific region and half of the North American ones mentioned that they were willing to work from home more often if they could, the ideal frequency being 2 or 3 days per week [PGi Global Telework, 2016].

In the U.S.A., employees have more than twice options to work remotely when hired by large companies (with over 500 workers), as compared to small ones (with less than 100 employees). At the same time, the chances for a full-time worker to be allowed to work remotely are four times higher than for a part-time worker [Global World Analytics, FlexJobs, 2017]. The demand for remote workers is on the rise, as indicated by the high share of professionals (81%) that evaluated the option to telecommute as being more important to them than having a flexible working time or working part-time [Weiler Reynolds, 2018a].

Jobs that involve remote work have become increasingly prevalent on the labour market, mainly because of the technological advance and mobile devices development. Such type of employment is sought by workers because it may provide a greater work-life balance.

### **Box no. 2. Companies with an important focus on providing remote jobs**

There are various companies that offer some work-at-home opportunities, using a remote workforce, and thus are telecommute-friendly companies. For example, there are companies such as [Miles Brunelli, 2017]:

- Aetna (insurance and managed care company), with telecommuting position types: nurses, physicians, network managers, claims adjusters;
- American Express, with telecommuting position types: travel counsellor (call centre), sales, corporate;

- Cigna (insurance, managed care), with more than 3,000 workers telecommuting, and with telecommuting position types: nurses, case managers, claims workers, analysts;
  - Deloitte (consulting), offering most of its 45,000 employees the option to telecommute as many as five days a week;
  - McKesson (healthcare services), with a telecommuting workforce of nurses, where 800 of them are working in call centres performing telephone triage and disease management; in this division of the company between 80-85% of its workers are full-time telecommuters; the telecommuting position types are: nurses, physicians and marketing, IT and sales professionals.
- According to remote.co, there are companies providing remote jobs, such as:
- Dell, 18% remote, with a team above 140,000 members, and with headquarters in Texas, U.S.A.;
  - VIPKID (provides for teachers from the U.S.A. and Canada the opportunity to teach Chinese kids ages 5-12 online), 85% remote, with a team above 16,500 members, and with headquarters in Beijing, China;
  - Canonical (software development company), 75% remote, with a team above 700 members, and headquarters in London, U.K.;
  - Automattic Inc. (web development company), 100% remote, with a team above 600 members, and headquarters in San Francisco, U.S.A.;
  - Answer Connect (providing help to small and medium businesses), 100% remote, with a team above 500 members, and headquarters in Portland, U.S.A.;
  - Appirio, a Wipro Company (helps create worker & customer experiences using the latest cloud technologies), 100% remote, with a team above 500 members, and headquarters in Indianapolis, U.S.A.;
  - Toptal (provides software solutions for businesses), 100% remote, with a team above 400 members, and no headquarters;
  - Qkids (e-learning, K-12 English education company), 50% remote, with a team above 300 members, and with headquarters in Xiamen, China;
  - Envato (applications development), 100% remote, with a team above 80 members, and headquarters in Melbourne, Australia;
  - FlexJobs (job service for telecommuting and other flexible job listings), 100% remote, with a team above 70 members, and no headquarters;



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- Worldwide101 (provides virtual assistants for businesses), 100% remote, with a team above 70 members, and with headquarters in U.K.;
- DVMelite (business development for veterinary offices), 100% remote, with a team above 50 members, and headquarters in Halifax, Canada;
- Toggl (provides online time tracking tool for various projects), 50% remote, with a team above 40 members, and with headquarters in Tallinn, Estonia;
- Ushahidi (open source software development), 60% remote, with a team above 30 members, and with headquarters in Nairobi, Kenya;
- DevriX (provides technical and business solutions), 90% remote, with a team above 25 members, and headquarters in Sofia, Bulgaria;
- Eyeo GmbH (software development), 100% remote, with a team above 20 members, and headquarters in Köln, Germany.

The analysis of the first 100 companies operating in the U.S.A. that listed the most remote jobs in 2018 reveals top career fields for that the respective companies are seeking remote workers, with some examples of companies [Weiler Reynolds, 2018b]:

- 1) medical and health: UnitedHealth Group, Anthem, Inc., Humana;
- 2) computer and IT: Dell, Xerox, Teradata;
- 3) education and training: VIPKID, Kaplan, Western Governors University;
- 4) sales: HD Supply, NCH Corporation, Williams-Sonoma;
- 5) customer service: SYKES, Working Solutions, Amazon;
- 6) accounting and finance: JLL – Jones Lang LaSalle, Wells Fargo, JPMorgan Chase;
- 7) travel and hospitality: Hilton, BCD Travel, Carlson Wagonlit Travel.

In a similar ranking developed a year before (2017), the seventh place in the ranking of the most wanted career fields for remote workers was held by Government (U.S. Department of Agriculture, U.S. Department of State, U.S. Department of Commerce) [Weiler Reynolds, 2017].

Among the career fields that recorded the highest increases in numbers of listings for remote workers are therapy, virtual administration, client services, tutoring, and state and local government. At the same time, the 20 most common job titles based on working remotely include teacher, developer, analyst, sales representative, nurse, accountant, and program manager [Weiler Reynolds, 2018b].

There are various companies who have adopted e-work. It seems to help keeping the environment cleaner by reducing GHG emissions, increasing the degree of personal freedom and flexibility, and reducing stress at work. Companies can make significant savings in terms of cost of renting office space, operating costs, etc.

### Final remarks

A combination of work from home with work from office is one of the solutions of adopting e-work by many companies in various sectors. There are economic activities not suitable for e-work. Also, there are various approaches of e-work, referring to people who practice telework as self-employed, telesellers, persons who conduct a business, mobile workers, etc. An essential aspect is that these workers use ICT to perform job tasks.

E-work may be supported by aspects such as:

- ICT facilities development (many activities are completed online – communication, transmission of decisions, relationship with partners);
- the analysis of the profile of young graduates – underline that they are more familiar with ICT and they prefer ICT to traditional forms of performing job tasks;
- business environment analysis – current businesses grow by orders, projects, which increase the share of persons temporary or part time employed.

E-work is a present and future opportunity for job creation, is an emerging process, and supports the development of a new business model. Individuals having knowledge of ICT have also chances to get high-paid jobs on labour market. Thus, the education system plays an important role in guiding and preparing young people in terms of acquiring necessary knowledge for becoming specialists in various fields. A future research may take into consideration the analysis of the relationship between ICT adoption and the employment level, using various econometric techniques.

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## REPUTATION AND TRUST IN SHARING ECONOMY PLATFORMS: THE CASE OF TRAITY

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### Abstract

*The concept of reputation is assiduously used in various fields such as communication, public relations, advertising, marketing and management. The convergence between the rise of new technologies linked to corporate communication has favoured the birth of what has been called online reputation. Thus, unprecedented behaviours have been generated that are establishing new social forms and even some authors speak of a new economy of reputation where society would be highly connected through networks and organizations that would operate in an ecosystem of permanent influence from the interest groups. With this premise, Traity arises the project that we analyzed in our research and that raises a reputational score that takes advantage of the fingerprint information to reproduce online trust as we understand it in the physical world, but without trying to reduce its people into a percentage, a number or some stars.*

**Keywords:** *reputation; collaborative consumption; sharing economy; online reputation; trust; Traity.*

**JEL Classification:** D<sub>16</sub>



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### **1. Introduction**

#### **1.1. Background to the study**

The concept of reputation is assiduously used in various fields such as communication, public relations, advertising, marketing and management [Capriotti, 2009]. Within the sphere of communication, “the online reputation should be understood as a part of the corporate reputation, which complements it and takes part in the global” [Itoiz, 2015]. Thus, for instance, the reputation of a company will always and above all depend on its essence, on the quality of its work and on the products and services that provides and not just on its marketing or other information reported by the media [Pizzolante, 2002].

#### **1.2. Statement of the problem**

Extensive research has revealed the importance and the benefit of having a good reputation at personal and organizational levels. The reputation of each person contributes to predict certain behaviours by reducing the ambiguity and uncertainty and generating reasonable expectations that nothing should be done in a contradictory manner below the expectations [Jácome López, 2015]. For that reason, it is interesting to analyze the motion of Traity to develop an online reputation system based in the digital fingerprint creating a reputational standard based in a scale of personal reliability to which information available online and verified offline is added so that the user can use it as an active to access to opportunities that are traditionally measured depending on the risk, such as digital transactions between people.

#### **1.3. Objective of the study**

The main objective of this study is to go deeper into the knowledge and study of a digital project such as Traity in a point in time in which we talk about the reputation and trust economy as a new currency (specially in the context of the so-called sharing economy).

