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ADDRESS OF EDITORS AND PUBLISHERS

Editorship:

Office Address: Bucharest, Romania, District 6, Postal Code: 060821, 46 G Fabricii Street, Building B, 2nd Floor

Phone number: +4021 316 97 83/85/88/89 - ext. 151

Phone/Fax number: +4021 316 97 93

E-mail: ashues@spiruharet.ro

Website: <http://anale-economice.spiruharet.ro/index.html>

Deputy Chief Editor:

Elena GURGU, Associate Professor Ph.D., Department of Economic Sciences, Spiru Haret University, Bucharest, Romania

Office address: 46 G Fabricii Street, Building B, 2nd floor, Room 23, District 6, Bucharest, Romania

Office Phone: +4021316.97.85/88/89 - int. 152

VPN: +04021.455.10411, Fax: +4021316.97.93

E-mail: elenagurgu@yahoo.com, maei_elenagurgu@spiruharet.ro; se_egurgu@spiruharet.ro; elenagurgu@profesor.spiruharet.ro

ResearcherID: E-8516-2014

Publons: <https://publons.com/a/1437881>

ORCID: <https://orcid.org/0000-0001-6964-8516>

SSRN: <http://ssrn.com/author=1307203>

ResearchGate: https://www.researchgate.net/profile/Elena_Gurgu

LinkedIn: <https://www.linkedin.com/in/elena-gurgu-5099b494/>

Webmaster Editor:

Rocsana B. MANEA ȚONIȘ, Lecturer Ph.D., Department of Economic Sciences, Spiru Haret University, Bucharest, Romania

ScopusID: 56271728900

ResearchGate: https://www.researchgate.net/profile/Rocsana_Bucea-Manea-Tonis

ORCID: 0000-0003-2708-1325

E-mail: rocsanamanea.mk@spiruharet.ro

Phone: (0040 21) 316.91.15

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Each issue has a specific topic that is a subtopic of major journal coverage.

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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.

Along the years, in the journal pages, the members of the teaching personnel – professors, associate professors, lecturers and teaching assistants – active in six economics faculties and distinct specialty departments, as well as in the Central Scientific Research Institute, functioning within Spiru 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

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FOREWORD

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A globally warning issued in September 2018 by the former president of the European Central Bank, Frenchman Jean-Claude Trichet says the world economy is exactly the way ahead of the economic crisis of 2008. He said that too many debts have done the global financial system as vulnerable as it was ten years ago in September 2008, when the American bank Lehman Brothers collapsed. *Excessive indebtedness in advanced economies was a key factor in triggering the global financial crisis of 2007 and 2008*, Jean-Claude Trichet said in an interview with AFP.

Currently, debt growth in advanced countries, particularly in the private sector, has slowed, but this slowdown has been offset by an acceleration in emerging-nation debt growth. This makes the entire world financial system at least the same vulnerable as it was in 2008.

The Frenchman who led the ECB between 2003 and 2011 revealed that the signals about the imminence of a crisis were detected in advance. "The real beginning of the financial crisis that was going to hit the world we felt on the morning of August 9th, 2007, when we faced a complete disruption of the functioning of the euro area monetary market," Trichet said.

Several signals highlighted the fragility of the US mortgage market, but in the summer of 2007 the events precipitated and the first bankruptcies occurred in the US. At the end of July, the world stock exchanges were red, and contagion arrived in Europe, Germany being forced to intervene urgently in support of IKB's bank with a three-billion-Euro plan. On August 9th, 2007, French banking group BNP Paribas froze three of its US investment funds, which lost 400 million Euros in a few days. Panic spread, and the money market has suddenly dried up.

"The situation was unprecedented after the Second World War: there was no normal business, no transaction between the banks. Then, together with my colleagues, I made the decision to offer all the liquidity demanded by the financial institutions without limits," said Trichet. Thus, on August 9th, 2007, some 50 eurozone banks have requested and have obtained €95 billion in liquidity from the ECB to meet their obligations. But instead of calming, the market continued to

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deteriorate and as of September 15th, 2008, the American bank Lehman Brothers declared bankruptcy, which constituted the global detonator.

More and more economists claim that we are heading for a new economic crisis after the global debt level reached a new record in the third quarter of 2017, rising to \$ 233 trillion, according to a report by the Institute of International Finance (IIF).

Given this global escalation of excessive indebtedness, the academic papers appearing in this issue of the journal try to respond to some of the dilemmas of the present moment.

In the first article of this issue, entitled *Land Use, Internal Mobility and External Immigration in Italy*, the authors, **Giuseppe Celi** and **Domenico Viti**, say that after the Second World War, the economic development of Italy has profoundly changed the use of land. The paper investigates economic and regulatory implications of land withdrawal in Italy and the nexus with internal and external migration. The dualistic character of Italian economic development induced, especially in the 1950s and 1960s, huge migration flows from southern regions to the North, with strong repercussions in terms of abandonment of farmland and urban congestion. In recent times, in the light of increasing pressures from globalization, a revival of internal migration flows from the South to the North has occurred in Italy, but with different characteristics and implications with respect to the past. The interaction between internal mobility and external immigration (a new phenomenon for Italy, traditionally an emigration country) entails possible economic contra-indications but also new opportunities for rural development.

The paper called *Households' Perception of Climate Change Effects in Rural Romania* is focused on the analysis of the impact of climate change on the households from rural Romania. The authors, **Camelia Surugiu**, **Marius Surugiu**, **Raluca Mazilescu**, **Anca Cristea** and **Ileana Marginean**, say that climate change may have an impact on different sectors of the economy, such as agriculture, food industry, energy sector, tourism, etc. Also, the impact is felt by households. In rural regions of Romania, the households are already facing various risks, related to lack of income, and also related to ageing population. This study aimed to underline how rural people relate to the climatic conditions with emphasis on the trend of major change in the various aspects of the weather, sources used to find information on climate change, reliability level of the climate change information provided by various sources, the possibility to adopt measures to tackle the effects of climate change, and so on. The article highlights the fact that poor households are vulnerable to climate change because low income cannot provide a satisfactory degree of access

to services needed in the protection against threats. Various adaptation strategies may be used by households confronted with negative effects of climate change.

In the third paper entitled *Workforce Regional Disparities from the Rural Area in Romania*, the authors, **Mădălina Teodora Andrei, Iuliana Pop** and **Grațiela Ghic**, say that the beginning of the third millennium has brought up in Romania significant changes as far as the demographic and economic phenomena in general, and the workforce from the rural areas in particular. The authors believe that demographic evolution in Romania is influenced by multiple factors, including economic, social and political ones.

This article aims at performing a quantitative analysis on the employment level and development trends of Romania's rural area population at the regional level with a view of becoming competitive at the European level.

The paper called *Aspects Concerning the Competition of Business Operators in the Contemporary Business Environment* is focused on the author's opinion, based on deep research, that the competitive, ethical and legal attitude is a powerful element in increasing business development rhythm, but if it is guided towards the level of sublegal and the hits applied to competitors, then it turns into an anti-business, anti-development, anti-cohabitation, anti-productive environment.

The author **Roxana Ștefănescu** believes that competitive, ethical and legal environment is beneficial for economic activity and social development. Regardless of the form in which it takes place, business competition is complex in nature, including the development environment, resources, methods, contestants and competitors, directions, market shares, factors and locations. Competitive complexity includes cultural factors, behaviours, promotional policies, regularities and morality, conjectures and recessions, personnel recruitment and picking up, distribution opportunities and facilities, complex and indispensable utilities, sharing human resources, energy, financial and material resources, policies of selection, cooperation, counteraction, annihilation or removal, procurement policies, dominance in areas or market shares, ingenuity, new products and services, investments and financial availability, capabilities of organization, of presentation, demonstration, of keeping the relations with the consumers.

The academic paper called *The Impact of Deflation on Fiscal Aggregates* addresses the phenomenon of deflation from a historical perspective, a phenomenon rarely encountered in our day. The authors, **Adina Trandafir, Octav Neguriță** and **Claudia Guni**, say that deflation is generally defined as the fall in the aggregate level

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of the consumer price index, respectively, the reverse inflationary phenomenon. The article also presents, in addition to experiences in different countries in times when deflation has been more pronounced and longer, the effects it may have on public finance aggregates. The paper analyses the literature of all times that deals with the subject, as well as a presentation of the empirical data recorded, and an econometric analysis wishing to highlight the impact that the aggregate index of prices may have on public debt, using data recorded in Romania during 2000-2017.

In the paper entitled *Study on the Involvement of the University in Training and Lifelong Learning of the High School's Graduates*, the authors, **Iuliana Pârvu, Iulia Grecu, Paula-Cornelia Mitran** and **Gheorghe Grecu**, say that nowadays continuously expansion of the market for higher education services puts a high pressure on the management of such institutions. Universities are trying to keep their position on the market by applying theories and practices that have traditionally been used by the business environment. This paper proposes to adapt such a practice in higher education institutions. This is the strategy of backward vertical integration. The authors understand this by highlighting the possibilities for higher education institutions to have to take over some of the activities carried out in high schools. Starting from the experience of a project to whose implementation the authors participated, the paper describes how the counselling and vocational guidance activities addressed to high school students can be carried out by the higher education institutions.

The purpose of this paper entitled *Millennials: A New Trend for the Tourism Industry* is how millennials change and influence the tourism industry and their importance for travel in the world. Having grown up with near-ubiquitous internet access and beginning their professional careers in the wake of a financial crisis, millennials are using technology to make savvy travel-buying decisions, largely based on the perceived authenticity of the experience they are offered.

The author, **Bogdan Sofronov**, says that millennials travel more than any other demographic. On average, they take 35 days of vacation each year, and they're also bucking the trend by increasing their annual travel spend as other generations intend to be more conservative with their cash. Millennial travellers are interested in authenticity, fulfilment and sustainability. That's a message that tour operators, travel agents and the entire travel industry needs to understand. The millennials represent 27 percent of the global population or about 2 billion people.

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.



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

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

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LAND USE, INTERNAL MOBILITY AND EXTERNAL IMMIGRATION IN ITALY

Giuseppe CELI¹, Domenico VITI²

¹ *Department of Economics, University of Foggia, Largo Papa Giovanni Paolo II, 1, 71100, Foggia, Italy, Telephone: 0039.0881.781815, Email: giuseppe.celi@unifg.it*

² *Department of Law, University of Foggia, Largo Papa Giovanni Paolo II, 1, 71100, Foggia, Italy, Telephone: 0039.0881.582247, Email: domenico.viti@unifg.it*

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Abstract

After the Second World War, the economic development of Italy has profoundly changed the use of land. The paper investigates economic and regulatory implications of land withdrawal in Italy and the nexus with internal and external migration. The dualistic character of Italian economic development induced, especially in the 1950s and 1960s, huge migration flows from southern regions to the North, with strong repercussions in terms of abandonment of farmland and urban congestion. In recent times, in the light of increasing pressures from globalization, a revival of internal migration flows from the South to the North has occurred in Italy, but with different characteristics and implications with respect to the past. The interaction between internal mobility and external immigration (a new phenomenon for Italy, traditionally an emigration country) entails possible economic contra-indications but also new opportunities for rural development.

Keywords: *globalization; rural development; human capital; migration.*

JEL Classification: R₁₁, R₁₄, R₂₃, F₁₆

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Introduction

Nowadays, especially in developed economies, the transformation of farmland and forests in urban areas implies strong socioeconomic contraindications and costs: a reduction of the soil available for food and timber production; a menace for the survival of local agricultural economies and rural communities; a danger for the quality of the air and, in general, for the provision of ecosystem services; a reduction of open spaces and environmental amenities for residents; an increase in income inequalities among communities, if land conversion goes hand in hand with suburbanization processes [Wu, 2008]. In addition, land use modifications in association with changes in the geographical distribution of economic activities entail cycles of internal migrations of population that crucially retroact on the land use itself.

In the case of Italy, historically, this kind of transformations has involved profound implications for the country's socioeconomic fabric and public welfare. Particularly after the Second World War, the economic development of Italy has deeply changed the use of land. In 1951, the economic structure of the country was essentially based on agriculture, a sector absorbing more than 45% of employed labour force. Over a time span of 15 years, the share of agricultural in total employment halved and continued to contract over time until reaching only 3.7% in 2015. In addition, the dualistic character of Italian economic development induced, especially in the 1950s and 1960s, huge migration flows from southern regions to the North, with strong repercussions in terms of abandonment of farmland and urban congestion. In recent times, a revival of internal migration flows from the South to the North has occurred in Italy (especially in the period 1995-2008), depending on the different degrees of international integration of the two areas of the country: a North able to export and to attract skilled and well educated workers from the South, an area, instead, less integrated in the world economy and still suffering a chronic backwardness with high level of unemployment, growing poverty and social distress. A further important element to be considered in the last decades is the growing number of foreign immigrants arriving in Italy. This new phenomenon for Italy – traditionally, an emigration country – could have interacted with internal mobility itself, in the sense that the availability of cheap foreign workforce could have undermine the incentives for southern firms to invest and innovate, reducing their demand for skilled labour and fuelling human capital outflows from the Mezzogiorno (Southern Italy). However, the other side of the coin of external immigration is that it could represent an important resource to boost rural development in Italy, in the sense that the chronic abandonment of hill and mountain villages by native population could be counterbalanced by inflows of people coming from abroad and eager to create new communities that could revitalise agricultural and rural activities.

Based on this considerations, this contribution explores the links among internationalization processes, internal mobility and external immigration in Italy and how these phenomena retroact on the use of land. The paper is organized as follows. Section 2 focuses on some characteristics of external immigration in Italy and explores the evolution of native internal mobility from the Mezzogiorno to Central and Northern Italy over the last two decades. Section 3 looks at the asymmetric impact of globalization on Italian regions by providing evidence of the different position of the Mezzogiorno in the international division of labour with respect to the Centre-North. Section 4 offers an institutional and legal framework to better interpret the positive potential of the nexus between immigration and inner and mountain rural areas in Italy. Section 5 provides some concluding remarks.

External Immigration and Native Internal Mobility in Italy

In recent years, studies and economic reports from the main Italian research institutions – such as, *inter alia*, Bank of Italy and Svimez¹ – have drawn attention to migration flows which are coming both from abroad to Italy and, internally, from native Italians to different regions of the country. At the same time, the reports have raised the alarm over the widening economic gap between the Italian Mezzogiorno (Southern Italy) and the rest of the country. The interplay between demographic, social and economic factors can be considered as a multilevel ground responsible for these developments, with particular regard to the resurgence of internal migration flows from Southern to Central and Northern Italy. On the one hand, an important element to consider is the population structure by age that in Central and Northern Italian regions has been characterized by a faster pace of population ageing with respect to the Italian Mezzogiorno during the past four decades. This geographical differentiation in population dynamics could have restrained the renewal of labour force through the recruitment of local workers in Central and Northern Italy and, at the same time, encouraged labour mobility from the Mezzogiorno to the rest of the country. On the other hand, being the economic system of the Mezzogiorno less developed in comparison with the Centre-North, a mismatch between the aspirations of highly educated young people in the Mezzogiorno and poor local job opportunities could have stimulated migration outflows from the South. However, as will be shown in section 3, the nexus between the intensification of migration flows and the growing economic distance that separates the Mezzogiorno from Central and Northern Italy can be

¹ Svimez, Association for industrial development in the Italian Mezzogiorno.