Among the objectives set, we highlight:

- 1) to understand the online reputation phenomenon and to focus the theoretical discussion of the concept on the academic level;
- 2) to analyze the motion of Traity.

## 2. Review of related literature

### 2.1. Conceptual framework

Personal reputation is linked to other equivalent concepts such as the image, the prestige, the status, the reputation, the personal best, the celebrity, the legitimacy or the credibility. Researches converge in defining the personal reputation according to common parameters which allow to be defined as “the consideration which is given to a person based in a number of perceptions built over the course of time result of the – direct or indirect (through third parties) – observation of the image it projects, of its personal characteristics, of its achievements and of the history of its behaviour in different environments” [Jácome López, 2015].

In terms of corporate reputation, the origins of the concept, as we know it at present, date back to 1958 as a result of a study from Pierre Martineau in which he already indicated the advantages of expanding the notion of brand image to corporate image, as well as pointing its complexity and diversity. Decades after this study, the concept has little impact in scientific and business literature. It is from the 1980s when the term begins to gain in importance through the publishing of the first rankings of the most admired companies in North America in *Fortune magazine* [Carreras et al, 2013]. It is a survey of 10,000 executives and financial analysts in order to evaluate the most important 500 companies depending on eight criteria linked to reputation (management quality, products or services, innovation, financial soundness, prudent use of the corporate assets, long-term investment, ability to attract talented people and social and environmental responsibility). From that point, the number of publications related to corporate reputation has been increasing.

Between 1958 and 1988 there is a shortage of scientific production in the area of corporate reputation. For Carreras, Alloza & Carreras [2013], “the origin of disinterest lies in the fact that reputation research is mainly associated with advertising. From the 1990s onwards, reputation is associated with market value and is no longer tied to advertising and selling. This ability to create value is what makes it a focus of research in itself”.

Therefore, you go from a research program where reputation is related to advertising and where the focus is the credibility of the message (and where reputation plays a subsidiary role) to a program where reputation is related to value and plays a central role. This paradigm shift attached to the interest of the business world stimulated the production of studies about reputation and some authors even



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spoken about ‘Tower of Babel’ [Hatch & Schultz, 2000] because of the variety of different approaches and concepts that are used.

With regard to the reputation in the virtual world, convergence between the rise of new technologies connected with corporate communication has favoured the birth of what has been called the online reputation [Mut, 2012].

Chun & Davies [2001] make a first approximation in the academic world to the concept of online reputation and they speak about e-reputation “to refer to that element of reputation which is derived specifically from electronic contacts”.

Siano, Vollero & Palazzo [2011] explain the formation of the reputation on the Internet in three consecutive stages: design and training, refraction and evaluation. In the first stage, brands employ different strategies in order to reach their stakeholders, to transmit their values and to establish relations. The interactive possibilities of the Internet would make it easier for these groups to answer with opinions and comments about the company’s performance and behaviour. Finally, interest groups combine the image projected by the brand with the opinion of other stakeholders. What distinguishes and makes unique this process in the field of the Internet is the time required for its development, which is much smaller in this context.

The amount of non-academic publications (blog posts, popular magazine articles or press articles) that talk about online reputation management and social media management is very large. In these cases, online reputation is linked to “SEO problems, social media optimization (SMO), crisis management, monitoring and personal reputation” [Vaquero, 2012]; in other words, “in many cases online reputation is based on reductionist concepts about search engines or sentiment analysis on social media” [Mut, 2012].

The use of the concept online reputation applied to company communications in the virtual environment has led it to “a real alteration of its meaning, to degradation by misuse of the term and to devirtualization of its theoretical load” [Mut, 2012]. For this author, “we should understand what is known as online reputation as something integral to corporate reputation and, consequently, it must be managed with the same indicators or disaggregated by it”.

This means that by focusing the online reputation management on actions with a strong technical nature, such as SEO, SEM, online monitoring, personal or blog views, social media, etc., we become lax on the own concept of reputation and its strategic importance for organizations [Mut, 2012].



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Although the literature which is about online reputation considers it from the prevention and elimination of reputational risks [Vaquero, 2012] and not all views and actions of users can be reputational threats [Carreras, 2008], it is true that when users decided to comment a service or product on their own initiative is generally when the consumer experience has not been positive [Noguera, 2006]. Dans [2011] points out that online reputation is not improved by deleting negative reviews around the Internet, but “improving the management and the reality of the organization (...) the quality of service, customer service or management policies”.

To understand the reason for this situation we should look back to 1999 and to the influence of The Cluetrain Manifesto by Fredrick Levine, Christopher Locke, Doc Searls and David Weinberger. That document proposed 95 ideas for understanding the role of business and customers in the new technological environment (the Internet). This document rose “the urgent need for companies to take advantage of the Internet to establish an agile (adaptable) and fast-moving (networked) contact to respond to customer needs” [Noguera, 2006].

If, as it is said in The Cluetrain Manifesto, “markets are conversations”, users and companies must make an effort to understand conversation rules which take place in the Internet because both the Internet and social media have managed to democratize participation and companies no longer have absolute control over communication” [Aced, 2013]. For Orihuela [2011] “the individual has an outstanding ability to adapt to technological change (...). And corporations have had to evolve simultaneously to understand the new codes of digital age”.

As a consequence, the Internet user takes “a sceptical attitude, distrustful. The tendency to think about intrusion, selling, deception (...). The improvement of its skills to judge proposals is an indisputable fact (...). The use of new technologies and Internet has provided the user with tools that allow them to obtain a direct contact with the companies” [Gil & Romero, 2008].

In fact, the word-of-mouth takes a critical dimension on the Internet and has distributed the power of reputation building, which no longer is a monopoly of the organization itself, but it is configured from messages that anyone can launch [Leiva-Aguilera, 2012].

The organization reputation is permanently exposed on the Net, hence the need for organizations to be complete and integral. Thereby, the Net requires to be transparent because, to the slightest trace of deception, the virtual view that moves in cyberspace leaves it without impact on the market. A scandal is quickly feedback



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by other historical on the Net because in it are all the vestiges and you can find the historical referents [Leiva-Aguilera, 2012].

New technologies have generated new behaviours that are establishing new social forms [Schwartz, 2009]. Traditional patterns of communication have been adapted to a new context which is influenced by trends that mark social media [Atarama & Cortéz, 2015]. In fact, Fombrun [2011] talks about “a new ‘reputation economy’ where society would be highly connected through networking and organizations that would operate in an ecosystem of permanent influence from stakeholders. In this analytical scheme, since that information would not be systematically distributed among networks, trust and relations would become vital events”.

Collaborative consumption and the sharing economy have become social and economic phenomenon in just a few short years [De Rivera et al, 2016; Hofmann et al, 2017; Key, 2017; Möhlmann, 2015; Pera et al, 2016; Xie & Mao, 2017]. Collaborative consumption websites have enabled consumers to focus on shared access to products rather than owning them [Barnes & Mattsson, 2017]. In many sharing economy marketplaces, members rely entirely on interpersonal trust as a form of currency [Parigi et al, 2017]. While in conventional business relations, consumers are protected from undesirable customer behaviour by laws, regulations (power) in the context of collaborative consumption are rare, so that trust becomes more relevant [Hofmann et al, 2017] like online reviews can have a direct effect on the online sales of a company [Lian et al, 2017].

Trust is, therefore, a key factor in overcoming uncertainty and mitigating risk [ter Huurne et al, 2017]. In this way, perceived trust has positive effects on tourists’ behavioural intentions [Wu et al, 2017]. Also, trust has been widely recognized as the crucial factor of consumer purchase intention when shopping on peer-to-peer short-term rental platforms where hosts and renters are strangers [Weber, 2014; Wu et al, 2017]. And mutual trust between trading partners is important [Seo et al, 2017]. The premise of reputation systems is that the aggregate rating associated with a person is an indicator of the quality and the risk entailed in potential transactions with that individual [Abraham et al, 2017].

It would be a “new economic paradigm characterized by the growing influence and decision-making power of costumers” [Sampol et al, 2015], where “individual reputation can be added and is beginning to be considered as a form of capital in itself” [Mazzella & Sundararajan, 2016]. It is in this context where are emerging



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initiatives such as Traity that offer their users a reputation passport that allows them to prove their prestige to anyone.

### 3. *Methodology*

The bulk of the investigation is from a strong qualitative nature and for this purpose we have opted for the case study method, combining data from several sources: collection and assimilation of bibliographic material and literature related to research framework, analysis of the contents displayed on the startup websites under investigation (blog, website, official Twitter account) and interviews with Juan Cartagena (@JC2go), founder of the company.

Therefore, our study is based on a qualitative research focused on a case study, with an exploratory purpose, since we intend to “achieve a rapprochement between the theories inscribed in the theoretical framework and the reality under consideration” [Martínez Carazo, 2006]. Many authors have developed theories about the existence of an ideal number of cases to study [Martínez Carazo, 2006]. Finally, they come to the conclusion that there are no rules for specifying the sample size, leaving this decision to the researcher and the size of theoretical saturation reached in the research. In our study, we will opt for the study of a single case, since Traity brings together a number of characteristics (objective of creating a standard online reputation based in scale of personal reliability by adding information available online and verified offline, technical development in open source, blockchain, open and transparent innovation) that make it a pioneer.

### 4. *Case study: Traity*

Continuously, we meet strangers on the Internet. We meet, share our house, office, car, tools with them... but, unfortunately, there is always a fear to deal with them and they feel the same way.

Traity emerges as a network of trusted people. Its mission as a company is to create a world where “everyone can trust each other”. It is a startup that has developed an online reputation system based in digital fingerprint. Its vision is to create a more inclusive world where offline reputation can be accredited to provide opportunities that would otherwise be denied. It was created on 2012 and its founders were Juan Cartagena, Telecommunications Engineer from the Universidad Politécnica de Madrid and MBA in the Chicago Booth; Borja Martín Sánchez de



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Vivar, Technical Engineer in Computer Systems from the Universidad Europea, and José Ignacio Fernández, PhD in Telecommunications Engineering from the Universidad Politécnica de Madrid. At present, all three continue in the company: Juan is the CEO (Chief Executive Officer), Borja Martín is the CDO (Chief Digital Officer) and José Ignacio is the CTO (Chief Technology Officer) of the company.

Traity raises a reputational punctuation that harnesses the digital fingerprint information to reproduce the online trust just the way we understand it in the physical world, but without trying to reduce people to a number or stars as we were in chapter 'Nosedive' from TV Netflix show *Black Mirror*. Traity profile goes far beyond this dystopia because it allows users a deeper interaction as it is an open, accessible and transparent profile in public data.

In Traity, they believe that there are three basic concepts in its definition of reputation:

1. It is a dynamic property you win or lose depending on the behaviour results when interacting with others.
2. Reputation is not a currency (you do not spend it when using it, rather you endanger it, and does not have a limited quota).
3. Reputation is an active that we would enable to get access to inaccessible services without that credential (property, credit, etc.).

### 4.1. Calculation of reputation

As appears from the frequently asked questions on its website, the process has 5 stages:

1. The first stage is identity phase. They make sure that the person is who they say they are. They ask users to log in with different social media, whose reliability they check and they review if the name is consistent through them, or if the person has the same friends in the various networks. There is also an offline verification (to load the passport or identity card to verify it). After deleting the photo, they maintain the fact that the person has been verified with their real name. This stage is one of the biggest obstacles to reputation economy and it is precisely a matter of transparency.

2. The second stage is about biography, personality and achievements. The more the person tells about themselves, the more transparent they are and they will become clearer before the others. This does not 'prove' that their reputation is high



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because everyone can write good things about ourselves, but it is part of that subjective reputation whereby we trust people similar to ourselves. It is not about good or bad but rather it is about who/how that person is.

3. The next stage is about social media study: who are their best friends, where they spend most of their times, if it is consistent where their friends spend their time. In conclusion, they try to make the process of distorting social identities harder.

4. The fourth stage is about recommendations. This is part of the reputation and these are actions that happen within Traity through a ranking represented with medals (gold, silver, bronze, seed). Medals would be a synthetic way of interpreting reputation that Traity considers more useful than rates, scales or stars.

5. Traity is being integrated into different reputable websites, such as collaborative consumption platforms and sharing economy. All these platforms have their own reputation system, which can be inefficient because users have to start from scratch on each platform. And if all of them have passport verification, they have to upload their passport to 100 different sites. The API of reputation is the basis of the entire infrastructure of Traity. Economy reputation companies could include and draw information (with the user's approval) to introduce more reputation inside the system and integrate it with their own reputation profiles.

#### 4.2. Privacy

In Traity, data are encrypted and are not shared with third parties. They use blockchain as log book (fingerprint). It is a safe and immutable environment that “many links only to the arrival of cryptocurrencies and the media hype started by bitcoin, but which is an ideal solution for any transactional event, and that we will see everywhere, to the point of forming the world's largest supercomputer and to the point of being able to create a new Internet” [Dans, 2017].

Blockchain is a database that registers property, transactions and any type of information. It is a distributed, unchanged and public net that although it is associated to the popular imaginary to the deep web and to illegal activities, among its advantages it allows the traceability of information chains and transactions, increasing the neutrality of the Net and facilitating the detention of fraud. As it is a decentralized network, it is less vulnerable to an attack that puts at risk user's sensitive data.

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In Traity, they assure not to provide data to third parties nor try to monetize them (as some social tools do) nor implement intrusive practices as unsolicited notifications. Traity focus is to help users to use their data in order to improve their lives and, in such a manner, they hope to make money in the future. A social media will use users' data to try to make money: if you do not pay for the product, then you are the product. If we look at its assertions, this would not be Traity's case.

**Table no. 1. Traity's data**

Creation	July 2012
Web	<a href="http://www.traity.com">www.traity.com</a>
Products	Trustbond (active) Kevinsurance (active) REY (stealth mode)
Finances	2014 \$4,7M (Active Venture Partners)
Users registered	More than 4,500,000
Prizes	<ul style="list-style-type: none"> <li>· EmprendedorXXI Madrid 2013</li> <li>· BBVA OpenTalent 2013</li> <li>· Spain Startup 2013</li> <li>· Bizcamp Tel Aviv 2012</li> <li>· Seedcamp Berlin 2012</li> <li>· 2nd place ActuaUPM 2012</li> </ul>
Competence	TrustCloud by Branddocs miiCard

Source: Own elaboration.

### 4.3. Operating examples

Syters (Syters Cuidados, S.L.) raises a website that puts babysitters and nurses in touch with parents or people in need of care. All babysitters and nurses have a



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profile in Traity where other parents, future customers, can see their professionalism and skills, something that will be reflected by the scores they get. A similar process can occur with other companies, such as Joyners which are dedicated to the care for the elderly.

DAS España (Grupo ERGO) offers legal protection to individuals, companies and other insurance companies. Their customers have access to a provision of legal services by specialist lawyers and collaborators located throughout Spanish territory. Its alliance with Traity is to offer a new rental insurance based in online reputation. The product will facilitate the access to housing by using the social reputation of the tenant introducing social reputation (social scoring) as an alternative to traditional methods of financial analysis. The service will allow tenants to guarantee their payment capacity with their reputation in social media and in collaborative consumer websites.

### Conclusions

After the case study, the first of the drawbacks detected is that it is a complex technology and should not be shown to the public with this complexity. Although to register is an easy process, Internet users could have difficulties to understand why they have to provide Traity access to all their personal data and social media accounts, electronic trading and sharing economy platforms: name, surname, telephone number, e-mail address, identity card/passport, Facebook, Twitter, Coinbase, PayPal, Amazon, eBay, etc.

Secondly, the ranking represented by medals (gold, silver, bronze or seed) is a visually very acceptable solution and it would be a synthetic way of interpreting the reputation that Traity considers more useful than percentages, scales or stars, but they do not explain why that ranking is better than the mentioned above.

Thirdly, another of the issues that draws the attention of researchers is the assertion that is made from Traity by ensuring that they will not give their data to third parties nor try to monetize them; it would take more than the word of the founders to support this fact, especially in a business model based on trust.

In relation to the contributions of this model, the main one that emerges from the statements and analysis of its website is to ensure that users who do not have financial identity but do have social identity, online and offline, can access insurance, credits, employment and other opportunities, aid of their reputation.

Another possible contribution refers to one of the main questions on the sharing economy platforms, on social media and on other websites of recommendations:



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who owns the user's reputation, themselves or the platform. The most relevant websites (Airbnb, Blablacar, Uber, Homeaway...) speak out for reserving the right to the published contents or comments and assessments that are part of their reputation systems. In this regard, a service like Traity would offer the possibility of using, anywhere, the different reputations we have.

With reference to project's viability, this is not the subject of the investigation. Nevertheless, it should be noted that Traity, after an investment of more than \$4,5 million in 2014, at present is looking for business models related to InsurTech, risk scoring or financial services. Having said that, we have seen that almost all projects related to the industry reputation as Karma, Briiefly, RepStamp Trustribe, Peertrust, Project Trust, Truly, Credport, Fidbacks or Virtrue have closed their doors. Only miiCard and TrustCloud by Branddocs are still active.