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discerned by examining the processes of international economic integration and their regionally differentiated effects on Italy's productive system.

Before examining the Mezzogiorno's position in the Italian and international economic system, it is useful to look at empirical evidence concerning both migration flows from abroad into Italy and inter-regional flows of native Italians from the Mezzogiorno to Central and Northern Italy.

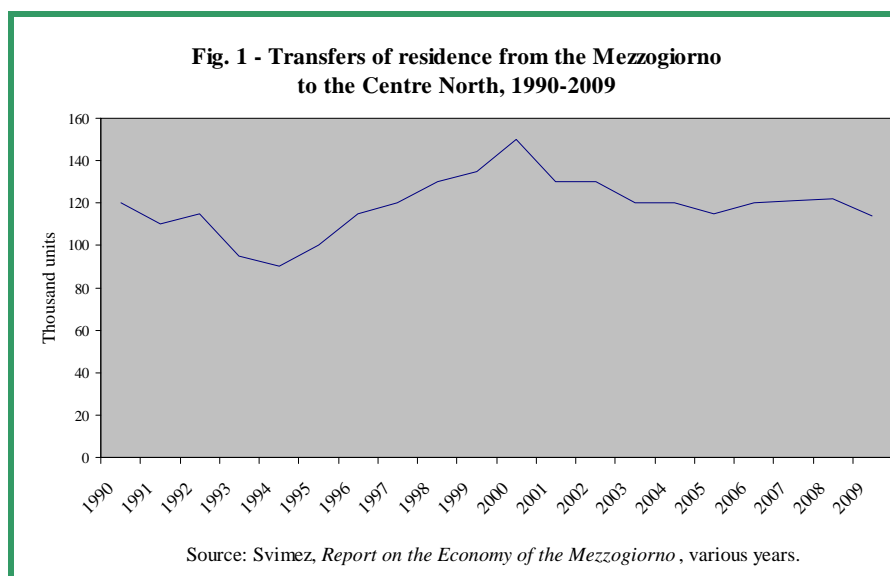
Data regarding the characteristics of external immigration in Italy before 2008 crisis are reported in Bank of Italy (2009). These data reveal that immigrants – who tend to display higher rates of employment than native Italians – have contributed to sustaining employment rates especially in Central and Northern Italy (C-N, hereafter). Their remuneration is more modest than that of the natives due to their lower educational levels, the concentration of their jobs in the low added-value sectors, and because they perform low-skilled tasks. But one aspect of immigrant characteristics is particularly interesting: foreign-born workers in the Mezzogiorno are less educated than foreign immigrants employed in the C-N. This aspect of regional differentiation in immigrant characteristics reveals that the divergence between Northern and Southern Italy with respect to their productive structures is still crucial in driving the differences in the level of development between the two areas, over and above other important factors – now much emphasized – such as social capital, institutions, etc.²

A second piece of evidence (shown in Svimez reports, various years) concerns the dramatic outflow of native Italians from the Mezzogiorno to the C-N: between 1990 and 2009, 2,385,000 individuals left Southern Italy and became resident in Central and Northern Italy (see Fig. 1)³. The main area of concern is that the emigrants are mainly individuals with a high degree of education. In recent years, about half of those who moved from the Mezzogiorno to the C-N have a bachelor's degree or high school education. Mocetti and Porello (2010) reported that between 2000 and 2005 the net loss of graduates in the Southern regions, in terms of transfers to the C-N, amounted to 50,000 units, a figure in stark contrast to the previous decade (20,000 units for the entire period of the 1990s). Moreover, it is striking that as much as 40% of Southern graduates with honours degrees emigrate

² Alberto Alesina and Andrea Ichino, for instance, emphasize how much the lack of social capital and civic sense is the main cause of backwardness in the South; they propose four micro-actions for rebuilding social capital in the Mezzogiorno. See Alesina and Ichino (2009).

³ For a recent long term analysis of internal migration flows in Italy, see Bonifazi et al. (2018).

to the C-N, because here the remuneration is almost 50% higher than what they could receive in the South, even allowing for the fact that the labour contracts are less stable [Svimez, 2009]⁴. The graduates do not represent most of migrants, but the section that grows more: from 17,000 in 2007 to 26,000 in 2012. This means +50% in only five years, an impressive figure when you consider that in the South there are fewer graduates than in the C-N [Svimez, 2014]. Therefore, it is the people who represent highly qualified human capital who leave the Southern regions to work in the C-N, a state of affairs that could compromise long-term growth of the Mezzogiorno⁵.



⁴ It should be added that the number of people working in the C-N while maintaining official residence in the South has increased substantially in the last decade. In other words, so-called long-distance commuting is on the rise and this phenomenon especially involves highly educated young people and individuals employed in medium and high-skilled jobs.

⁵ A recent analysis provided by Piras (2016) show that the dramatic outflows of graduates from the Mezzogiorno to the Centre-North is accompanying with emigration of Centre-North graduates to foreign countries.

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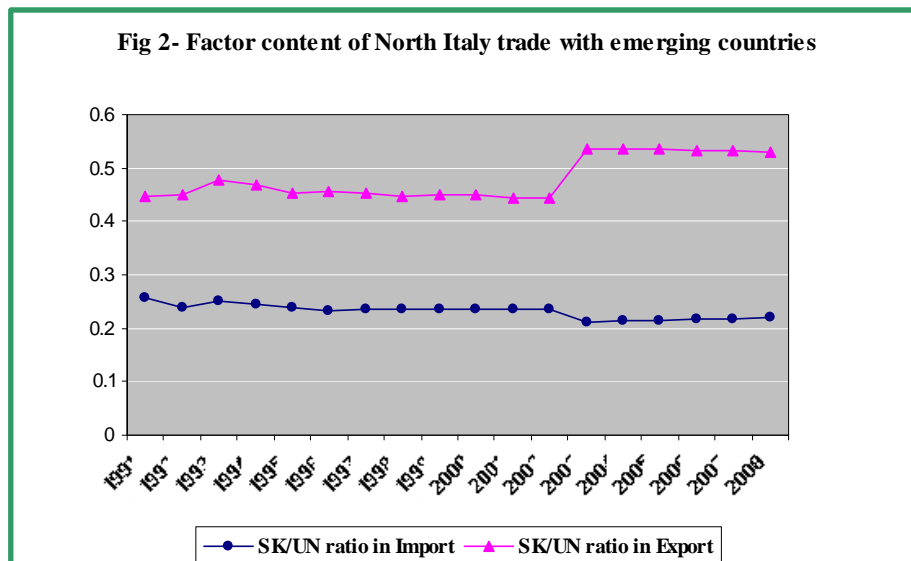
The Asymmetric Impact of Globalization on Italian Regions

The type of native migrant flows leaving the South and the differences between the C-N and the South in the characteristics of immigrants from abroad are closely related to the evolution of productive specialization that has affected the different areas of the country in the context of international integration processes⁶. This connection becomes clear if we try to build a general interpretive framework on the structural dynamics that have affected the Italian economy in recent years. Over the past 20 years, in Italy as in other advanced countries, there has been an upgrading of the workforce (an increase in the ratio of skilled to unskilled labour) induced by technological change, but also by the processes of international integration with emerging economies⁷. If we look at the factor content of trade flows between advanced countries and emerging markets, we see a higher (lower) skilled/unskilled labour ratio in the export of advanced countries (emerging countries). Therefore, the integration between the two groups of countries has led to a crowding out of unskilled labour in the advanced countries and thus an upgrading of the workforce. This dynamic has definitely affected the regions of northern Italy but much less those

⁶ The different impact of globalization on Italian regions can be interpreted through the lens of a core-periphery approach, as in Celi et al. (2018). On the interaction between migration and international trade, see Felbermayr et al. (2015).

⁷ The literature on the interplay between globalization, technological change and labour market is very copious and varied. For a useful systematization, see the survey of Greenaway and Nelson (2001). Recent analyses on the interaction between international trade, outsourcing and labour market are provided by Antràs et al. (2017), Artuç and McLaren (2015), Autor et al. (2015), Autor et al. (2016), Autor and Salomons (2018), Bloom et al. (2016), Dai and Xu (2017), Dauth et al. (2016), Dix-Carneiro and Kovak (2017), Fajgelbaum and Khandelwal (2016), Hakkala and Huttunen (2016), Hakobyan and McLaren (2016), Helpman (2016), Keller and Utar (2016), Malgouyres (2017), Meschi et al. (2016). A recent strain of literature debates on the impact of automation and technological change on employment, skill composition of jobs and tasks. On this regard, see Arntz et al. (2017), Beaudry et al. (2016), Berger and Frey (2017), Bessen (2016), Brougham and Haar (2018), Charles et al. (2016), Clark (2017), Collard-Wexler and De Loecker (2015), Cortes (2016), Cortes et al. (2016), Dekker et al. (2017), Frey and Osborne (2017), Graetz and Michaels (2017), Maloney and Molina (2016), Mnif (2016), Mokyr et al. (2015), Morikawa (2017), Naastepad and Mulder (2018), Ngai and Pissarides (2017), OECD (2016), OECD (2017), Pierce and Schott (2016), Steward and Stanford (2017), Susskind and Susskind (2016), Ugur and Mitra (2017), Wajcman (2017), World Bank (2016).

of the South: if we look at the production of the North, these are complementary in terms of factor content with respect to those of emerging countries; whereas, if we look at the goods exported by the southern regions, these are substitutes for imported goods from developing countries (see Fig. 2 and 3)⁸.



Note: SK/UN ratio indicates the ratio of skilled to unskilled labour
Source: Celi (2013)

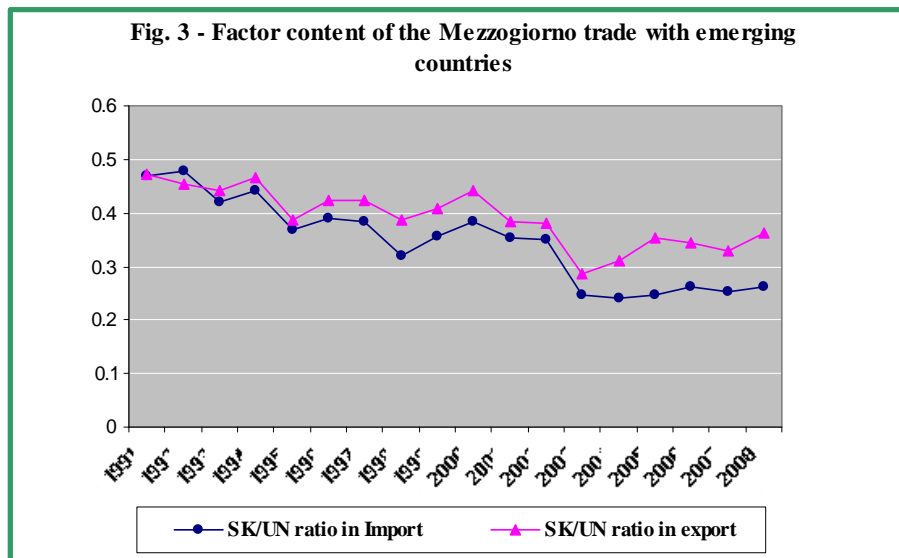
Therefore, the effect of composition and skill upgrading of the workforce, through international trade, would operate in the North but not in the South; that instead would suffer the effects of increased competition outright from emerging

⁸ In Fig. 2 and 3, the factor content of exports and imports is expressed in terms of the ratio of skilled (SK) to unskilled labour (UN). The factor content of trade (FCT) is calculated by multiplying the input coefficient matrix (skilled and unskilled labour per unit of value added) by the vector of sectoral exports (or imports). The calculation has been carried out using the following data: i) number of Italian dependent employees by professional qualification, industry and region (source: INPS, Italy's National Social Insurance Agency); ii) regional value added by industry (source: ISTAT, Italy's National Statistics Institute); iii) foreign trade of Italian regions by industry (source: ISTAT).

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countries [Celi, 2013]. A recent study by Accetturo, Bugamelli and Lamorgese (2013) achieved results in line with the previous interpretation by reporting that the Italian provinces which exported most in the period 2004-2007 and which were concentrated mainly in the North East of the country were characterized by an increased relative level of education of the workforce employed.

The simple interpretation based on the factor content of trade flows is confirmed by several recent studies that have investigated the new dynamics of internationalization that, since the 1990s of last century, have involved Italian firms. Under the pressure of competition from emerging countries, under the constraint of increased rigidity of the exchange rate and thanks to the opportunity offered by new information technologies, Italian firms have embarked on a major restructuring and reorganization of the division of labour that also imposes forms of internationalization of production.



Note: SK/UN ratio indicates the ratio of skilled to unskilled labour

Source: Celi (2013)

The recent contributions that have assessed, in addition to exports, the impact of outward FDI and international outsourcing on employment and productivity

performance of Italian firms, in most cases report an increase in productivity and employment, and a upgrading in the composition of employment⁹. However, the regional dummies included in the regressions indicate that this virtuous link between internationalization and firm performance is especially true for the Centre-North but not for the South. In a recent work in which the territorial dimension is explicitly considered, Giunta et al. (2012) analyze the intensification of subcontracting relationships between Italian enterprises in the 1990s and find that in the case of the South this evolution has not been accompanied, as it has been in the North, by progress in terms of technological innovation, propensity to export, or increasing productivity in subcontractor enterprises: southern firms appear incapable of freeing themselves from the stage of captive supplier and remain in a situation of subordination and vulnerability towards competitive pressures. Even from the recent work undertaken to assess the impact of the recent crisis on Italian production system is not difficult to extrapolate the idea of a radicalization of the production gap also at the regional level. In fact, while firms located in the Centre-North have faced the crisis by implementing strategies of productive restructuring and made efficiency gains through cost reduction, diversification of markets and product quality improvement, southern firms – characterized by their smaller size, limited access to credit, and subcontracting relationship with little bargaining power – confined themselves purely to margin compression¹⁰.

While analysis of the internationalisation processes involving Italy over the last thirty years suggests economic dynamics favouring progressive divergence between the Centre-North and the Mezzogiorno in their respective production structures, a substantial convergence emerges on turning attention to the educational system. Leaving aside for refined indicators such as dropout rates or PISA or others, one can say that over a long span of time there has been an upward North-South convergence in the education levels of the workforce. Then, the point is that this growth in the education level of the supply of labour in the South has not translated into greater qualification of the labour embodied in the southern productions [Celi & Sportelli,

⁹ Helg and Tajoli (2005) reported a positive relationship between international fragmentation of production and relative demand for skilled labour in Italy. D'Attoma and Pacei (2014) found a positive effect of international outsourcing on productivity of Italian firms. However, a more recent analysis provided by Calia and Pacei (2017) finds a significant negative impact of outsourcing on productivity.