Furthermore, the commercial operation of this business model, after closing the door to the transfer of data to third parties, would be limited to several options: charge users for their services or commercially exploit advertising space on their website through affiliate marketing or others finance ways like crowdfunding or Initial Coin Offers.

In the coming months or years, we will check whether the project remains active.

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**DOCTORAL AND POSTDOCTORAL  
PAPERS**



## ECONOMIC FACTORS AS ONE OF THE INTERCULTURAL FEATURES NEGOTIATING IN INTERNATIONAL MANAGEMENT

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### Abstract

*Cultural varieties between negotiators are constant in international business negotiation processes. In our modern world, there is a rapid development of international connections in all kind of spheres of human activity. The major aim of this study is to analyse and develop knowledge on the characteristics of intercultural negotiation that will give opportunities to the national representatives to be determined to their particular types of cultures, as well as to endow the characteristics of different countries in some business spheres.*

*On a regular basis, in order to manage the expectations of the other party to the negotiations, it is important to discover the values of the associated partner at the supply stage and to try to manage all the information in the negotiation process, understanding the values and context of the other party involved in the negotiation process in the right place in order to make somewhat useful expectations from the other side, which would help to escape new conflicts in various business bargaining processes.*

*In general, is notable from everyone that culture impacts the time, the style, and the course of the negotiation process. If prevented, cross-cultural connections may weaken an organization's position in the market, protect it from fulfilling its purposes and eventually lead to reverse of negotiation.*



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*The research paper is focused in the scientific discussion part on the impact of intercultural negotiations on the international business environment, it can ensure inspiration and guidance for entrepreneurs, as well as helping them to understand the complexity of economic factors as one of the intercultural negotiating features which is of more interest for the students who are working on cultural diversity and its impact on business. This research thoroughly connects the characteristics of various national cultures with different areas of international business and tries to show the relationship and complexity of international negotiation issues in different contexts. The article should be useful resource for experts, students and researchers who are conducting more research in this sphere.*

**Keywords:** *intercultural negotiation; economic factors; globalization; business negotiation.*

**JEL Classification:** M<sub>14</sub>

### Introduction

*The only treasure of a human being is his memory. Only in it is his wealth or poverty. – Adam Smith*

In the last 10 years, the number of transnational enterprises is significant but increased, the economies of the countries have approached one another and are becoming to a significant degree interdependent. Today, we see an active exchange of knowledge and technologies between different countries. Rapid development – means of tourism, communication, cancellation barriers and expansion of borders – has contributed to the rapid development of international exchanges. All of these kinds of factors have frequency of interrelations between businessmen, researchers, specialists, scientists. At this point, I would like to mention that not the number of meetings is increasing steadily various cultures with different elements of our society such as literacy, values and religion. But, in spite of this, they achieved in conducting a successful joint business. It is necessary to understand and estimate the various cultural systems in order to be able to adjust to them. [3, p. 67]

Although business is more integrated into the global marketplace, where it responds to its needs, the current communication problems at the international level have been progressively widespread. Today, in a progressively competitive global



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economy, it is difficult for the successful business hazard to drive business purely within the safe restricts of a single local business environment.

Variations in negotiation styles arise from the fact that each society places different degrees of need in negotiation strategies, relationship development, time and space orientations, decision-making methods, contractual practices and illegal behaviours such as corruption [1, p. 19]. More successful negotiation not only demands obtaining technical communicative capacities, but also an understanding of the context of the negotiation by both parties from the table [2, p. 38].

This research paper will review theoretical background to intercultural negotiation in the first part, then the research methodology will view and analyse the international experiences on intercultural business negotiations, as well as finding economic factors in negotiation process within the interaction of various cultures in the last part. It also investigates the impact of information exchange and the influence of expectancies management in solving various conflicts in business negotiation process. The main problem in this research is that scientific literature has not analysed enough the impact of information exchange and management of expectancies on solving of conflicts in cross-cultural business negotiation environment. The main aim of this study is to carry out comparative analysis of worldwide literature on economic factors of cross-cultural negotiation process in different work environments. I have applied the comparative, systematic, observational and survey based analysis and synthesis of scientific literature research methods in this study.

#### **Theoretical background: Understanding of intercultural negotiations**

Since all human intercommunication are immanently intercultural, one can correctly consider that even the meeting among two persons is an intercultural task since both of them have various ways to comprehend, name and recombine reality. [13, p. 23] Negotiations with a family member, employer, fellow employee, friend, official, union representative from a different foreign country and so on are to a broad extent defined by intercultural factors.

In general, business negotiations do not seem as games of words. In fact, they are ferocious battles of tactics and wits. To win such a battle with foreign nationals, one needs to get himself acquainted with their respective negotiating style.

Homogeneously, all people communicating with people from various cultures often feel 'forgotten'. Hereby, lacking beliefs, familiar attitudes, behaviours, structures or procedures that form day-to-day communications, all those who are in

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intercultural environments often become less oriented, make mistakes and spend energy and time only surviving rather than realizing and appreciating the variety of things they overcome. [15]

Negotiations are affected by factors such as actions and communications contained in the act of neglect, pre-existing factors around cultural relationships or traditions, and special situational environments in which the negotiation is kept captive.

Intercultural negotiations are a process of communication between the parties involved, between people with different cultural values, faith, needs, where they are assumed to be direct connections between people and other communities, as well as their shapes of communication.

It is a fact that this concept was introduced in the '50s by the American cultural anthropologist Edward T. Hall, who conducted a different number of studies confronting the characteristics of various cultural groups and emphasized their communicative and cultural characteristics. G. Traiger and E. Hall defined this concept as following: *And the real goal to which a person should strive in his desire is to adapt as best and as effectively as possible to the world around him.* [2]

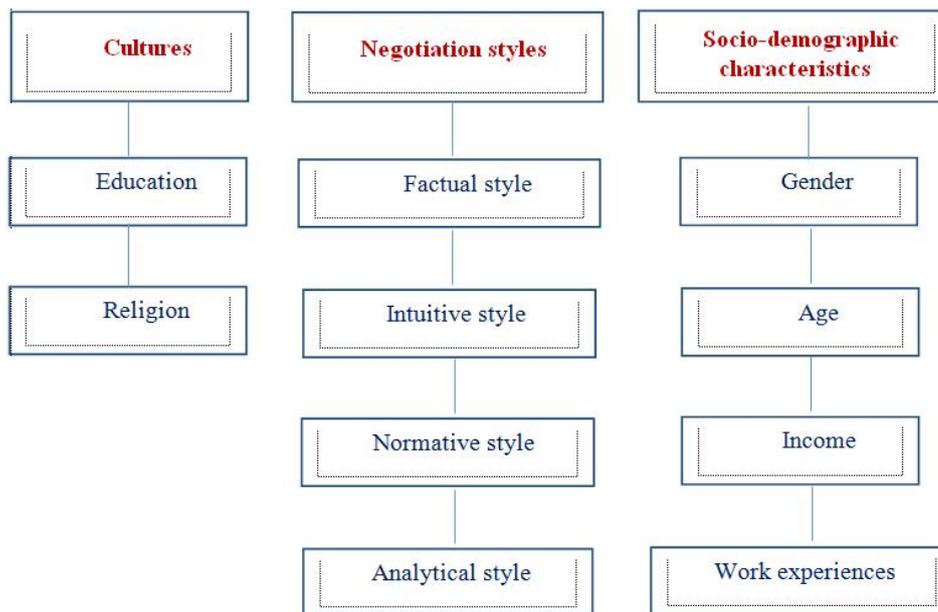
According to this approach, they wanted to say that man's desires are not excisable, to achieve goals, a person is looking for ways how to achieve it. It is known that most people in different countries move from one country to another, i.e. in the countries of Europe, USA, Canada, etc. because people have the barriers which they are studying in order to overcome these impediments. After all, people can adapt to any situations if they are satisfied. Most people seek to leave their country in search of a better life for themselves and their loved ones. And thus there are interethnic, intercultural countries such as USA, Canada, Russia, a number of countries in Europe, etc.

If you are like most people, you sensible understand that cultural varieties are likely to become a factor in negotiation processes. So, books, television shows, films and personal experience assist to form *intercultural negotiating* templates or *schemas* that ensure a fast, easy way of reading a foreign partner. Preferably, our goal of intercultural negotiation helps us avoid mistakes when negotiating with a foreign partner, and to understand a negotiating manner that might otherwise be confusing. [16]

According to negotiation and culture behaviour, a direct connection can be supervised. There are cultural varieties in the manners that negotiators use to approve a strategy. Understanding these varieties can help negotiators regulate their

own manners and step up their strategy. In this regards, culture influences the priorities and interests that underlie a negotiator's position, as well as the strategy of negotiations related to motivations and ways of realization. So, cultural values may uncover the affinities behind a negotiator's position.