¹⁰ See Bronzini *et al.*, (2013); Monteforte and Zevi (2016).

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2004]. Therefore, it is reasonable to think that these two dynamics – divergence in production structures due to international integration and convergence upwards in education levels – may have contributed to the increasing migration of skilled labour from the South to the North.

So far, we have built an interpretative framework in which the resurgence of internal migration in Italy in recent years could be imputed to the asymmetric impact of globalization on Italian regions. This explanatory framework helps to better understand the different nature of migration flows with respect to the past. In fact, in contrast with the internal migration that occurred in the period of the Italian economic miracle (in the 1960s), when a great mass of southern workforce with low educational levels flooded to the factories of the ‘Italian industrial triangle’¹¹, as it is called, recent migratory flows from the Mezzogiorno to the rest of the country are accounted for mainly by people with high levels of education. But another really important difference with respect to the past is that, now, native internal migration in Italy goes hand in hand with a parallel increase of external immigration (new phenomenon for Italy that, historically, has been an emigration country). It would be interesting to ascertain if the interaction between native internal migration and external immigration in Italy is a factor that contributes to mitigate North-South divide in Italy or, on the contrary, is a further element enlarging the gap. On the one hand, one would think that the availability of cheap foreign workforce could undermine the incentives for southern firms to invest and innovate, reducing their demand for skilled labour and fuelling human capital outflows from the Mezzogiorno. On the other hand, external immigration might turn out to be an important factor to support and re-launch rural development in Italy. In other words, the dramatic abandonment of hill and mountain villages by native population could be compensated by inflows of foreign immigrants willing to build new communities that could give a new impetus to a reuse of land for agricultural and rural activities. Looking at this second perspective, the next section provides an institutional and legal framework in which the connections between immigration and rural development policies in Italy are explored.

¹¹ Milan, Turin and Genoa are the cities in Italy’s North-West forming the vertices of the triangle.

Immigration and Inner and Mountain Rural Areas: Institutional and Legal Framework in Italy

Legislation on immigration and rural development policies have been studied by Italian legal scholarship like two separate bodies of legislation; the demographic and economic patterns of Italy, however, are quickly changing and the lawmakers are facing new challenges. There is not still a strong perception, anyway, of how the two matters can be connected. Many farmers realize that immigrants are saving the Italian agriculture but still legislators are not ready to understand the important, probably unique opportunity that people coming from less developed countries present for the Country.¹² Immigration should be considered particularly an unexpected possibility for the declining rural and mountain areas; sound economic and demographic reasoning should bring to a correct management of such epochal trend.¹³ Good practices have been experienced in the rich mountain areas of North Italy and a few even in the poorer South, like the famous case of the town of Riace in Calabria.¹⁴

Italy has presented in the last thirty years a stagnant demographic pattern. The old ideas of the Italian family with many children has long faded away to leave the place with families often with just a child or childless. In rural areas, moreover, there is the additional problem that young generations tend to move to cities to find better job opportunities and many mountain or hill towns have been left just as home of elderly people.

The lack of a common immigration policy by the European Union unfortunately has contributed to make these two topics so distant. While the Common Agricultural Policy has, especially by the so called second pillar, contributed to give help to the drafting of measures to cope with the historical and apparently unrestrainable process towards an almost empty mountain and hilly areas (with the outstanding exception of some parts of the Alps) the legislation on immigration has not fully dealt with the need of many mountain and hill communities to get residents coming from abroad.¹⁵

¹² It is worth noting, for instance, the role of the Indian Sikh Community in the dairy industry. They are concentrated in the plain and hilly countryside where are produced the famed Parmesan Cheese and Grana Padano, both having the Protected Designation of Origin.

¹³ Until the sixties of last the century, Italy was a country of emigrants. Immigration has started in last thirty years to become a full political problem.

¹⁴ For a full evaluation of the policies in Calabria see A. Corrado, M. Dagostino, "I migranti nelle aree interne. Il Caso Calabria," in *Agriregioni Europa*, n. 45, 2016.

¹⁵ Opinion polls on immigration show that is now considered at the top of the political agenda.

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Rural areas in Italy are characterized by a strong presence of mountain landscape.¹⁶ On the Apennine Mountains, moreover, towns are often at the top of high hills: the reasons are both geographical and historical; the Country has like a backbone the Apennines, which are not far from the sea. In Italy almost 60% of the national territory should be considered mountain or hilly rural areas but just a little more of 20% of the population live in this large part of the Country.¹⁷ This situation creates of course an unbalance between these areas and the part of the Country where most of the economic activities are concentrated. In this vast inner countryside there are no big cities and about 90% of the municipalities have less than five thousand inhabitants.¹⁸

Only 40% of the income is locally produced in mountain and hill areas; it must be considered that this statistical data is even misleading: it is comprehensive of retirement and invalidity pensions. Invalidity pensions has been a sort of misused system of welfare in poor areas, especially in South Italy; while the largest number of retirement pensions is in North Italy in the so called Mezzogiorno, south of Rome, the number of invalidity pensions is twice than in the rich part of the Country.

Rural mountain areas in the South have been beneficiary of some kind of financial protection because of the concentration of retired elderly and invalid people, but huge public expeditions have not solved the backwardness of many mountain town and villages. It is possible therefore to realize a sharp difference between mountain areas in Alps and in the Apennines and different patterns of governance of rural development have been enacted; governance of integration of immigrants also has not been uniform, but it can contribute to give inner and mountain areas a more balanced demographic and economic asset.

¹⁶ There is a fundamental difference between inner and mountain area as rightly pointed by G. Dematteris, "La Montagna nella Strategia per le aree interne 2014-2020," in *Agriregioni Europa*, n. 9, 2013. Specific policies for mountain areas inside the broader strategy for inner areas should be taken in account. It must be considered, anyway, that in Italy the mountain and hilly areas represent most of the inner areas. For a broad overview of the characteristics of Italian soils, see also Morari (2016) and for the impact of land use changes on hillslope degradation see Brandolini et al. (2018).

¹⁷ A report on mountain areas with statistical data is issued by the *Foundation on Mountains*.

¹⁸ Along the centuries, especially in the long period between the fall of the Roman Empire and the forming of the Italian state, in 1861, living uphill in remote areas was a way to protect themselves both by dangerous invaders coming from the sea and from disease which spread in the plain areas between the mountains and the sea, where swamps were present until the first mid of 20th Century.

The institutional framework of the country is relevant in understanding different policies in different parts of the country. Friuli, Val d'Aosta and Trentino Alto Adige are, under Constitutional Law, regions which are granted a special statute; that means also that most of taxation remains there. With the broad self-ruling powers of the mentioned Special Statute Regions the three Alpine Regions have developed outstanding rural development programmes, focused especially on the mountain areas. It is noteworthy the case of the area inhabited by the German minority in Italy; in this province the Italian state has maintained the existence of the Maso Chiuso, a family farm comprehensive of land and house.¹⁹ Good practices of diversification of farming have been first experienced in this tiny part of Italy, starting for instance the farm to become agritourism long before that such activity would be allowed in the rest of the country.

Some links between immigration policies and rural development plans can be found in this part of the country. In the Province of Bolzano, which is meantime a very mountain area and a rich territory where the so called "Contract for integration" operates. It is based on the principle of "supporting in exchange of personal engagements". The province is ready to provide to immigrants a number of services to the ones who willingly decide to attend programmes funded by public institutions. Multiculturalism is encouraged; the immigrants have to learn one of the official languages of the place where they are resident²⁰ but the province promotes cultural activities in the language of origin.

The province has taken advantage of the principle of subsidiarity which is affirmed by the Article 118 of the Italian Constitution to provide the immigrants a structured policy of integration which does not want to become a tool of assimilation.²¹

The Region Friuli-Venezia Giulia, bordering Austria and Slovenia, has approved, under the powers given by the Italian Constitution, a specific Regional Legislation, number 31 of 2015, which contemplates the issues of specific plans of integration of the immigrants. Integration is considered an asset for a balanced economic and cultural growth.

¹⁹ Only one child of the family gets the farm by inheritance while the other children have the right to compensation; this system has assured the presence of people also in the areas that otherwise would have been abandoned.

²⁰ Italian, German, Ladino.

²¹ The province has almost 9% of the population from abroad and it is eager to provide welfare to immigrants who accept the rules.

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Not in all part of Italy the governance regarding the integration of immigrants should be considered up to such models. The institutional asset in the two other Special Statute regions, overall, has experienced less interesting policies for rural and mountain areas; they are the two Island Sicily and Sardinia. While coastal part of the two islands has acceptable infrastructure and income, inner zones of the two big islands are among the poorest areas in Italy. The other 15 regions are, under Constitutional law, considered under ordinary law so they have much less resources than the five constitutionally privileged regions.

Apennine Mountains are present in all the 15 regions with Ordinary Statute but Veneto (which has Alpine Mountains), Lombardy and Liguria have both Apennine and Alpine hills. Schemes of rural development differ a lot depending on historical and geo-political differences; in most of these Regions integration of immigrants has not found a strong connection with rural development.

The richest region in Italy, Lombardy, has enacted anyway quality policies for its Alps²²; the same can be affirmed for the Veneto.²³ There is a significant presence of immigrants in these rich regions but they are mainly in the industrial and plain farming areas and therefore the role of immigrants in inner zone has not yet been structurally dealt.

Under the reform of the Title V²⁴ of the Italian Constitution, the regions have powers related agriculture but very weak possibility of administration about integration of immigration. Regions can anyway adopt both legislative and administrative acts under the subsidiary principle but there is still a reluctant approach to consider immigration as central issue of rural development.²⁵

Each Region has a specific Rural Development Programme, which has mainly the function to plan the spending of the financial aids coming from the European

²² An innovative methodology is presented in the work in progress *Montagna Futuro 2018-2023* to define guidelines for planning in mountain areas.

²³ Not by chance, therefore, in 2017 in the traditional list of quality of living drafted by the most prestigious Italian economic newspaper in the first places are all cities at the very bottom of Alps; all the cities which have poor quality of wealth, environmental management, culture and leisure, demography are concentrated in South Italy or in Sicily

²⁴ The Central State has powers cited by art. 117 of the Constitution, while the others belong to the regions.

²⁵ There has been, related to rural and mountain development, a problem of conflicting rules, because environment has remained under the control of the Central State while agriculture, which has strong relation with the environment, has been assigned to the Regions.

Union. Various regional measures have been scattered to address the problems that are, in a way, the same across the country. Many years of cohesion programmes funded by the European Union do not have much helped to fill the gap especially between Central-Northern and South, especially related to rural and mountain areas. This institutional framework has contributed to the problem of accepting the role of immigration in the growth of the inner areas.

To overcome the evident differences of policies among the regions, the national government has promoted a Strategy for Inner Areas, which is mainly intended to help the regions find the best practices and solutions for growth.²⁶ In the Framework Programme Agreements, accepted by the Strategy, good practices of immigrants' integration could be considered in an innovative approach. Regions are anyway the main institutional actors for rural development; the indications of the National Strategy could be therefore assumed more as helpful suggestions than binding rules. National legislation on parks has also an important role in crafting the rural and mountain areas. The Bill n. 394/1991 has contributed to create parks, which can impose their own rules related to development plans. Immigration is becoming a topic also for the governance of parks that under the Constitutional provision related to the environment are regulated by national rules. The National Park of Casentino Forest has framed interesting policies to integrate the large community of immigrants engaged in the logging industry.²⁷

An important contribution to the integration could be in the future a correct application of the recent 158/2017 bill which aims to qualify the historical centres of towns below 5,000 inhabitants. The financial resources are limited but can be a further tool for good practices of integration of immigrants in rural areas.

Concluding Remarks

Looking at the Italian case, this paper has explored the link between the intensification of internal migration, the growth of external immigration and the widening of the productive distance between the South and the Centre-North of Italy. We have argued that an important explanatory framework is the process of

²⁶ See the document "A Strategy for inner Areas in Italy", by Sabrina Lucatelli, technical meeting at Italian Committee for Inner Areas at the Agency for Territorial Cohesion, Rome, 3rd of July 2014.

²⁷ In several parts of Italy, immigrants have contributed to save traditional know-how regarding manual labour. In Apulia, most of countryside drywalls are built by Albanian workers.

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international integration of production that in recent decades have affected in different ways the North and the South of the country. As pointed out in the previous section, a dual dynamic could explain the new features of the territorial mobility in recent years: the North-South production divergence boosted by internationalization processes in the last decades and the long run North-South upward convergence in the education levels of the workforce. We have also remarked that the resurgence of internal mobility has been accompanied by a new phenomenon in Italy, namely the rise of external immigration. The interaction between internal mobility and external immigration could entail negative or positive outcomes for the rebalancing of North-South divide in Italy. In section 4, we assume that foreign immigrants represent an important resource to revitalize Italian inner and mountain rural area and, from this perspective, we explore the institutional and legal framework in which complementarities in legislation can be identified in order to connect immigration and rural development policies.

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HOUSEHOLDS' PERCEPTION OF CLIMATE CHANGE EFFECTS IN RURAL ROMANIA

Camelia SURUGIU¹, Marius SURUGIU², Raluca MAZILESCU³,
Anca CRISTEA⁴, Ileana MARGINEAN⁵

¹ Faculty of Administration and Business, University of Bucharest, 4-12
Bd. Regina Elisabeta, Bucharest, Romania,
Email: cameliasurugiu@gmail.com

^{2, 3, 4, 5} Institute of National Economy, Romanian Academy, 13 Calea 13
Septembrie, Bucharest, Romania, Email: mariussurugiu@yahoo.com,
ralucamazilescu@gmail.com, lcancacristea@yahoo.com,
ileanamarginean40@gmail.com

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Abstract

This paper is focused on the analysis of the impact of climate change on the households from rural Romania. Climate change may have an impact on different sectors of the economy, such as agriculture, food industry, energy sector, tourism, etc. Also, the impact is felt by households. In rural regions of Romania, the households are already facing various risks, related to lack of income, and also related to ageing population. This study aimed to underline how rural people relate to the climatic conditions with emphasis on the trend of major change in the various aspects of the weather; sources used to find information on climate change, reliability level of the climate change information provided by various sources, the possibility to adopt measures to tackle the effects of climate change, and so on. A number of 100 copies of the questionnaire were distributed among households in a rural area of Dâmbovița County, Romania – Petrești commune – in April, 2018, with the main purpose to test it. The respondents were selected randomly. Poor households are vulnerable to climate change because low income cannot provide a satisfactory degree of access to services needed in the protection against threats.

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Various adaptation strategies may be used by households confronted with negative effects of climate change.

Keywords: *climate change; rural areas; Romania.*

JEL Classification: Q₅₄

Introduction

Climate change is expressed through droughts, floods, less rainy days during the year, extreme heat waves, generating serious effects on agricultural and forestry activities of households in rural areas. In developing countries, rural areas will be altered by climate change, especially in regions depending on subsistence agriculture and where the population is not properly equipped in order to adapt [Seaman et al., 2014]. Uncertainty in respect to assuring water and food supplies ranks among the highest threats for households. Poor households need more assistance to reduce their degree of exposure to climate change and to cope with its negative effects [Ndhleve et al., 2014].

The vulnerability of rural communities will increase as they depend on climate sensitive economic sectors, such as agriculture and forestry, and their adaptation measures are limited due to scarce financial and human, physical, social and natural resources [Ncube et al., 2016]. Climate change will induce behaviour changes of households, which are very important to be investigated as a starting point for reducing the greenhouse gas emissions [Riedy, 2007].

In the case of Romania, there are various studies analysing the impact of climate change, such as:

- The challenges for agriculture within the context of climate change – South Oltenia is a region affected by aridity and drought phenomena, ranking the 2nd in Romania, after the Eastern Dobrogea Region [Balteanu et al., 2013]; the territory with an increased risk for drought contains large areas in southern Oltenia as this region is the most exposed to these phenomena in Romania; in Oltenia plain, stifling heat has a high frequency, the largest in the whole country, together with Teleorman plain and the Danube river up to Giurgiu [Hurduzeu et al., 2014]; in the southern plains of Romania, drought is a phenomenon that occurs on regular basis and farmers are experiencing severe losses [Ioan & Rădulescu, 2015]; extreme weather events (storms, floods, droughts) will occur more frequently, and related risks and damages

may become more significant [Slave & Vizireanu, 2015]; the upward trend of air temperature determined the intensification of dry periods and increased demand for water in agriculture from Oltenia Plain [Ontel & Vladut, 2015]; in general, severe water deficits for agricultural crops are likely to be experienced in Timiș Plain [Mitrică et al., 2015]; the main climate adaptation measure considered crucial by the farmers in the Bărăgan Plain is the rehabilitation/construction of irrigation systems; this region is exposed to droughts, with negative impact on crop yields [Sima et al., 2015]; in Oltenia and Muntenia regions there is a significant increase in the frequency and duration of heat stress [Micu et al., 2017];

- The assessment of the climate change impact on water resources and life quality – the climate change may bring in Romania also a change in the configuration of the agricultural crops, an increase of the vulnerability of the humans and a change in the quality of life (health, safety and ownership problems), the occurrence of droughts, heat waves and floods, an impact on water quantity and quality, and so on [Curseu et al., 2009];

- The impact of climate change on climatic indicators – in Transylvanian Plain, in the past few years, climate change had an important impact on these indicators [Rusu et al., 2014];

- The climate change impact in Romania, with vulnerability and adaptation options – among the most affected by climate change are maize crops in the southern part of the country, forest species growing in the plains and hilly zones, and water resources where demands could exceed their availability [Cuculeanu et al., 2002]; there is a need to put into practice the optimal measures for preventing climate change [Constantinescu, 2018].

In Romania, climate change is becoming more and more visible and its effects cannot be overlooked. Therefore, measures must be adopted to tackle the causes, knowing the risks of climate change and the benefits of mitigation measures.

Literature Review

The effects of climate change may represent decreases in food and non-food crops, but also increased prices, and deterioration of population welfare [Dasgupta et al., 2014]. For rural households, food security is one of the most frequent threats. The reduction of crops and dairy production generates a decrease in the incomes of the population [Poudel et al., 2017]. Climate change has an adverse impact on the livelihoods of rural communities and the state departments should launch awareness

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campaigns regarding adoption of different adaptation strategies [Luqman et al., 2017]. Awareness programs on climate change should be intensified, and sustainable adaptation strategies employed by the rural people should be strengthened [Abaje et al., 2016]. The rural farmers are highly vulnerable to the consequences of climate change, to droughts, excessive temperatures and heavy rainfall [Maluleke & Mokwena, 2017]. The change in climate pattern has a negative impact on farming and the vulnerability of farm households is related to the lack of knowledge and financial resources [Shrestha et al., 2017].

Gurgu (2010) discussed various aspects related to climate change, underlying that this phenomenon is one important concern at the global level, both governments and people being responsible in shaping the future. In some areas, the impact of climate change on the livelihoods represents a major threat because it generates not just transformations in physical geography of the area, but also losses in flora and fauna, in the natural habitat in which local communities are living. Climate change will represent a threat for food reserves because traditional fruits are disappearing and weather will not favour indigenous crops [Dube & Phiri, 2013].

In regions where livelihoods are assured by incomes obtained in different activities (not only those from agriculture, but also from hunting, harvesting wild food or having a stable job), households are less vulnerable to climate change and more adapted to face different risks associated with extreme events [Seaman et al., 2014]. Because the livelihoods of smaller farmers will be seriously affected, several types of strategies are needed to cope during different periods of time, in order to become more resilient to climate change [Umar et al., 2014]. Adaptation measures are necessary in order to face climate change, and these may include adjustments in farming methods (i.e. using less water-consuming crops, livestock less vulnerable to water and food pressure) and even finding other sources of income besides agriculture [Poudel et al., 2017]. Adjusted strategies such as livestock mobility, animal restocking, etc. can support local livelihoods [Berhe et al., 2017]. A measure to manage food insecurity may refer to adopting intensive agricultural practices with irrigation-based system of farming, as a method of producing crops with required moisture under various climatic conditions [Olabode & Adeleke, 2017].

Ofoegbu et al. (2017) showed that, in the rural areas, the efficiency of strategies for climate change adaptation largely depends on the socio-economic and demographic characteristics of population, including aspects such as the level of skills, education, health, but also on the infrastructure. Antwi-Agyei et al. (2013) underlined that vulnerable communities have limited livelihood opportunities, and

social connectivity is higher, which provide them opportunities to take advantage upon various changes occurring in the economic and natural environment.

Farming population, negatively affected by climate change due to decreases in both incomes and food security, will need to adapt through awareness and promotion of more efficient tools to use the available resources, and through education [Karfakis et al., 2012]. Moreover, policy measures have to be adopted in order to increase the incomes of farmers, and to minimize the damages of extreme events through mitigation strategies [Deressa et al., 2009].

Furthermore, adaptation strategies to climate change need to be tailored to the local needs and specificity, and upgraded all the time to the realities shaped by the effects of climate change. In order to increase the resilience of local communities, it is necessary to use not only a bottom-up, but also a top-down approach, a transformational adjustment for rural residents, households and government [Pettengell, 2010]. Kaushik and Sharma (2015) developed an analysis on climate change and rural livelihoods-adaptation and vulnerability topic, underlying that local strategies and traditional knowledge need to be used in synergy with government and local interventions.

Haque et al. (2014) argued that there is a need for coordination, preparation and management from local communities, households and different institutions, to prevent the negative effects of climate change, and to avoid their transformation into disasters. Ludena and Yoon (2015) indicated that farmers don't have enough access to some types of capital markets and technical know-how, as tools for adaptation to climate change, and therefore, they need to organize in collective arrangements and to be supported in their action through various tools.

Some previous studies underlined that local communities are not even aware of the concept of climate change [Dube & Phiri, 2013; Ndhleve et al., 2014]. Consequently, development agencies, governments, councillors are needed to enhance public awareness regarding climate change effects, to educate local communities and to increase knowledge about this phenomenon [Ndhleve et al., 2014].

In rural areas there are high rates of vulnerable population, economic uncertainty, less resilient infrastructure, and lower levels of access to community and emergency services than in urban areas [Houghton et al., 2017]. Climate change may amplify some distinctive features, with differences in temperature in urban areas, which are higher than in rural areas [Zeleňáková et al., 2015]. Interactions between local and higher level institutions may affect the capacity of a community to respond to change [Brown & Sonwa, 2015].

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Climate change is related to extreme events with important impact on the life of rural people, and not only. It seems that the impact is different in rural and urban areas. Nonetheless, in order to prevent the amplification of negative effects, it is important for each person to adopt a daily behaviour and measures to reduce the personal impact on the environment, regardless of the place of living. Thus, it is important to reduce the greenhouse gas emissions, by saving energy, by recycling waste, and so on.

Methodological Approach

This paper presents the results of applying a questionnaire based on 14 questions, used to gather important data from rural households. The questions are focusing on identifying the opinion of households on the impact of climate change on daily activities. This questionnaire contains questions with only one possible answer and multiple choice questions, and a Likert-type scale is used.

Generally speaking, questionnaires are used for survey research, to determine a current status or situation. The analysed situation in this paper is the impact of the climate change on rural households from Romania. The questionnaire (*Questionnaire regarding the assessment of the climate change impact on rural areas households*) was applied to respondents from Petrești commune, Dâmbovița County, Romania, in April 2018, and the main purpose was to test it. The data were collected at the Commune Hall. Petrești commune is located in the south-west of Dâmbovița County and comprises several villages: Petrești (residence of the commune), Coada Izvorului, Gherghești, Greci, Ionești, Potlogeni-Deal, and Puntea de Greci. According to the *Population and Housing Census (2011)*, the population of Petrești commune amounts to 5.791 inhabitants.

Agricultural surface of the commune is around 80-90%, the production of vegetables being an important tradition. Near the village of Petrești there is a natural reservation (Poiana Narciselor, a natural protected area of 15 ha).

The research is quantitative, assuming that the questionnaire is sent to a large number of persons, and the data are accurate, being statistically analysed. The research tool is the questionnaire used in data collection from households.

Considering the audience, the respondents were persons of various ages and income levels. The data collection method was the personal interview (face-to-face), and 100 questionnaires were applied, all being validated (100 persons, 54 men and 46 women). The surveyed population is comprising the household representatives, generally over 25 years old (only two persons are under 25 years old).

The objectives of the research are as follows:

- a) To determine the awareness level regarding the climate change;
- b) To identify household perceptions about the effects of climate change;
- c) To determine the sources of information that provide reliable data on the effects of climate change;
- d) To identify the stakeholders responsible to tackle the effects of climate change;
- e) To identify the possibility of taking measures to tackle the effects of climate change.

The research hypotheses are as follows:

- 1) In general, households are aware of the presence of climate change and its effects (on daily activities);
- 2) In general, households have perceived important changes of some aspects of the weather;
- 3) In general, households are or will be affected by climate change;
- 4) In general, households are particularly confident about the climate change information provided by specialists in the field;
- 5) A high percentage believes that measures can be taken to tackle the effects of climate change;
- 6) Household representatives believe that local public administration is the main stakeholder that should be involved in taking measures to tackle the effects of climate change.

According to the results, the hypotheses 1 to 4 were confirmed. The hypothesis 5 and the hypothesis 6 were not confirmed.

The design and testing of the questionnaire have been developed to ensure that the survey tool is suitable for the audience. This represents a very important step in developing the final version of the questionnaire, allowing the improvement of some unclear questions and detecting errors beforehand.

Following the field testing, the questionnaire will be improved, to include some questions related to the objectives such as:

- Determining the awareness level regarding the causes of climate change;
- Identifying the opinion of households regarding some climate change mitigation policies.

The new format of the questionnaire will be used in a future research. Thus, the future research will gather more information from all household members to provide a comprehensive analysis of the rural environment confronting the climate change aspects.

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Results and Discussions

The questions focused on the following:

- Major changes in various aspects of the weather (types of wind, quantity and type of precipitation, etc.);
- Sources used by the respondent to find information on climate change;
- Reliability level in the climate change information provided by friends, family members, specialists, representatives of local public administration, TV / radio / newspapers / magazines;
- The future impact of the climate change;
- The possibility to adopt measures to tackle the effects of climate change;
- Identifying the organizations responsible in adopting measures to tackle the effects of climate change.

The analysis of data collected underlines that a relatively high percent of respondents heard about “climate change” (53%), while 13% of them declared they never heard of this phenomenon. The rural persons are aware of the climate change, and they are interested in this topic. This also underlines the need for awareness strategies.

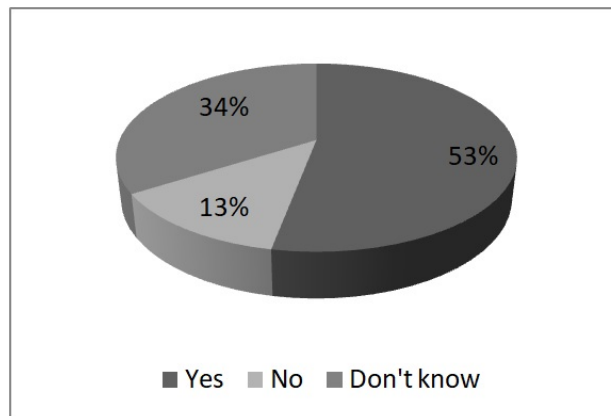


Fig. 1. The Distribution of Respondents According to the Answers of the Question: “Have You Ever Heard about Climate Change?”

Source: developed by authors based on survey data

Half of the respondents stated that they have perceived important changes of some aspects of the weather (types of wind, the amount and type of precipitation, etc.). At the same time, 16% of them didn't notice any important changes in the weather. This important percentage of 50% represents the persons who carry out specific activities in the rural areas and who are able to see the changes in the environment they live in.

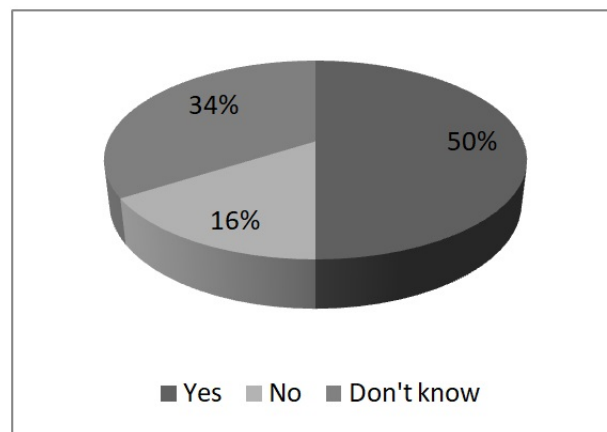


Fig. 2. The Distribution of Respondents According to the Answers of the Question: “Have You Noticed an Important Change of Some Aspects of the Weather?”

Source: developed by authors based on survey data

Most of the information on climate change reached the audience (respondents) via television, and to a much lesser extent via radio, the Internet, newspapers, and magazines. The result highlights the importance of this information channel (television) for rural persons, where they can easily find news about climate change. However, according to the respondents, they have the highest confidence in the information provided by specialists, followed by members of the local public administration, TV / radio, newspapers, and magazines.

Regarding the effects of climate change at the individual level, only 43% of the respondents declared that they are or will be affected, while 11% considered they will not experience these effects. A high proportion is represented by those who responded that they do not know if the changes in various aspects of the weather had or will have an influence on them. This might be caused by the insufficient level of information held by rural people concerning climate change.