These studies have also discovered that cultural varieties strongly affect the chosen method of negotiation, a result that is important in relation to international affairs. Hereby, one of the models employed in this study investigates the impact of culture on negotiation styles and was improved by Casse and Deol in 1985. For this research, the model's subordinate changings were the four kinds of negotiation styles such as intuitive, factual, analytical and normative. The independent changings were religion and education. In this regards, a schematic model was developed by the researcher in the context of the Asian Four Little Dragons, which looks much as the following figure:



**Figure no. 1. Schematic Model Depicting Relationships between Variables Related to Culture, Negotiation Styles, and Socio-demographic Characteristics**

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As we know, people who are involved in the negotiation process of agreements in the international business environment come from a variety of backgrounds and have different styles of negotiation affected by their own culture. [14, p. 57-59] Due to the intelligence of cultural influence on negotiation manners, this study attempts to define the implications for international business negotiation environments and, in addition, to define future academic investigative areas.

The vast diversity of world cultures makes it impossible for any negotiator, no matter how experienced and qualified, to fully realize his work in all the cultures he would come into contact with.

### Research method

The main purpose of this study was to furnish a more detailed understanding of the similarities and varieties between culture and negotiation style among different business people in different country and regions. Consequently, the main population were businessmen who were responsible in national companies in various countries.

Because the effect of culture on business negotiation processes in different regions was also the subject of this research, the study data was collected from businessmen involved in public companies in different parts of the world. The emphasis on this aspect was to highlight the fact that the data gathered fit the research goals of the study.

In this research, data was collected using an online and direct survey technique. Consequently, a huge number of the preliminary e-mail invitations for this study were sent out to provide a big enough number of online and direct survey responses. Beside it, a quantitative approach offers the opportunity to compare as well the conflicts between cultures through various organizations.

This research study explained and found the impact of economic factors on relations between cultures and negotiation styles between different states. This research begins with a discussion of the research design on intercultural negotiation, and continues with the study's instrumentation, samplings, ethical aspects, data collection procedures, data analysis methods, and evaluating of research methods in this study. [4, p. 73-74]

This research analysed the economic factors and socio-demographic features that affected the frequency of employment of different intercultural negotiation processes according to various online and direct survey, interview and observational methods.

### **The international experiences on intercultural business negotiations**

It is true that the level of post-globalization is increasing every year and there are difficulties in intercultural business relations and negotiations around the world. Despite the fact that the borders between states are unclear, the variations at the level of national independence and business culture remain. In addition, in the multicultural society of globalization, different countries are increasingly becoming multicultural countries through a policy of multiculturalism. [8, p. 69-76]

Understanding and accepting the level of cultural varieties, i.e. organizational, multinational intercultural competence, are a key to the level of successful relationships and requires a number of tools to enhance the modern companies' efficiency, working in a multinational environment.

In the era of communication globalization, there is a dramatic increase in international economic relations between countries, the number of companies that are working only in a multinational environment growing in the world. [19] In this regard, countries highlight new ways of communicating, with new requirements for organizational culture of conducting business negotiations.

Therefore, globalization requires from the society not only a great deal of knowledge, but also an understanding that a modern business challenges those who pay little attention to the problems and intercultural characteristics that arise during business negotiations.

*Whatever it says, economic globalization is a huge force. It, among other things, is also extremely profitable. Margaret Thatcher* [9, p. 12]

Intercultural aspects in management, when conducting business negotiations from the perspective of achieving competence, can be viewed and applied not only by managers of transnational companies, but also by any other enterprise that works daily with customers and manufacturers from other countries, as well as those that are faced with problems arising from the interaction of various national business cultures.

The diametrically opposed national business cultures of various countries of the world community require from their international relations a deep knowledge and comprehension of the values of different partner cultures and intercultural characteristics. Let's take a look at intercultural negotiations in the context of different regions and countries.

The US is recognized as a "thawing pot" with peoples from a big variety of cultures streaming into this pot. Although the various cultures are not completely



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melted in this pot, some broad generalizations can still be mitigated about the Americans. So, Americans are looked on as jagged individuals who are going to be aggressive on the negotiation desk and seek to break away “over the crowd” in their business relations. They are altogether considered uncomplicated, get-to-the-point business people. They are light-hearted, assured, frank and venturesome in their pursuit of material benefits. They value time and laws very much. But they don’t care very much for rituals, formality and social rules. They are strong for their “package bargain” behaviour on the negotiation desk. All these characteristics of American character and business styles are the natural outcomes of a young generation, a great diversity of cultures and a global language. [20]

On the other hand, the Russians are good at playing swindles in the business negotiation process. They will always make the effort to reduce the price offered to become so low. They also will make the effort to convince you to let off the price for their good reputation. Russian people like to play mouse and cat with you, telling you that your opponent is offering a much lower price and that your proposal is in no way admissible. They may even rise to their feet and continue from the desk. Nevertheless, you don’t need get upset. They will return, for surely.

Today, The Middle East consists of countries whose population is mostly formed by Arabs. The group of Arab countries is made up of 22 countries. Their culture is formal, relationship-oriented, polychromic, and expressive.

In this regards, the Arabs are a kind of religious-based group. Most of this religious people are prone to be strict and stubborn, conservative and suspicious. In the business negotiation process, all Arabs usually get things in a comfortable behaviour and are often intentionally confused. So, they are good at the bargaining process. When they do not want to admit an offered price, they directly pay no attention to it at their negotiation desk. They may get in times of clear need, conduct the negotiation to the severe suspend or shatter their last pledges by apologizing that it is the holy order of Allah. The rich Arab businessmen are usually hospitable and friendly. They may rise from the negotiation desk to hail a friend which is regularly inadmissible in different other cultures. But the Arabs think that they should be friendly to all their counterpart or guests.

In addition, the Arabs prefer face-to-face, direct discussions, but tend not to fetch clear disagreements into a formal meeting. It is a fact that, a lot of Arabs will say they admit, but then take activities that improperly sign that they do not agree at all, expecting that the other party will get the message.

In Algeria, an American expert once said: “My customers never disagree with my advises. They do not make any effort to figure out the ones they dislike.” [5, p. 35]

**The economic factors in intercultural negotiations**

The economic-geographical position is a set of spatial relations of an object (cities, enterprises, countries, districts) to what is outside of it, and having a certain economic significance. [6]

Thus, we can say that the relevance of economic factors is one of the intercultural features that lead to negotiations in international governance. Intercultural competence and management are designed not only to build successful relationships with partners and create an effective enterprise in a business culture environment different from the maternal one, but can also serve as a tool for identifying development problems and increasing efficiency and the adaptability of the outside village increases in the already existing intercultural business environment. The internationalization of the economic organization of life in a global scale competence is the management of a real and objective complexity process. [12, p. 131-133]

**Table no. 1. Economic Factor Analysis in Intercultural Negotiation Outcomes**

Future-oriented prospects	Balanced results	Performance	Self-gain
<ul style="list-style-type: none"> <li>• Future agreements between parties</li> <li>• Potential future relationship is strengthened</li> <li>• Joint mutual gains</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency of the result: cost-effective outcomes</li> <li>• Outcome parity: each party gains equally (50-50)</li> </ul>	<ul style="list-style-type: none"> <li>• Complete transaction, i.e. an agreement is signed</li> <li>• Level of performance afterward: results achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Self monetary gain or increased financial return</li> </ul>



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In table no 1, we have the analysis of the economic factor, the analysis which presents four different factors identified as the results of successful intercultural negotiations. These are future-oriented, performance, balanced results and self-gain.

One of the main characteristics of the modern world market system is the progressive internationalization of economic life. [7]

### Conclusions

The effect of cultural varieties on international business is not very often estimated in the business management process. Today's economy is extremely globalized, business has been much liberalized, with enterprises working both on the global and local market, having various links with people from various countries. In this context, skills of the culture of different countries are critical for successful business proceedings. To know foreign languages is no longer satisfactory, and although the language obstacle is one of the most complicated to settle, one needs to know body language, customs, symbols, values and other elements of culture. [10, p. 151-170]

A successful negotiation should initiate from recognizing the sense of variety of the members gathered round a table. If one is ready to become empathic sufficiently so as to observe the world through the other people's eyes, one may never be a proficient negotiator. If even so, no one can escape to fulfil their personal cultural probabilities and prejudice in any negotiating position. The way to be successful in cross-cultural negotiation process is by fully comprehending others, and by using that comprehension to one's personal advantage to implement what each party would like from the negotiation process, by turning the negotiations into a win to win situation for both sides.

In the international negotiation process, this is not too easy and that is because of the cultural and language barriers. Examining the partner's expectations, we need to define the resources that influence the agreements of the other negotiator and understand the transactions. As a result, companies often have customer databases in which their historical memory is recorded. Such a database can reduce the implementation time for the negotiation process and afterwards the various changes of the negotiating team are regarded as part of the information. It may depend on the local culture of the negotiator counterpart, the organizational culture,

and his experience in negotiation. This research should further investigate the process of managing expectations during the negotiations.

This research found that the theoretical explanation of intercultural negotiation is represented by the world's experiences of negotiating intercultural affairs and the economic factors in intercultural negotiation.

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## THE DEVELOPMENT OF QUALITY MANAGEMENT IN THE TOURISM INDUSTRY

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### Abstract

*Tourism is a dynamic and competitive industry that requires the ability to adapt to the customers changing needs and desires as the customers' satisfaction, safety and enjoyment are the main focus of the tourism business.*

*The development objective of tourism industry is to contribute to the enhancement of the quality and variety of tourism products and services in targeted destinations in order to increase the number of tourist visits, foreign exchange earnings and jobs.*

*Tourism development mainly refers to the situation of getting quality growth in tourism sectors in terms of its development, strong plan and policies and marketing throughout the world. Moreover, the tourism development includes accessible way to reach the destination, proper facilities like hotels, means of transportation, amenities, for the tourist to have full satisfaction in the particular destination.*

*Quality is the most important competitive advantage of a tourism company or the key to competitiveness.*

**Keywords:** *quality management; tourism development; tourism; tourism industry; international tourism.*

**JEL Classification:** Z<sub>30</sub>, Z<sub>32</sub>



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### **Introduction**

Tourism quality development has generated many concerns among all those directly or indirectly involved in everything that the so-called travel industry is. Tourism is the most complex industry in the world, with the whole society involved. At the same time, tourism reflects the whole of society, can be considered a true barometer of it.

Quality can be defined as a set of properties and features of a tourist product or service that gives it the ability to meet explicit and implicit needs. To improve the quality of products and services offered on the market, a travel company must first know how customers perceive the quality and quality they expect to receive from the service provider. In achieving quality, not only compliance with standards is sufficient, but also the formation of a culture of quality in the field; the professional and ethical training of the staff to change their mentality towards the client and the work they are doing.

The tourist product is defined as a set of material goods and services capable of meeting a person's travel needs between the time of departure and the time of arrival at the place of departure.

The quality objectives are to clarify the tourism companies on: where they are, where they are heading, how they intend to reach where they want, what is the expected outcome.

The quality objectives in the tourism industry are:

- for business performance;
- for the performance of the product or service;
- for the performance of the process;
- for the organization's performance;
- for staff performance.

In the competitive economy, customers are and will be more and more demanding. In order to be able to meet more or less fluctuating expectations, it is imperative that performance be achieved in the strictest sense possible. Quality is conditioned by the clear definition of the requirements that a service or a service delivery process must fulfil in the form of observable characteristics and likely to be valued by the client. The qualities of the tourism services set the minimum level of consumer protection and, in their absence, the quality or total quality is impossible to achieve.

### Literature review

My research paper entitled: *The development of quality management in the tourism industry*, is written after I've documented on the basis of the following published articles:

1. "Quality management in the tourism industry" written by Zaran Katanić, Snežana Todosijević Lazović and Radmilo Todosijević published on *Mining and Metallurgy Engineering Bor*.
2. "Employee performance and quality management in the tourism sector" written by Burhan Mahmoud Awad Alomari and AlaEldin Mohammad Hasan Awawdeh published on *Canadian Center of Science and Education*.
3. "Total quality management in the tourism industry" written by Tohid Kachwala, Ashu Sharma and Shailaja Rego published on *Smart Journal of Business Management Studies*.
4. "The role of development of transport tourism in economic growth" written by Flora Alasgarova published on *Annals of Spiru Haret University. Economic Series*.

### The development of quality management in tourism

In introduction quality is vital for a successful tourism industry. The tourism has an exciting mix of different products that can be offered to the tourist, and it enjoys a stable market share. Nonetheless, a rapid growth in alternative destinations worldwide means that tourism industry today faces the need to be ever more quality conscious to continue to attract tourists in a global marketplace. Quality is rapidly becoming the decisive competitive instrument in tourism. [European Commission, 2018]

A quality product is crucial for a viable business, for an attractive destination and for the sustainability of the tourism industry. Ensuring the constant improvement of quality, whether it is of a tourist destination as a whole or of the individual attractions and services within it, should be a continuous process. It means setting objectives, developing a strategy, making improvements and checking results. [European Commission, 2018]

Consumers are increasingly choosing those offers in which they can be certain that the services, outdoor experiences and also the welcome from the local population are of a high quality and worth the price paid. At the same time, tourist destinations and the providers of tourist services are increasingly confronted with changes in guest expectations and requirements, and increasing competition at

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home and abroad. A lack of attention to quality issues now could have serious consequences later in terms of loss of image, falling income and the initiation of potentially expensive damage limitation exercises. [European Commission, 2018]

**Table no. 1. Good reasons for a quality approach**

Top 10 good reasons for a quality approach	
1.	Quality gives the edge over competitors.
2.	Quality performance makes destinations and services easier to market, both to operators and tourists.
3.	A quality product results in customer loyalty.
4.	Better quality means more profit.
5.	Quality management leads to a stable tourism industry and protects jobs.
6.	Quality improvements in a destination provide a better quality of life for local residents.
7.	Quality management improves access to finance.
8.	Effective monitoring of progress avoids repeating costly mistakes.
9.	Careful data collection provides the tool for making the right management decisions.
10.	Monitoring progress in quality improvement provides the understanding that encourages proactive management.

Source: *personal contribution*

Quality test is based on sound business practice, in effect what tourist destinations should be doing automatically to give best value. Using quality test will help tourist

destinations and the enterprises within them to maintain the quality of their offer, but it should be underlined that quality test is not a guarantee of quality in itself. The indicators provide the user with vital information on the results of implementing quality processes in the destination, but those processes still have to be implemented, which requires both destination and stakeholders to commit to a continuous process of quality management. [European Commission, 2018]

The quality test tool has been designed for evaluating the quality performance of tourist destinations and their related services. Here a tourist destination is understood to be an area which is separately identified and promoted to tourists as a place to visit, and within which the tourism product is coordinated by one or more identifiable authorities or organisations. As such, quality test has a wide range of potential users. It can, for example, be used to good effect by [European Commission, 2018]:

- local destination managers that want to use an integrated approach to measuring and monitoring quality trends in their destination, and see how they perform in comparison with similar destinations;
- other public authorities that are interested in the quality performance of the tourism industry in their destination, and need some tips on how to proceed;
- tourist services, ranging from collective accommodation to outdoor activities, that want to identify relevant points to measure for monitoring their own quality performance;
- travel organisers and intermediaries that are interested in monitoring the performance of the tourist destinations that they send their customers to, and can use the indicators as a basis for dialogue with the local destination manager.

Quality test in tourism industry has been developed so that it can be applied to any type of urban, rural or coastal destination. The tool was developed using the life cycle of a typical holiday experience. The tool therefore focuses on the service points that occur throughout this lifecycle, and incorporates them into the indicators. In principal it is relevant for any type of tourist destination and its associated tourism and transport services. [European Commission, 2018]

The tourists satisfaction level from staying at a destination depends not only on their experience of specific tourist services, but also on more intangible factors, for example hospitality, safety and security, and cleanliness. The success of a destination is therefore a function of many interdependent components. This

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underscores the need for an integrated approach to managing the quality of tourist destinations on a continuous basis. [European Commission, 2018]

The concept of the Integrated Quality Management of destinations was developed to satisfy this need. [European Commission, 2018]

Integrated Quality Management combines four key elements in its approach [European Commission, 2018]:

- Tourist satisfaction, which primarily consists of regularly monitoring the tourists' levels of satisfaction with the services in the destination.

- Local tourism industry satisfaction, a key activity of Integrated Quality Management involves evaluating the quality of the jobs and the careers of industry employees, as well as the well-being of local tourism enterprises.

- Local people's quality of life, concern for the well-being of residents means that a destination should find out what the resident population thinks of the effects of tourism.

- Environmental quality, measures of the positive or negative impact of tourism on the environment, the destination's natural, cultural and man-made assets.