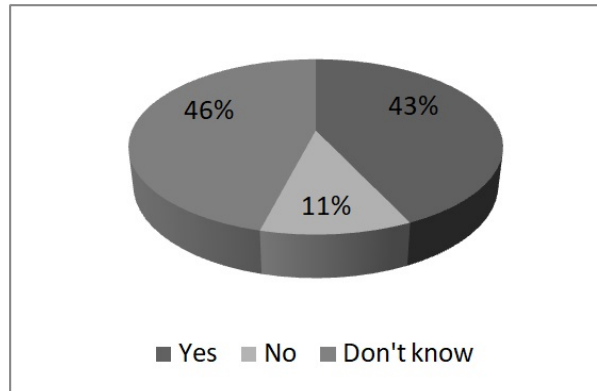


Fig. 3. The Distribution of Respondents According to the Answers of the Question: “Do You Think the Climate Change Affects You or Will Affect You in the Future?”

Source: developed by authors based on survey data

Of those who consider that climate change is already affecting them, or will affect them in the future, a high percentage indicated that they have suffered losses regarding the quantity and quality of crops due to high temperatures / droughts, and increasing incidence and severity of floods in gardens, orchards, and fields. Only a small percentage of the interviewed persons considered that measures can be taken to tackle the effects of climate change. This might underline, again, the insufficient information held by rural people concerning climate change. The high share of those who answered that they do not know if climate change can be mitigated through practical measures indicates the need to make this topic more widely known to the general public. The respondents mentioned businesses and industry, followed by local public administration, as being responsible for taking measures to tackle the effects of climate change.

Raising awareness on climate change and providing information to the population and to the decision-maker are important steps in the attempt of tackling climate change effects and adapting to climate change.

It is important to improve the access of vulnerable persons to the process of adopting measures and to the information on climate change. Also, the research in this area should be encouraged to be developed with the participation of various stakeholders, e.g. rural persons who are not yet aware of the impact of climate change.

There is a need for communication between the main actors involved in analysing climate change and the rural population. Understanding local perceptions and concerns will help the decision-maker to develop effective strategies for each rural location.

Some aspects resulting from this study are as follows:

- More education and awareness is needed for people in rural areas to understand the aspects related to climate change;
- A public awareness campaign on climate change should focus on causes, effects, adaptation, etc.;
- There is a need for widespread dissemination of information on climate change among rural population through various media channels;
- Awareness strategies should be innovative to reach various communities.

Conclusions

The added value of this paper is underlined by the use of a questionnaire about climate change in a survey developed in communities from rural Romania.

Climate change represents a threat to the environment, but also to the society and economy. The effects have been generated by the past and current lifestyle. Most of the economic activities, but also the daily behaviour of the individuals, contributed to this situation.

This paper analysed the results obtained by applying a questionnaire on the impact of climate change on rural households from Petrești commune, Dâmbovița County, Romania, in April 2018. It focused on how rural people relate to the climatic conditions with emphasis on the trend of major change in various aspects of the weather, sources used to find information on climate change, reliability level in the climate change information provided by various sources, the possibility to adopt measures to tackle the effects of climate change, and so on. The main conclusions of the research are:

- A high percent of respondents heard about climate change;
- Half of them perceived important changes in some aspects of the weather;
- Most of the information on climate change reached them via television;
- The highest confidence is in the information provided by specialists;
- A high proportion stated that they do not know if the changes in weather had or will have an influence on them;
- Of those already affected by climate change, a high ratio indicated a negative effect on the quantity and quality of crops, due to high temperatures / droughts, and increased incidence and severity of floods in gardens, orchards, and fields;

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- A small percentage considered that measures can be taken to tackle the effects of climate change;
- The respondents considered businesses and industry as being responsible for taking measures to tackle the effects of climate change.

It is important that future research should consider the use of the questionnaire in a wider survey undertaken at national level. The results that will be obtained will underline the real situation regarding the impact of climate change on rural households from Romania. Also, they will provide decision-makers relevant conclusions that can be used to develop effective measures to tackle the effects of climate change.

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WORKFORCE REGIONAL DISPARITIES FROM THE RURAL AREA IN ROMANIA

Mădălina Teodora ANDREI¹, Iuliana POP², Grațiela GHIC³

¹ *Spiru Haret University, 13 Ion Ghica street, Bucharest, Romania/National Agency for Natural Protected Areas, 151 Lacul Morii street, Bucharest, Romania, Email: madalina.teodora.andrei@gmail.com*

² *University of Economic Studies, 6 Piata Romana, Bucharest, Romania, Email: iuliana.pop@rei.ase.ro*

³ *“Dimitrie Cantemir” Christian University, 176 Splaiul Unirii Street, Bucharest, Romania, Email: grati.ela@alternativeit.ro*

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Abstract

The beginning of the third millennium has brought up in Romania significant changes as far as the demographic and economic phenomena in general, and the workforce from the rural area in particular. The demographic evolution in Romania is influenced by multiple factors, including economic, social and political ones.

This article aims at performing a quantitative analysis on the employment level and development trends of Romania’s rural area population at the regional level with a view of becoming competitive at the European level.

Keywords: *workforce; rural population; development region; labour force; employed; competitiveness.*

JEL Classification: J₁, J₂, J₆, Q₁, R₂

Introduction

Demographic analysis at the national or regional levels is of a particular importance, as the growth of the population or its reduction has repercussions on the workforce potential. In its turn, the latter has huge implications on the economic

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activities of the European Union (EU) Member States both at the national and EU levels.

Romania's population has recorded a significant decrease at the beginning of the third millennium, particularly in rural areas.

If until 1989 there was a migration push towards the city, after the December 1989 Romanian Revolution there was a comeback in rural areas triggered by the process of putting in possession of former nationalized properties or by the attractiveness of a more natural and peaceful living environment.

The systemic changes produced in rural areas after 1989 as far as propriety, activity sectors and workforce are concerned, have led to a significant mobility of the labour force, both towards cities and other foreign countries, particularly from the EU.

Romania's accession into EU in 2007 has opened new gateways for the Romanian labour force to access the European labour market.

From a geographic perspective, the labour force represents the population able to work, has theoretical and practical knowledge and skills which support its professional competence and integration capacity in the socio-economic activity [Erdeli et al., 1999].

From an economic perspective, the labour force represents the physical and intellectual potential of the people through which they produce material goods and useful services; it encompasses a quantitative element – the whole population able to work – and a qualitative one – the level of education and the skills of those able to work [Dobrotă et al., 1999].

Among the factors which explain why the workforce is unevenly distributed nationally one could cite the density of the population which presents differentiation from region to region according to the particularities of physical geography and economic geography, and the attractiveness of urban areas.

The analysis of the main demographic indicators offer also a relevant image of the socio-economic development level of a region, indicating at the same time their attractiveness level, both from to viewpoints of habitat and economic development perspectives.

The demographic indicators refer to the number and percentage of the rural population and their dynamics, bringing also information on the demographic dependence, demographic ageing and natural and migratory movements of the population.

In view of obtaining an objective picture of the workforce distribution, we have researched it at the regional level.

Although after 1989 Romania there was an attempt at reinstating the counties from the interwar period, this was not implemented, as the general European tendency was that of putting in place powerful administrative units, enjoying a large local autonomy. At present, Romania has 42 counties (including Bucharest municipality) and according to the Law for regional development of Romania from 1998, have been set up eight development regions, having no legal personality [Neguț, 2011]. They correspond to the NUTS II statistical level. These regions are characterized by a relative uniformity of their size and demographic potential, which confers viability to statistical data.

The labour force at the level of development regions presents an objective picture of a nation-wide reality. It should be dealt with according to the needs of each region and the medium- and long-term solutions for preserving the cultural, social and economic values of the Romanian rural environment.

Literature Review

The Romanian village has been the object of study for both geographers and sociologists. Among the Romanian geographers who devoted a particular attention to the study of rural geography one could cite V. Cucu (2000). He focused on the characteristics of human communities in rural areas in tight connection with the functional effects of the latter on the organizational forms. Geographical works related to population have been written also by Erdeli and Dumitrache (2001, 2009). They present new demographic approaches which led to new fields of study such as social demography, political demography or statistical demography.

A geographic approach on population and workforce one can find also in the work of Ungureanu, et al. (2002).

A sociological study which presents theoretical aspects of rural societies and the main social problems which confronts the Romanian village was performed by Bădescu, et al. (2011).

Several works on the workforce training in the rural areas from the Timiș County were written by Palicia and Palicia (2005).

Mihalache (2013) analyzes the level of employment and economic activities in rural areas, as well as Șerban and Juravle (2012) that focus on the level of employment and the quality of human resources in the Romanian rural environment.

Tudose (2005) tackled the occupational structure of the population from the Centre development region, focusing on the labour force and its perspectives.

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Characteristics of the Rural Space in Romania

The rural space has a special relevance for Romania, both in terms of size and function. The Romanian rural space represents 87.1 percent of Romania's area [MADR, 2013], and in this area live 9,124,490 inhabitants (as of the 1st of January 2016), representing 46.2 percent of Romania's population [România în cifre, 2017].

Against the background of negative natural increase and international migration balance, the rural area population has decreased in the last years. In comparison with 2013, in 2016 the rural population has diminished with 91,526 inhabitants [România în cifre, 2016]. By analyzing the permanent resident population by residence area, we notice that out of 22,214,995 inhabitants (as of the 1st of January 2016) 9,700,696 live in rural areas, which is more than the usual resident population [România în cifre, 2017]. In comparison with the usual resident population which presents a decreasing trend, the permanent resident population is relatively stable.

In rural areas there are 2,861 communes in total (as of the 1st of January 2016), the largest number of them, 1,669, having between 2,000 and 4,999 inhabitants [România în cifre, 2017].

The active population at the national level numbered 8,979,000 persons, out of which 4,017,000 in rural areas. Out of the whole active population at the national level were employed 8,449,000 persons, whereas in the rural areas were employed 3,765,000 persons. One can notice that in rural areas the number of unemployed is less than in urban areas, namely 252,000 persons as compared with 278,000 persons, but also the active and employed population is less in rural areas [România în cifre, 2017].

Up till 2002, the majority of the employed population was in rural areas. Starting 2003, the biggest part of the employed population resides in urban areas [România în cifre, 2017].

Vital statistics point to a decrease of Romania's population caused by a negative natural increase. The size of the younger population (0-14 years) is decreasing, whereas the size of the elder population (beyond 60 years) is increasing.

These trends will lead to an ageing population and a diminished labour force. This phenomenon is not entirely characteristic to rural areas, but it affects also cities. However, the effects are more visible in small rural communities, which remained populated especially by elder and poor persons which cannot afford a decent living. More often than not, families have among their members elder persons or are composed entirely by such persons, as the younger members of the family have migrated towards urban areas or foreign countries where development

opportunities secure them a higher standard of living. On the other hand, the traditional values related to family have decreased even in the Romanian villages as youngsters are motivated by career opportunities and living in cities.

The Analysis of Workforce at the Development Region Level

The territorial structure of Romania according to EUROSTAT's NUTS presents at the NUTS II level eight development regions in Romania. Within these development regions the rural population is not evenly distributed, as there are significant differentiations from the viewpoint of population's density. The majority of communes with less than 50 inhabitants/km² are in the Western part of the country, in comparison with the Eastern and Southern parts, where the values are higher, namely between 50 and 100 inhabitants/km², the average at the national level being 82.9 inhabitants/km² as of the 1st of January 2016 [România în cifre, 2017].

The eight development regions are:

- The North-West region, with Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu Mare and Sălaj counties;
- The Centre region, with Alba, Brașov, Covasna, Harghita, Mureș and Sibiu counties;
- The North-East region, with Bacău, Botoșani, Iași, Neamț, Suceava and Vaslui counties;
- The South-East region, with Brăila, Buzău, Constanța, Galați, Tulcea and Vrancea counties;
- The South-Muntenia region with Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova and Teleorman counties;
- The Bucharest-Ilfov region, with Ilfov county and Bucharest municipality;
- The South-West Oltenia region, with Dolj, Gorj, Mehedinți, Olt and Vâlcea counties;
- The West region, with Arad, Caraș-Severin, Hunedoara and Timiș counties.

Within these eight development regions, the most extended surface belongs to the North-East development region, with 36,849.83 km², followed by the South-East development region; the smallest surface belongs to the Bucharest-Ilfov development region, with 1,821.15 km². The differences among other development regions are not so high (Table 1).

Table 1. Total Area and Utilized Agricultural Area by Development Regions in Romania

Development regions	Total area (km ²)	Utilized agricultural areas (ha)
North-West	34,160.46	1,783,215.05
Centre	34,099.72	1,512,475.52
North-East	36,849.83	1,909,253.52
South-East	35,761.70	2,064,806.28
South Muntenia	34,452.99	2,114,708.76
Bucharest-Ilfov	1,821.15	64,277.05
South-West Oltenia	29,211.69	1,479,930.68
West	32,033.17	1,573,868.63

Source: *Ancheta structurală în agricultură 2016, volume 2*. București: Institutul Național de Statistică, 2017

As far as the rural population in the development regions is concerned, the highest number is registered in the North-East development region, with 3,924,954 inhabitants, followed by the South-Muntenia development region with 3,249,927 inhabitants. These large and populous development regions encompass lower altitude areas, which present favourable conditions of living (Table 2).

By no chance, these regions have also a large agricultural surface. The most extended agricultural surface within the eight development regions encompasses the southern and eastern parts of Romania, i.e. the South-Muntenia development region, with 2,114,708.76 ha, and the South-East development region, with 2,064,806.28 ha, whereas the North-East accounts for more than half of the total surface of the region, 1,909,253.52 ha (Table 1).

These regions cover mostly plain areas (the bulk of Romanian's Plain and Moldova's Plain), but also hilly areas propitious to agricultural activities [INS, 2017].

The South-Muntenia development region confronts itself with an advanced ageing process. In order to analyze the phenomenon of population ageing has been used the demographic ageing index, which represents the number of elder persons 65 (years and beyond) to 100 young persons (under 15 years) [Populația României după domiciliu, 2016]. At the region level the ageing index is 123, whereas in the rural area is even

higher, namely 132.7. With respect to gender, the female population has a 167 ageing index, in comparison with the male rural population, with a 100.5 ageing index.

Table 2. Total Population by Development Region, Sex and Area, on July 1, 2016

Development regions	Total population by development region	Rural population by development region		
		Total	Male	Female
North-West	2,832,637	1,296,608	648,269	648,339
Centre	2,632,384	1,055,031	531,462	523,569
North-East	3,924,954	2,159,657	1,098,295	1,061,362
South-East	2,863,758	1,270,171	639,273	630,898
South Muntenia	3,249,927	1,858,212	922,957	935,255
Bucharest-Ilfov	2,500,729	220,087	107,605	112,482
South-West Oltenia	2,198,718	1,104,974	553,283	551,691
West	2,011,888	735,956	366,266	369,690

Source: *Populația României pe localități*. București: Institutul Național de Statistică, 2016

Table 3. Demographic Ageing Index by Development Region, Sex and Rural Area

Development regions	Demographic ageing index by development regions	Demographic ageing index by total rural population and sex by development regions		
		Total	Male	Female
North-West	100.3	135.2	80	127
Centre	100.5	90.7	72.4	110
North-East	87.6	89.4	70.1	109.6
South-East	110	110.7	86.2	136.5
South Muntenia	123	132.7	100.5	167
Bucharest-Ilfov	113.8	87.1	66	109.6
South-West Oltenia	128.7	158	122	196
West	117.8	118.5	93.2	145.3

Source: Statistical data processed by authors by *Populația României pe localități*. București: Institutul Național de Statistică, 2016

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The most affected development region as far as the ageing index is concerned is the South-West Oltenia, where at the level of the region the value is 128.7, whereas in the rural areas, the ageing index is the highest, namely 158; in rural areas the ageing index of female population scores much higher, i.e. 196, in comparison with the male population, i.e. 122 (Table 3).

The demographic ageing index is correlating with the demographic dependency index, which refers to the ratio between the population defined as dependent (under 15 years and 65 years and beyond) and the population able to work (between 15 and 64 years) accounted for at 100 persons. Thus, one can notice that those development regions with an ageing population have also a higher ratio of demographic dependency, namely 46.3 for South-Muntenia development region, and for the rural regions even a higher one of 53.5 (Table 4).

Table 4. Demographic Dependency Index by Development Regions and Area

Development regions	Dependency index by development region	Dependency index by rural area by development region
North-West	43.6	50.3
Centre	44.4	50.2
North-East	44.6	50.8
South-East	43.3	50
South Muntenia	46.3	52.2
Bucharest-Ilfov	42	44.2
South-West Oltenia	44.2	53.5
West	42	46.7

Source: Statistical data processed by authors by *Populația României pe localități*.
București: Institutul Național de Statistică, 2016

In rural areas all development regions present higher values for these indexes as compared to those at the region level, and those regions with a higher percentage of rural population are heavily impacted by the above-mentioned situation.

Conclusions

The human resources represent a very important factor for each and every country, along with infrastructure and natural, technological and financial

resources. They provide the necessary workforce for economic development, at the same time being an important factor of competitiveness at the national level.

For a long time, the low-cost of labour in the rural areas of Romania represented an important source of competitive advantage. At present, the low-cost workforce does not represent anymore a competitive advantage for Romania. Therefore, the quality of training and acquiring new skills by the labour force are important factors for competitiveness.

A higher competitiveness implies building economic structures based on investments and research, development and innovation processes.

From the development viewpoint, rural areas are characterized by persistent structural deficiencies, such as: a high number of persons employed in agriculture; an ageing population process; a high number of subsistence holdings; a low added value of agricultural food products; a poor entrepreneurial spirit for developing economic activities; reduced access to credits; growing regional disparities; a high percentage of population exposed to poverty; and social exclusion.

Another important aspect for the labour force in rural areas is migration and its consequences. The elder migrants are substituting slowly the younger population in rural areas. The active rural population migrates towards urban areas in search of better workplaces and a more attractive living style.

International migration is also growing, involving especially the younger population who more often than not opt for temporary employment. Male migration seems to be higher than female migration. For the rural areas population which benefits from a rich natural and cultural rural environment, tourism represents an alternative to local economic activities. For tourists to become more interested in rural tourism, a diversification of the tourism offer is needed. Besides leisure, this could include training in rural crafts and agricultural practices, thus emphasizing the formative aspect of tourism. Within rural tourism, priority is to be given to agro-tourism and eco-tourism.

The regional competitiveness and labour force employment was one of the prioritized objectives of the EU cohesion policy throughout 2007-2013. It was financed by the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

In the current cycle between 2014 and 2020, the EU economic and social cohesion policy and the EU rural development policy have a common mission, namely to diversify the economic activities and to improve the quality of life in rural areas.

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ASPECTS CONCERNING THE COMPETITION OF BUSINESS OPERATORS IN THE CONTEMPORARY BUSINESS ENVIRONMENT

Roxana ȘTEFĂNESCU

*Spiru Haret University, Faculty of Legal, Economic and Administrative
Sciences, Brașov, Romania, Email: roxanstefanescu72@yahoo.com*

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Abstract

The competitive, ethical and legal attitude is a powerful element in increasing business development rhythm, but if it is guided towards the level of sublegal and the hits applied to competitors, then it turns into an anti-business, anti-development, anti-cohabitation, anti-productive environment.

The competitive, ethical and legal environment is beneficial for economic activity and social development.

Regardless of the form in which it takes place, business competition is complex in nature, including the development environment, resources, methods, contestants and competitors, directions, market shares, factors and locations.

Competitive complexity includes cultural factors, behaviours, promotional policies, regularities and morality, conjectures and recessions, personnel recruitment and picking up, distribution opportunities and facilities, complex and indispensable utilities, sharing human resources, energy, financial and material resources, policies of selection, cooperation, counteraction, annihilation or removal, procurement policies, dominance in areas or market shares, ingenuity, new products and services, investments and financial availability, capabilities of organization, of presentation, demonstration, of keeping the relations with the consumers.

Keywords: *competition; aggressiveness; rivalry; market; competitive environment; participants in the competitive environment.*

JEL Classification: M₁₀, M₁₆

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Introduction

Competition represents the fundamental characteristic of the business environment and materializes in the confrontation of the business operators on the market.

The competition is, therefore, a direct race, linked to the distribution of the market shares, whose aggressiveness is full growing.

Under the conditions of the business environment development, there is an intensification of the aggressive nature of the competition, in close connection with the possibilities of the competitors and their abilities of assimilation and processing of information: collection, storage, analysis, intuition, predictability capacity, precision, fairness and rapidity of decision making. [Ștefănescu, 2014a]

An important factor on which the aggressiveness of competition depends is given by the market share where it is carried out (dominant, with products of general interest, with strict necessity services, with state-of-the-art technologies, fashion products, with time conditioned interest products, seasonal or events related products), by the competitors' or contestants' images (professionalism, soundness, opportunity, quality of products and services, dominant position, etc.), by their behavioural characteristics (adaptability, flexibility, sincerity), the size and the speed of development of the businesses.

The contestants' rivalry can be of aggressive nature, with undermining and finding fault with each other, or can be beneficial in terms of their differentiation through quality, advertising, utility, warranty, opening, improvement, etc.

The intensity of market competition in the business environment depends on the number and power of the competitors, the level of costs and sales, the complementarity of products and services, recession, inflation or economic growth.

1. Structure of the Competitive Environment

Concerning the structure of the competitive environment, the following fundamental approaches are highlighted:

– The cooperative approach consists of a common activity to achieve objectives of mutual interest; within the cooperative approach, the main manifestation is represented by the cooperation based on the harmonization of capabilities, resources and actions.

– The competitive approach represents elements of competition and partition corresponding to mutually recognized capabilities and resources; competitiveness does not exclude either cooperation based on hierarchical values or the competition

based on principles and tactics analysis within teams to prepare for competitive confrontation.

– The contest approach is based on confrontation, legality and ethics, if it is business spirit oriented, or on direct confrontation and “bloody” exploitation of the elements of sub-domination, lack of solutions, time pressure, doing business with any consequence (last solution), weaknesses, revenge, sabotage, bankruptcy, market blows, or ignorance, if you seek to win at any price.

Among the competitors in the competitive environment, the closest to a cooperative attitude are allies, common interest groups, intermediaries, as well as representative offices of the authorities that pursue social, equilibrium or environmental goals.

The competitive approach is usually established between the organizations that have been doing business for a long time, between privileged suppliers and distributors, between shareholders who have shared fields or areas of influence. The competition does not put a brake to the rhythm of businesses, but gives them some stability and security. Competitors rely on each other against unfair competition and associate in organizations or interest groups to defend or give them a certain power of representation. Technological, quality, opportunity, and efficiency competition is beneficial and is part of an emulation for the competitor, beneficiary, and business environment. [Ștefănescu, 2014b]

We will further use, in the above-shown meaning, the wording competitive business environment.

Concerning the relation between competitors and products, competition may be:

- Direct, on the same types of products and market shares, including organizations offering the same kind of products and services; however, direct competition includes also aspects related to quality, price, distribution, service, facilities of use and purchase, maintenance, development, improvement, etc.;
- Indirect, developed in the same utilities market share, including organizations offering variants of products, but also surrogates, counterfeits, etc.; indirect competition, seemingly less conflictual, is particularly fierce, being carried out without agreement, sharing or cohabitation.

A special place in the relation between the competitors is the business in the virtual environment, which is regarded as a third category virtual competition. However, considering that this type of competition differs from the others by the nature of the business environment and by the negotiation and purchase space only, we consider that it does not change relations, attitudes and competitors and therefore cannot be included as a separate entity.

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The Market represents the environment in which competition takes place, not only for products and customers, but also for technologies, strategies, policies, actions, in other words the cultural framework of the business.

The Resources represent particularly active elements of competition and include personnel, finances, energy, matters and materials.

The Competitors encompass the full range of business actors, both active and passive.

The directions of the competition are considered to be defining in the structure of the market, hence the business environment, and in its division per contestants, competitors and consumers. The directions represent both specialization elements and direct or indirect action areas.

The Factors that influence the market are defining in the behaviour and orientation of competitors and may be favouring or disadvantaging it.

The segments represent competition environments that may be differentiated according to zonal or global nature, but also according to types of products and services or to competitive environment (real or virtual).

In a competitive environment, the threats are grouped into segments (crises, domination, recession, unfair competition, market saturation, lack of utilities, etc.), while vulnerabilities depend on poor organization, inefficient management, inability, conservatism, over-reliance, bad placements, unfair relations, harmful contracts, unexploited facilities, no technology, lack of information, informational suffocation, poor information processing, low quality, negative behaviours, untrained and uninterested personnel, etc.

2. Aspects concerning the types of behaviour of the market players within the competitive environment

Alongside the uncertainties that govern the competitive environment (utilities, costs, resources, decisions, transactions, values, profits, etc.), the uncertainty of the behaviour of market players must be highlighted.

Every business is characterized by an accentuated uncertainty and, as such, the training of the players must be appropriate. The objective, the resources, the strategy, the business plan, the team and the type of behaviour are elements that cannot be left to chance.

The idea of dealing with opportunistic type of business is not only detrimental, but it represents a vulnerability, often insuperable for the organization.

Analyzed in terms of the ratio of their size given by the turnover, profit, personnel, production, number of locations, areas of action, importance of the products and services, etc. and the market share they hold [Petrova, 2015], the competitors in the business environment may be grouped into four categories:

– The new entrants are small organizations, with small market shares that either have just entered the market or have a singular place on the market for a small group of products or services; these new entrants to the market can be particularly active in the meaning that they can impose high-yielding technologies, products and services with surprise utilities, highly skilled personnel, special methods of management, bidding, purchasing or presenting, or rapidly operating breaks between segments, of misunderstandings between the competitors or contestants; they may also practice low pricing or intimidation policies; the tendency of new entrants is to become conservative but, depending on strategies and successes, they may disappear or may transform in vulnerabilities, aggressors or conservatives.

– The organizations with vulnerabilities are small organizations which, by various methods, have been imposed on the market and gained an appreciable share; if they do not solve the problem of resources and consumer relations, they may quickly disappear through bankruptcy or absorption, or they may be transformed, due to the accumulation of resources, into conservatives.

– The firms with aggressive behaviour are large organizations which, although they have resources and represent a strong economic force, have a small market share either due to a fall, for various external or internal reasons, or are in times of expansion and they are looking for market; in both cases, these organizations have aggressive, conflictual behaviour, seeking to escape or penetrate the market at all costs; however, the aggressive behaviour of these organizations may be of a shorter or longer duration, depending on their tendency to turn into conservatives or firms with vulnerabilities.

– The conservative firms are large organizations with significant market shares; the name of conservatives is not appropriate for the behaviour, but only for the position, these organizations leading an active policy to preserve or improve their place and market share; the domination of these organizations is materialized by high-yielding technologies, a good organizing, they have experience, resources, financial standing, reputation, are market leaders, have products, services or utilities, well-developed sales networks and ensure great facilities for customers and collaborator; the position of conservatives, rather of seniors, is obtained hard and is kept even harder.

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The new contestants and competitors are of particular importance in keeping the market rhythm, while conservatives contribute, especially, to maintaining stability. If the remaining of the conservatives depends mainly on their behaviour, adaptability and flexibility, the penetration of new competitors is also conditioned by entry barriers aimed at:

- The economic size of production and sales over which profit can be achieved;
- Differentiating the quality or utility of new products and services;
- The minimum capital necessary to enter into business on the market;
- The cost of change and integration;
- The cost of learning and adaptation;
- The cost of communication channels.

The player-environment relation is a variable that must be managed in such a way as to have a good influence on the relations of the competition, identifying the opportunities, but also the threats and vulnerabilities of the respective organization. The evaluation criteria that can be used to manage the relationship are:

- The threats of the business environment that may influence the performance of the organization and the stability of their weight in the relation.
- The performance of the organization, which may create the benefits of dominating the contestants and stimulating the competitors.
- The vulnerabilities of the organization in the competitive relation and the possibilities of counteracting the threats and reducing the vulnerabilities.
- Determining the rationally assumed risk in the business, globally and in the directions of action.

Depending on the conclusions of the analysis of these assessment criteria, the organization needs to reformulate or adapt concerning:

- Increasing market share;
- Improving the quality of products and services;
- Improving the image;
- Efficiency of management and actions;
- Improving the collection and processing of information about competitors;
- Modelling and simulating future businesses;
- Training the negotiation teams;
- Improving maintenance, perfecting and opening capabilities.

3. Elements determining the influence of the competitive behaviour

In the business environment – competitive environment – there are two groups of factors that decisively influence the competitive behaviour:

- Those who watch the competitive climate;
- The competitive construction.

❖ The competitive climate represents those elements of the business environment that contribute to the determination of the competitors' behaviour in business. The climate refers to the general way of perceiving competitive relations, market manifestations, and the opportunities for players to negotiate and conclude businesses.

Among the elements that influence the competitive environment, we only highlight the following:

- ✓ The legal business environment represented by the laws, norms, decisions, standards, codes, traditions and morality of the environment;
- ✓ The size of the market and its orientation on strategic directions or those targeting profit;
- ✓ Market evolution trends and business profitability, dependent on mature or insufficiently organized structures, new groups of producers, traders and consumers, competitive adaptability, their aggressive, penetrating or cooperative behaviour, trends of increase or decrease profitability;
- ✓ The fields of cooperation, production, compensation, of substituting lack of products and services, relocation to other segments or market directions.

In assessing the importance of the competitive climate in the behaviour of the organizations, account must be taken of the fact that all organizations are functionally integrated subsystems in the business environment, and under these circumstances the relations between the organizations and the environment are extremely important. All these links contribute decisively to the establishment of business strategies of organizations and thus their behaviour in the environment, both generally and specifically [Ștefănescu, 2014a].

An important component for an organization, its relations with the environment, is the organization's dependence of resources. Depending on the trend of information and resources, and especially the correlation between them, the organization needs to shape its behaviour according to strategies of making more efficient the business actions, equal at least to the dynamics of the business environment or to change its strategy and hence its behaviour based on informational and resource constraints.