Any imbalance in one of these four tourism quality aspects can have a significant effect on the overall quality of the destination and the tourism product. [European Commission, 2018]

In most destinations the final product that the tourists experience, and therefore the memories that they take home with them, is a complex fusion of their exposure to many different phenomena in the destination, for example the local tourism industry, the destination's resident population and the environment in the destination. This relationship is interlinked because not only do these aspects influence the tourist experience, but the tourists in turn influence these aspects. [European Commission, 2018]

Quality test is of benefit to tourism destinations because it provides them with [European Commission, 2018]:

- An integrated tool for measuring and monitoring the internal quality performance of the destination over time.

- A vehicle for benchmarking their quality performance externally with that of similar destinations.

Quality management is a cyclical process, and the development of the quality strategy is not the end of the process in the destination but just the beginning. Objectives set in the strategy should be implemented and the related output targets



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need to be measured to evaluate the success of the actions. It is also necessary to monitor the impacts of tourism upon the destination as a whole. [European Commission, 2018]

Obviously, the quality test tool cannot predict what objectives each tourist destination should be implementing and develop indicators for measuring the success of those actions in meeting their targets. [European Commission, 2018]

Instead, using quality test, a destination is provided with a set of core indicators to measure and regularly monitor and evaluate the results of its work with quality management on the visitor, tourist services, the environment and the local community. By keeping records of its quality performance from previous years, the destination can see if there has been a positive or negative development over time for each indicator. [European Commission, 2018]

Importantly, quality test can be used to communicate quality performance to relevant stakeholders, or example via an annual report. Quality management in tourism is a complex issue, and quality test proposes a set of indicators that can be used to give an overview of quality in the destination and the work being done in quality management. [European Commission, 2018]

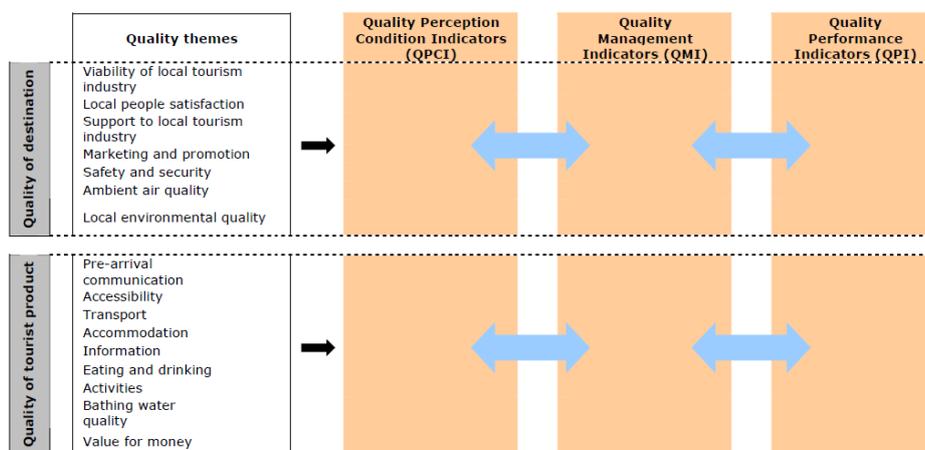
Furthermore, using quality test, a destination can benchmark itself with other destinations with a similar location and level of tourism. In an open benchmarking process, one organisation compares its business performance with another organisation in the same line of business. This form of comparison reveals strong points as well as weaknesses. Where a weakness has been identified, the organisation can then identify what the other organisation is doing to achieve a better business performance – so-called good practice – and then implement this good practice itself. Quality test provides a set of indicators that can be used to measure quality performance in tourist destinations. Destinations can then compare their indicator results with those of similar destinations to identify strong points and weaknesses. Similarly, where one destination identifies a weakness, it can then communicate with a better performing destination to identify what they are doing the good practice and then implement these activities itself. [European Commission, 2018]

To conclude, working with quality test will give to tourism destinations [European Commission, 2018]:

–A set of indicators that can be used to measure the effects of quality management on the overall level of tourism quality in the destination and to monitor developments over time.

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- An opportunity to see the linkages between the various aspects of quality in the destination, to the tourists' perception of quality in the destination.
- A means of communicating quality performance to other stakeholders in the destination.
- A tried and tested set of indicators that can be used for benchmarking with similar destinations.



**Figure no. 1. The quality test tool**

Source: European Commission (2018), *A Manual for Evaluating the Quality Performance of Tourist Destinations and Services*, accessed May 2, 2018, <https://ec.europa.eu>

Quality test is a tool for the Quality Performance Evaluation of tourism destinations. The aim of this section is to describe in detail the components of the quality test tool, and how it can be used by a destination to evaluate its quality performance. [European Commission, 2018]

Social media has changed that by making reviews and feedback more public, enabling an important new measure of market performance: the Guest Satisfaction Index. The popularity of online reviews and the importance of social media are changing the way by which hotels gather customers feedback. [Response Learning Space, 2018]

### **The importance of quality in tourism**

Quality in tourism is the result of a process that involves meeting customer needs, requirements and expectations with regard to tourism services and products at an acceptable price, in accordance with accepted contractual conditions and quality determinants: safety, security, hygiene, accessibility, transparency, the authenticity and harmony of tourist activity, both in terms of the human factor and the natural environment.

Quality in tourism has the following implications:

–The consumer does not have to confront unpleasant surprises in the tourist destination and must receive exactly the services he has reserved.

–Quality can be achieved by each tourist service provider, regardless of the category, for example a modest and cheap accommodation unit can provide its clients with quality services and on the other hand not all expensive and higher rated accommodation units also imply a quality superior service.

–Tourism quality must be done in a sustainable way so that it can attract the same customers over time.

–Tourism quality has to fulfil beyond the level of tourism service providers (accommodation, meals, transport), depending on the environment, general infrastructure, climate and socio-political conditions.

From the point of view of the tourist, the tourist services are perceived as a package consisting of several individual but interdependent services: information and preliminary documentation of the tourist destination, transportation, accommodation, food and various recreational services, each leaving the mark on the degree of satisfaction of the tourist.

The performing of tourism services depends on each tourist in part, his expectations, his needs and his opinions and as well prepared staff as possible, unpleasant situations or misunderstandings may occur. Such situations have been called “critical incidents”, being perceived as defects or variations in the tourist services chain, which lead to a decrease in the satisfaction of tourists.

The quality of tourism services should not only be achieved but communicated to customers; often due to inadequate communication, information does not reach consumers, and efforts to meet quality standards are not rewarded by an upward trend in earnings. The main problems in communicating the quality of tourism services arise for the following reasons: communication is not adequate and does not



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take into account the perception of quality by each segment or the expectations of tourists are not communicated to the entire staff involved in the rendering of tourism services. Consumers' expectations do not coincide with the perception of tourism service providers, making comparisons with other destinations or other providers offering similar services.

Communicating the quality of tourism services to customers involves cooperation at different levels: from government organizations to travel agency staff because in tourism there is not only a product but a multi-factor experience that involves more providers. Tourist service providers are also very important in communicating the quality of tourist services or a tourist destination. The staff has a key role in getting in direct contact with tourists and in the absence of proper training, quality standards can only stay at the theoretical or management level without being perceived by customers. Quality communication in tourism can also be done through different symbols and classifications: brand, quality label, and certification.

By improving the quality of tourism services helps to sustainable development and for creating new jobs.

Tourism quality can be measured by the quality of the tourist experience, by the quality of life of people who travel for a certain time in a place other than the permanent residence.

In the opinion of consumers, there are three levels of qualitative appreciation of services, grouped in the order of the difficulty of assessment:

- The quality sought: the characteristics of the sought that the client has met and found and which he can evaluate before consuming them.
- Experimental quality: services characteristics that the customer can evaluate during and after consuming.
- Credible quality: the characteristics of services that the customer cannot evaluate correctly even after consumption, but to whom they show great trust.

According to this group, the clients give more importance to the experimental quality and the credible quality of the services.

In most cases, the client subjectively appreciates the quality of the benefits compared to other similar consumer experiences in the past. From this point of view, in the case of a custom service rendering, various subjective degrees of appreciation of the quality of services can be distinguished:

–Excellent services – if in the consumer’s eyes the perceived reception of the services exceeds the qualitative level of the services the client expects.

–Good quality services – if the client’s expectations are in line with the provider’s promises and/or if their expectations match the quality level of the services that the consumer has benefited from and other similar situations in the past.

–Services rated as satisfying qualitative – if in certain pressing situations the client in question prevails over one or more of the utilities offered by the services; In these situations, the client accepts as satisfactory the mediocre quality of the services, if in his / her perception the benefits fall within the permissible limits of an area of tolerance, correlated with the perceived prices.