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Depending on the potential and organizational capabilities, the organizations need to act fast to change and adapt their behavioural strategies, but also to modify the environment so as to favour their step to make the business more efficient.

The active behaviour is often accompanied by success, while the expectant or non-stimulating behaviour in the environment economy is particularly damaging and may turn into an acute vulnerability of the organization.

❖ The competitive construction represents the way of structuring, with the idea of favouring the competition of both the business environment and of the organizations as its subsystems. The competitive construction may be a natural result of the competition in the business environment, but also a consequence of a strategy that aims to increasing market share and make business more efficient.

The competitive construction aims at [Ștefănescu, 2014b]:

- ✓ Organizing market shares and organizations so as to favour value exchanges;
- ✓ The price mechanism corresponding to the value of the products and services that are the subject of business;
- ✓ The legitimacy favouring moral behaviour in business;
- ✓ The security of the values that are the subject of business;
- ✓ The mobility in business objectives and methods;
- ✓ The motivation oriented towards achieving the objectives;
- ✓ Adapting to the new requirements;
- ✓ The correctness of the correlation of the business objectives with the objectives of the organizations.

Organizing the business environment must be directed towards meeting the needs of clients (consumers) and ensuring the supply, production and distribution conditions for suppliers (producers). A flexible construction of the business environment ensures both the satisfaction of clients' needs, and also the cultivation of their interests, satisfaction, advantageous value exchanges, increasing the utility of products and services launched on the market. The precise and efficient organizing favours a civilized behaviour based on respect for values and competitors.

The achievement of business objectives is also given by the circulation of information, the substantiation of decisions and the opportunity to apply them, which represent important components of the organizational management.

“The most of the management decisions are taken under the influence of external and internal environmental constraints. As the environment is constantly changing and the information is not always complete and available, management decisions can be made in certain, uncertain and risky conditions” [Negulescu, 2014].

The organizational structures appropriately established ensure elaborating and implementing strategies based on environmental, relational and correlational assessments, objectification of actions and evaluation of own successes.

An efficient organization must take into account the performance of functional relations, the correct use of resources and the legal framework for stock exchanges.

The price mechanism plays an important role in business, both in organizing area and in their objectivising, as well as in the correct evaluation of the values transacted. The price mechanism must be particularly flexible and include the full range of payment methods and facilities (classic, electronic, discounts, rebates, promotional prices, bonuses, etc.).

The legitimacy favouring the moral behaviour in business must ensure respect for the values and of all competitors and traders and to remove the tendencies to favour unfair conjectures, monopoly and conflictual aggression, unrealistic prices, of promoting surrogates, counterfeit products and services, or party behaviour.

The mobility of business goals and methods of carrying out the business represent an important quality of a mature organization with rational experience and behaviour. Isolation or freezing of methodologies represents a major organizing vulnerability and the consequence of narrow thinking such as “let it go as it went.” At the same time, change for the sake of change may be a behavioural failure. Experience has to be cultivated, valued and used, but adapted and shaped according to the specificities of each business. No strategy or business plan guarantees success if they are not tailored and up-to-date according to the concrete development of the business. Consequently, much less a strategy or an old plan may be successfully used.

The elements that fundamentally determine the mobility are environmental changes (legislative, organizational, relational, competitive, etc.), conditions for selling or purchasing products and services, ways and timings of payment, negotiation, utilities and opportunities.

A common element of the two sets of factors is represented by ethics or morality of business. Max Weber shows that economic interests and moral norms coincide and govern human activity.

Ethics and professional activity are the fruit of a vocation that urges to a similar action to what you want from a partner. The respect for business must be based on the recognition of the value of the competitor and of the rational.

The relation between morality and market economy depends on political organizing, territorial administration, structure and objectives of the other organizations, business culture and legality.

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Essentially, morals represent the application of principles and skills to facts of life under the observance of good, duty, responsibility, dignity, and equality of chances. Egoism, licit earning, corruption, dishonesty, deception, breach of the given word, disrespect are immoral categories which existence in business cancels the essence – the exchange of values.

Another aspect that has to be considered is “the conflict of interests: situation of incompatibility in which a person is having a personal interest that influences the impartiality and the objectivity of its activities in evaluation, monitoring, realisation and reporting the research and development activities” [Negulescu & Doval, 2012].

The ethical value of the business must be recorded through normative and deontology provisions, based on the mutual respect of competitors (business partners) and the values traded and obtained.

Conclusions

It is very important for the organizations, during the period of establishing the objectives, to use in depth studies and scientific analyzes of the products and services they place on the market. On this basis, strategic options and required resources will be identified as main vectors in achieving the goals, identifying the strengths – opportunities – and the weaknesses – vulnerabilities. However, the complexity of the international environment may be confronted by implementing the best suitable organizational change strategies and by continuous adaptation to changing of the complex global environment [Doval, 2016].

In the confrontation between the competition players, each of them will act specifically depending on their own interests, resources and capabilities, trying to attract as much as possible of the profit of the market and to harmonize their interests in supplying products and services at the lowest prices, with the most significant results.

It is also very important that after every successful business or not, the organization should analyze its strategy, plan, actions, results and methods of achieving goals over all horizons of time (long, medium or immediate) [Petrova & Nichev, 2012].

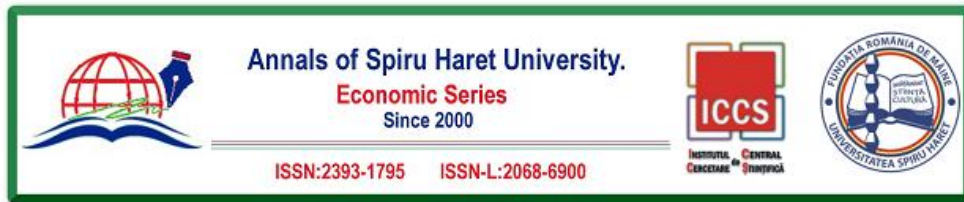
A particular problem of the competition and contest climate is the relation between buyers (consumers) and suppliers (producers). This relation must maintain a procedural equilibrium and to be carried out in a safe climate.

The relation is balanced if stability between demand and offer, utility and quality, preferences and diversity is ensured, and it is unbalanced towards the buyers if the offer is higher and the utility and adaptability are lower or towards the

suppliers, if technology is high and profitable, quality, diversity and adaptability of products and services are special.

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THE IMPACT OF DEFLATION ON FISCAL AGGREGATES

Adina TRANDAFIR¹, Octav NEGURIȚĂ², Claudia GUNI³
^{1, 2, 3} *Spiru Haret University, Faculty of Law and Economics, 32-34 Unirii
Street, Constanta, Romania, Tel.: +40241545015,
Email: trandafir.adina@yahoo.co.uk, octav.negurita@spiruharet.ro,
claudia.borsan@spiruharet.ro*

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Abstract

This article addresses the phenomenon of deflation from a historical perspective, a phenomenon rarely encountered in our days. Deflation is generally defined as the fall in the aggregate level of the consumer price index, respectively, the reverse inflationary phenomenon. The article also presents, in addition to experiences in different countries in times when deflation has been more pronounced and longer, and the effects it may have on public finance aggregates. The paper analyses the literature of all time that deals with the subject, as well as a presentation of the empirical data recorded, and an econometric analysis wishing to highlight the impact that the aggregate index of prices may have on public debt, using data recorded in Romania during 2000-2017.

Keywords: *deflation; consumer price index; fiscal aggregates.*

JEL Classification: E₆₀

Introduction

The behaviour of aggregate price movements has often been at the centre of policy decisions and economic research. Research over the last decades has been largely focused on inflation, not deflation, for obvious reasons.

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Some countries have had relatively recent deflationary experiences, especially Japan, which has real concerns about this. In Japan, the apparently rooted nature of deflation and its association with slow economic activity generated parallel to the Great Recession. At the same time, deflation – defined here only as a decrease in the aggregate level of prices of goods and services currently produced – has so far been largely limited to parts of Asia.

Deflation is defined as a sustained decrease of aggregate measure of prices, such as the consumer price index or the GDP deflator [IMF, 2003].

One or two quarters of price declines would not be worrying; it could not be deflagration from a technical point of view. However, even a slight but continuous deflation could be a cause for concern as it could increase economic uncertainties, distort resource allocation, have distributional consequences, and lead to growth performance below expected levels. This definition excludes that deflation may also represent changes in relative prices. In any economy, there will always be sectors where prices fall in relative or even absolute terms. This reflects the normal functioning of the market mechanism, whereby changes in sectoral prices play a central role in the allocation of resources.

The fear of deflation is generally based on the belief that it is associated with the recession [Stern, 2003], reflecting developments in the 1930s when the combination of deflation and economic contraction triggered the deflation of debt.

Deflation Experiences

Deflation is a rarely encountered phenomenon nowadays.

Before the onset of deflation in Japan since the mid-1990s, there were few episodes of sustained deflation, long the post-war period of the Second World War in major economies. Developed countries such as Canada, Norway and Sweden experienced small and short-lasting decreases in consumer prices in the late 1980s, and private consumption deflator decreased in Germany in 1986 (mainly due to a supply shock) and in Japan in 1988. Several Scandinavian countries have experienced a decline in asset prices, a sharp drop in production and a severe banking sector crisis in the late 1980s and early 1990s. However, these phenomena were generally not accompanied by a fall in aggregate prices. A number of emerging markets and developing countries have also experienced declines in prices by the mid-1990s. But declines were generally short-lived, reflecting natural disasters or severe declines in trade, exports of goods (CFA countries have experienced similar price shocks: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger,

Senegal, Togo). However, as mentioned above, the frequency of falling prices in both industrial and emerging countries has clearly increased over time.

In order to assess the periods of marked and sustained price declines, it is therefore necessary to take into account the pre-World War II period. In the following, two periods will be presented: industrial countries' experience in the last quarter of the 19th century, when mild, but persistent deflation in the first half of the period was followed by inflation in the second half of the year; and secondly, the experience of the United States, Japan and Sweden in the 1930s, when severe deflation lasted for a shorter period, but was accompanied by very serious consequences. Recent experience in Japan has shown that mild deflation has been accompanied by stagnation in production, and China's very different experience has shown us that less persistent deflation has been accompanied by increased production.

An analysis of historical episodes lead to three main conclusions: first, deflation and deflationary expectations can occur surprisingly fast; second, deflation can impose serious economic costs, unless it mainly reflects positive supply shocks; and thirdly, determined and vigorous policies can make a crucial difference in effective and relatively rapid deflation [Bayoumi & Collyns, 1999].

The Deflation Experience of the Nineteenth Century

From a broader historical perspective, secular increases in the aggregate price level are a phenomenon that characterizes the second half of the twentieth century.

For much of the recorded history, prices have risen due to supply shocks, including military conflicts or agricultural losses, but by ignoring these factors, prices have been as large as declines: there have been few episodes of sustained inflation. Throughout the 19th century, there has been a sharp fall in the aggregate consumer price index in several major economies. In the United States, the index, in 1900, was about half of its value since 1800; in the United Kingdom, it was one-third smaller. Taking into account an even longer period, the aggregate price level in the United Kingdom and the United States was virtually the same in 1900 as in 1700.

Prices dropped largely due to the constraints imposed by the gold standard in an environment where there was a significant excessive demand for gold. The increase in demand for money was driven by technological change and population growth. At the same time, the supply of gold was largely fixed. The constraints imposed by the limited gold offer partly manifested in deflationary episodes and relatively weak growth: despite the extraordinary technological revolution, annual real GDP growth

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per capita was over 1½ percent annually throughout the century; in U.K. was just under 1%.

Although there are several opinions on the exact effects of deflation, especially in the last quarter of the 19th century, there is a broad consensus on the following issues:

- Deflation periods were generally associated with significant social and political disruption; there have been increases in debt and bankruptcy;
- There was a significant volatility in output growth, with deflationary periods being marked by frequent financial crises;
- Inflation periods, such as the last decade of the nineteenth century, were generally higher than the deflation periods sustained in the 1870s and early 1880s [Lindert & Williamson, 1985; Frieden, 1993; Bordo & Redish, 2003].

However, GDP growth was positive over the period of deflation. There are two main explanations for this:

1. *Firstly*, downward periods have occurred in times of relatively favourable supply shocks. These included major episodes of disseminating new technologies, including the spread of railways and electrification.
2. *Secondly*, prices have not fallen too much to drive the expectations of a deflationary spiral becoming rooted. This assumption is supported by the long-term interest rate behaviour that has not fallen during deflationary episodes. In addition, financial intermediation played a less important role in the nineteenth century, and nominal rigidities were probably less rooted than at present [Bordo *et al.*, 2000].

Deflation in the Twentieth Century

Deflation in the late 1920s and early 1930s was qualitatively and quantitatively different from the nineteenth century. In the United States, the consumer price index (and GDP deflator) declined by 24 percent between August 1929 and March 1933, after it was virtually constant from 1921 to 1929. This decline was accompanied by a decline in real GDP of almost 30%. Similar price declines took place in other countries; from 1929 to 1933, prices fell by 25% in Japan and by 20% in Sweden.

Unlike the nineteenth century, a collapse of aggregate demand and credit channels, along with political mistakes, led to deflation from the late 1920s and early 1930s. There is a broad consensus that monetary factors have played a crucial role both in the onset and prolongation of deflation and in the Great Recession. Ohanian (2017) shows that the initial decline in August 1929 and the length and severity of

the Great Depression were due to a restrictive monetary policy that led to a drastic decline in money supply. Bernanke (1995) highlighted the disruption of banking intermediation and Eichengreen (1995) showed the impact of international financial activities. These factors are now generally considered to be more important than the stock market collapse, for example, for the role they played in the Great Depression. In addition to the two above factors, the uneven distribution of income and wealth has also been seen as an important factor.

Arellano and Bai (2017) emphasize that there is a broad consensus that the recession was caused by an exogenous global contraction, mainly driven by the United States and transmitted abroad through a combination of political errors and technical deficiencies in the interwar golden standard. This conclusion is also supported by the clear divergence of economic performance between countries that have abandoned the gold standard at the beginning of the recession and those who have kept it.

In the United States, regarding the Federal Reserve two political mistakes have been made. First, the initial collapse of prices and demand was considered “necessary” to correct the excess of the 1920s [Guimaraes, Machado and Ribeiro, 2016]. The collapse was seen as a result of non-monetary forces – including the creation of surplus capacity in the late 1920s – and beyond the influence of monetary policy. The high number of bank failures since the 1930s was the result of poor management and lending for speculative shares and land transactions. Secondly, it tried to maintain the gold standard. While the Federal Reserve fell, he did not pay attention to the money supply. The discount rate dropped from 6% at the beginning of 1930 to 0.5% in the first part of 1931. The update rate was temporarily high in response to the British abandonment of the gold standard in September 1931. However, bank lending has stopped practically, and with the high deflation rate, real interest rates have risen sharply. The golden standard was maintained until 1933.