–Inappropriate quality services – if the consumer, in the light of his past experience, appreciates that the services received are below his expectations in relation to the fee paid.

The reliability of tourism services is a vital issue for assessing the quality of services. In general terms, reliability is the consistency of services to be offered and rendered, in the logical succession of their consumption; any interruption of this logical supply chain causes efforts to substitute a tourist service with another with similar content. Even if the substitute service will have superior features compared to the service originally scheduled, it will not generate the desired satisfaction for tourists and, to a good extent, not even for providers. As a consequence, a tourist service is considered reliable insofar as it has been properly offered, when requested, according to the destination for which it was designed and offered.

The reliability of the entire tourism product will depend, ultimately, on the reliability of its component parts. Defined in terms of specialty, reliability is the probability that a service will function correctly, over a period of time and in prescribed usage conditions, and unreliability is the contrary notion of reliability – the probability that a service will not work properly so with a minus in the appreciation of consumers on the components of the tourism products.

In order to obtain a differentiated advantage, providers need to improve quality in order to overcome consumers’ expectations of quality.

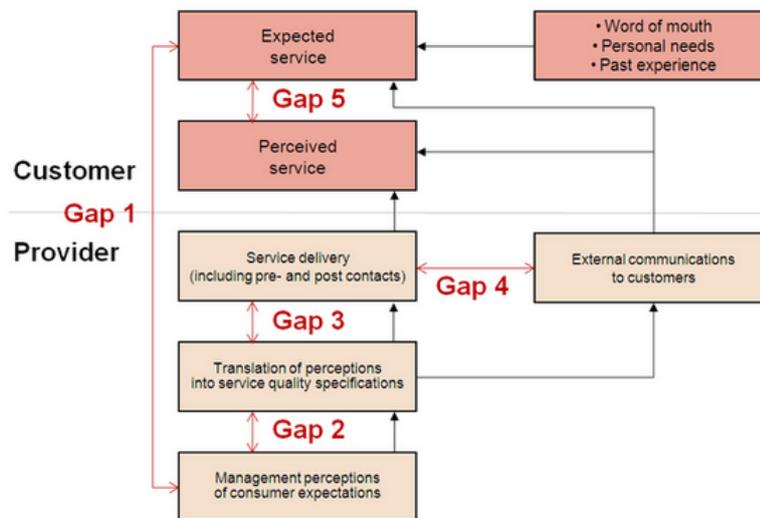
### **Measuring service quality in tourism industry**

Measuring quality is critically important for tourism industry beside with other types of businesses. The importance of measuring quality for tourism organizations

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has vividly augmented in the last years due to the high level of competition in the industry produced by the globalization and fewer obstacles for entering into the industry. [Quality Management in Hospitality, 2018]

### Gap Model of Service Quality



**Figure no. 2. The five gap model**

Source: *Quality Management in Hospitality (2018)*, accessed May 3, 2018, <http://qualitymanagementinhospitality.zohosites.com/frameworks-and-methodologies.html>

An excellent quality management can also reflect a country's image because it tells the quality and value of a service in a country. Tourism industry introduces wider business and services, because this sector includes cooperative relationships with different organizations. For example, hotels are allied with car rental agencies, airlines, other hotels, restaurants, and suppliers. [Quality Management in Hospitality, 2018]

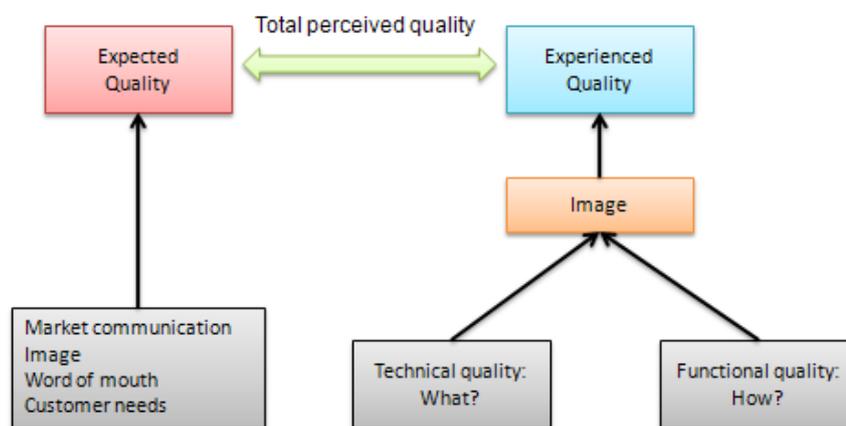
For that, every country needs to share globally the best programs and practices for training and retention, and determine tourism industry sponsor more readily available

educational programs to employees at different organizational levels to raise awareness and knowledge. [Quality Management in Hospitality, 2018]

The most important models that measure quality service in the tourism industry are the following [Quality Management in Hospitality, 2018]:

– The five gap model: quality service model is a helpful instrument to define the objectives of quality management. It essentially focuses on customer and it helps to clarify the services process.

– Perceived quality service model is a supportive tool to understand issues that affect customer perceived quality in a business service.



**Figure no. 3. Perceived quality service model**

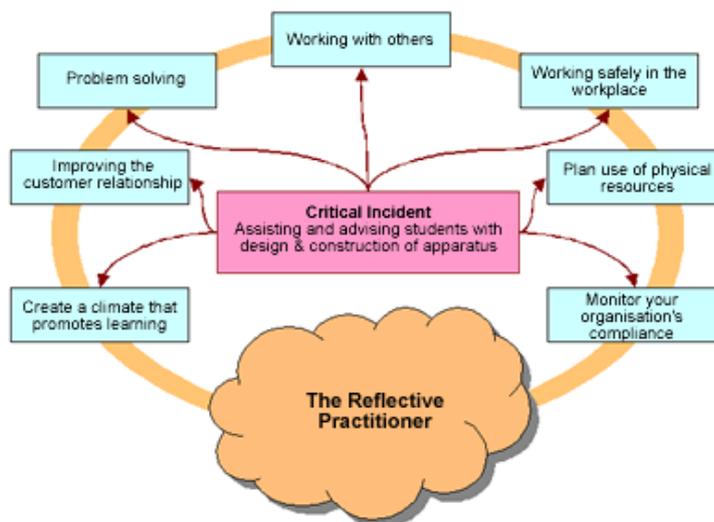
Source: *Quality Management in Hospitality (2018)*, accessed May 3, 2018,  
<http://qualitymanagementinhospitality.zohosites.com/frameworks-and-methodologies.html>

– The critical incident technique: attempts to recognize what is happening in the various moments of truth and the results are gathered from various samples after deep investigations. It's helpful in providing useful and accordingly quality improvement.

Apart from the internal and external measurement, there are some other tools to monitor quality of products or services and achieve continuous improvement in the tourism industry. Mystery guest/Mystery shopper (a technique of covertly visiting

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companies in inquiry, to check the quality of services offered), market evaluations, complaints and incidences in definite forms, audit reports, satisfaction surveys, benchmarking, and self-assessments by employees or managers through evaluation the company's situation in comparison to other competitors. [Quality Management in Hospitality, 2018]



**Figure no. 4. Example of critical incident technique**

Source: *Quality Management in Hospitality (2018)*, accessed May 3, 2018, <http://qualitymanagementinhospitality.zohosites.com/frameworks-and-methodologies.html>

Quality standards provide a framework to guide stakeholders to improve their operations and services along the whole tourism value chain so as to create a complete and positive tourism experience. [Hospitality Net, 2018]

**Conclusions**

In conclusion, considering the definitions of the quality and management in the tourism and travel industry, it can be said that there is no services or tourist products without quality.



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The quality of a product or service is judged by the customer's perception of the outcome and often even more than the result itself.

The quality of services is related to all stages of the service, starting with the initial order, until the sale and the next period. Taking into account the intangibility of services, these characteristics can be called "permanent qualitative performance" and they are increasingly a central element for service management and therefore a key factor in managerial strategy.

Service quality can also be defined as compliance with customer requirements or customer benefits, or the qualitative advantage of the process over the quality of the elements used.

Quality management can have multiple meanings: practical work, decision maker, and science.

Tourism industry staff must be motivated to provide yield and at the same time, they must be trained on a regular basis, they must have a good understanding of codes of conduct and codes of professional ethics. They must provide quality services to the customer or potential client.

A satisfied customer recommends tourism service provider at two or three person, but an unsatisfied customer makes a bad advertisement at ten people.

As a result, the tourism industry has to cope competition and to bring quality products to the market.

### References

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