Sweden and, to a certain extent, Japan offers examples of decision-makers who have been able to prevent deflationary forces through strong actions. Sweden experienced a similar deflation, albeit slightly more pronounced, than that of the United States in the late 1920s. Consumer prices have gradually diminished, and wholesale prices have risen sharply since the end of 1928, because the golden standard has sent deflationary pressure to Sweden. Industrial output declined by 21% in 1929-1931, compared with a 46% drop in the United States. At the end of 1931, Sweden left the gold standard, the Swedish central bank explicitly adopted a price

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target and implemented a policy that included open market operations to achieve this goal. Abandoning the gold standard has been a huge increase in confidence and a signal that the government has not been prepared to allow continued deflation. This has been underpinned by the price level targeting framework that underlines the government’s decision to end disaggregation.

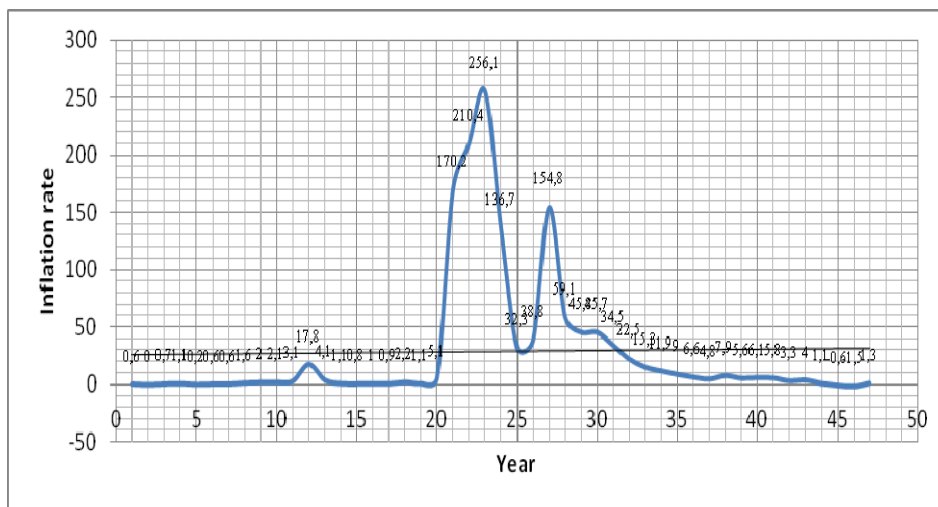


Fig. 1. Evolution of Inflation Rate in Romania, 1971-2017
 Source: <http://www.insse.ro/cms/ro/content/ipc-serii-de-date>

Japan also managed to stop deflation by adopting strong measures. It temporarily returned to the gold standard in 1929, but between 1930 and 1931 there was a sharp decline in Japanese exports, which led to a fall in production and rapid deflation. Wholesale prices dropped by about 30% in 1930-1931. The gold standard was abandoned in December 1931, followed by a depreciation of the exchange rate, a marked relaxation of monetary policy and large-scale public spending. The Bank of Japan has subscribed a substantial portion of the government bond issue. These measures led to a sudden return of Japanese domestic demand and the end of deflation; wholesale prices increased substantially over the 1932-1933 period. However, in the absence of a clear price-steering commitment to Sweden, and the

rapid rise in government spending and the monetization of war-induced deficits, inflation accelerated considerably in the second half of the 1930s.

The Romanian Experience

Although Romania does not necessarily have a deflation experience, in this subchapter it will be presented the evolution of the rate of inflation in our country during 1971-2017. There have been periods (see Figure 1) in the 47 years analysed, where the inflation rate in our country was very low or even zero (1971-1981, 1984-1989, and 2012-2014).

A short deflationary episode, as this phenomenon understood as a fall in consumer prices, was between 2015 (-0.6%) and 2016 (-1.5%) as a result of the reduction, in the summer of 2015, of VAT on food, which led to a 7% fall in consumer prices.

In Romania we can speak of an experience of inflation, especially since 1989, when they recorded high inflation rate (170.2% in 1991, 210.4% in 1992, 256.1% in 1993 136.7% in 1994 and 154.8% in 1997).

The Deflation Impact

Public finance is vulnerable to deflation. The effect of deflation on debt rates has been described since the 1930s by Fisher (1933). In addition, deflation can affect primary balances through its impact on revenue and expenditure.

The Impact of Deflation on the Public Budget

During deflationary periods, the primary balance is affected by the magnitude and speed of revenue and expenditure adjustment.

I. Effects of Deflation on Public Revenues

The net impact of deflation on public revenues is affected by a variety of factors. An immediate impact is the loss of seigniorage revenue, which is the real revenue that governments gain through the use of new money to buy non-monetary and monetary assets.

Under a monetary system without any monetary policy action, seigniorage income is equivalent to a tax on inflation, given by the product of the inflation rate and the real monetary balance. In principle, deflation reduces seigniorage for a certain level of the real monetary balance – thus generating a deflation subsidy. However, if deflation leads to an increase in holdings in real money balances, the actual tax base will increase, which will lead to a possible increase in seigniorage

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revenues. Some studies suggest that potential seigniorage earnings are limited in today's advanced economies, because monetary aggregate (M1) is relatively lower than GDP. Simulations made by Akitoby et al. (2014) for G7 countries indicates that an additional inflation point would account for about 0.12% of annual GDP for additional seigniorage. This effect is considered to have been much higher in the past, before financial innovations, when there was no such difference between broad money and money in circulation or base money.

Under a completely proportional tax system, deflation would have no impact on the ratio between revenue and GDP: each component of GDP would be similarly taxed and both nominal revenues and GDP would react in similar proportions, leaving the report unchanged. However, the composition of the price shock counts because tax bases may differ in both nominal and real terms. For example, an oil price shock will have a greater effect on private consumption prices than on GDP deflators. However, in real life, because tax systems always include distorting features, there are reasons to believe that revenue rates will be affected by deflation.

Certain factors tend to reduce revenue weights in GDP during deflation periods. Firstly, the progressive nature of the tax system counts. In a progressive system, when tax thresholds are not perfectly indexed to inflation, deflation will tend to reduce revenue ratios by moving certain taxpayers to smaller tax cuts / limits, which will lead to lower revenue collection; and vice versa, in a regressive system. Second, the weights of GDP revenue will tend to suffer due to deflation if tax exemptions are widespread. Such exemptions are often set in nominal terms, and related costs increase when prices fall.

Other factors tend to increase the share of revenue in GDP during deflationary periods. First, some revenue components, such as excise duties and non-tax revenues, are by nature more inelastic than price and income taxes. Their inertia in deflation tends to increase revenue as a percentage of GDP (for example, transfers or interest payments received are often predetermined). Secondly, deflation can have effects on tax bases through behavioural effects. During deflation, consumption tends to move towards bigger goods, partly because prices are adjusting faster than revenue. Because these goods tend to be more taxed, and this will help the increase of revenues. It has been found, for example, that tax revenues in the early 1930s remained relatively high in several European countries, as consumption was more resilient, while investment fell sharply. For example, the case of France described in Sauvy (1965). Similarly, if consumer prices fall faster than GDP deflator, then the

revenue share will increase. Finally, the central bank's actions against prolonged deflationary pressures, in the form of quantitative easing policies, can generate income from seigniorage.

The above effects could be mitigated if the tax thresholds were indexed. Under a full indexing mechanism, during the deflation period, provisions are automatically adjusted to lower levels – including minimum income tax – in order to maintain constant the fiscal pressure. Policy makers may prevent indexation from falling during deflation periods. From a political point of view, it is difficult to raise nominal taxes, given the traditional currency illusion that prevails in such circumstances [Fuhrer & Tootell, 2003]. Even with indexing, any waiting error tends to be positively correlated with tax revenue. The net effect of these indexing mechanisms will be similar to that described in a non-distortion system, income-GDP ratios immune to deflation.

II. *Effects of deflation on public expenditures*

Generally, public spending tends to be more sensitive to deflation than revenue collection because of nominal rigidity in the design of some of its components. It can be politically difficult to reduce wages and social transfers when prices fall. As a result, during deflationary periods, the freezing of nominal expenditure may be the only feasible option, which leads to an increase in the share of expenditure in GDP [Aguilar and Amador, 2016]. This is particularly true for social insurance (pensions and other benefits) and wages. Although public wages are generally indexed to official inflation expectations, there is likely to be a downward rigidity due to political economy considerations. In Japan, for example, indexation mechanisms, which otherwise would have triggered nominal discounts for some social spending, were suspended for several years during the deflationary period.

Contractual arrangements, such as multiannual agreements and price index provisions, may also delay the transmission of deflation to capital expenditure [Huang, Meng and Xue, 2017; Dupor and Guerrero, 2017]. Price indexation mechanisms are generally provided only in long-term contracts such as leasing contracts. This feature may also apply to certain recurring expenses if specified in multiannual contracts (maintenance, outsourcing, etc.). In these cases, price adjustments will be limited to new and renewed contracts and will take some time to be fully reflected in tax aggregates.

Finally, designing budgets or fiscal rules might delay response to an unexpected shock of deflation. Since budgets are usually prepared and executed in nominal

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terms, it may be difficult to adjust the lines of expenditure to unexpected deviations from budget forecasts in a given fiscal year.

The Impact of Deflation on Public Debt

Deflation has a negative impact on debt ratios, if not fully anticipated in the nominal interest rates. This effect works through the initial stock of debt and the combined effect of the real interest rate and the primary balance [Hsing, 2017]. First, for any stored debt and real growth rates, deflation mechanically increases the debt-to-GDP ratio: it reduces nominal GDP, pushing the ratio upwards. Secondly, the primary balance may unexpectedly deteriorate in a deflationary environment, which would lead to a further increase in debt [Nicolas End et al., 2015]. Third, for any given nominal interest rate and for real growth rates, deflation raises the real value of the interest rate. If the interest rate is not flexible or deflation is not anticipated, the nominal rates do not adjust immediately to absorb the shock. Under Fisher's law, interest rates would remain constant in real terms.

In general, interest payments are largely based on contractual interest rates, which are largely fixed and do not adapt to short-term domestic prices. The impact of this channel depends on the maturity structure and monetary denomination of sovereign debt, as well as the share of indexed bonds in the total debt ratio [according to Akitoby et al., 2014].

These mechanisms can be summed up in the dynamic debt equation, which correlates the year-to-year evolution of the debt to GDP ratio on the existing debt stock, by the impact of nominal interest rates, inflation and output growth on the primary balance, and any stock-flow adjustments.

In order to highlight the impact of the deflation, or more correctly, of the consumer price index on public debt, the effect that the aggregate price index has on the total public debt in Romania in 2000-2017 will be analysed below. I would like to point out how this indicator can influence the public debt, because in Romania, during this period, one cannot speak of an accentuated deflationary phenomenon even with the short experience of 2015-2016.

In order to highlight the impact of consumer price index on the public debt, we used an econometric study with a linear regression equation of the form:

$$Y = \alpha + \beta * X,$$

where: Y is the dependent variable; X is an independent variable; α , β are the regression equation parameters.

In this case, we considered the total public debt as dependent variables, and as an independent variable, the consumer price index in 2000-2017. This equation has to show the influence of consumer price index on public debt in Romania.

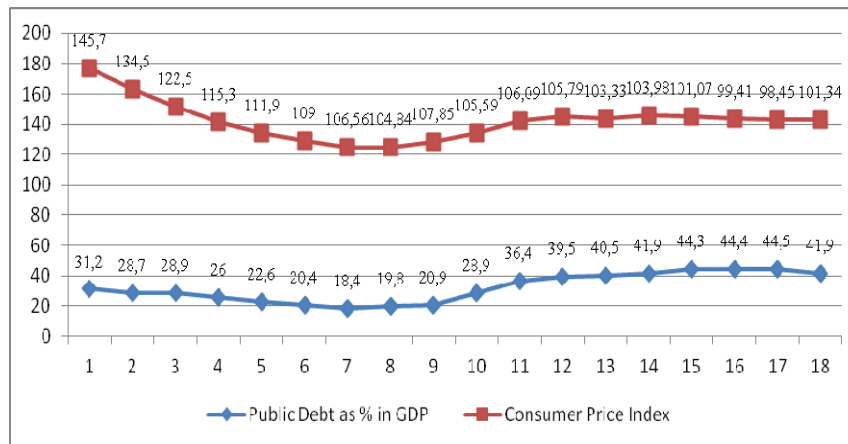


Fig. 2. Evolution of Total Public Debt (PD) as Share of GDP and Consumer Price Index in Romania (PI) (2000-2017)

Source: Own processing of data available on: <http://www.insse.ro>

Romania’s public debt, as it can be seen in the figure above, has exceeded 40% of GDP since 2012. The maximum was reached in 2014 (44.3%), 2015 (44.4%) and 2016 (44.5%). For 2017, public debt is 41.9% of GDP. The aggregate price index decreased during the 2000-2007 period, from 145.7% to 104.84% and then fluctuated.

The equation considered is:

$$PD = \alpha + \beta * PI,$$

where: PD is the total public debt, the dependent variable; PI is the price index, the independent variable; α , β are the regression equation parameters.

Following econometric calculations, the following results were obtained:

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Table 1. The Regression Equation between Public Debt (PD) and Price Index (PI)

Dependent Variable: PD				
Method: Least Squares				
Sample: 2000 2017				
Included observations: 18				
PD=C(1)+C(2)*PI				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	60.38721	20.02301	3.015890	0.0082
C(2)	-0.256036	0.180646	-1.417335	0.1756
R-squared	0.111547	Mean dependent var	32.17778	
Adjusted R-squared	0.056019	S.D. dependent var	9.552613	
S.E. of regression	9.281193	Akaike info criterion	7.398296	
Sum squared resid	1378.249	Schwarz criterion	7.497227	
Log likelihood	-64.58467	Durbin-Watson stat	0.166216	

Source: Own processing of data available www.insse.ro

Using the least squares method in EViews, the following regression equation was obtained:

$$PD = 60.38 - 0.256*PI$$

According to this equation to a change in price index by 1%, public debt will change in the opposite direction with 0.256 percent as a share of GDP. The coefficient of determination for regression (R-squared) signifies the fact that 11.15% of the variation in the public debt is explained by the modification of the price index.

For a better accuracy of this study and to show the influence of deflation on public debt, a separation between the value of the public debt annuity and the value of the interest rate is required. This is due to the fact that the price index influences this latter indicator.

Conclusions

This article aims to address the issue of the impact of deflation on tax aggregates. The article also addresses deflation from a historical perspective, showing the periods in which it has been more pronounced and longer, as well as analysing the literature of all times that addresses this issue.

The conclusions drawn from this study can be synthesized as follows:

First, the effects of deflation are probably nonlinear in the sense that they should be more than proportional to their intensity. In particular, they depend on certain constraints that become mandatory, such as the nominal inflexibility of wage declines and the zero boundaries related to the lower limit. Instead, the extent to which they become mandatory will depend on factors such as increasing the underlying economy and, in general, by its strength and flexibility.

Secondly, apart from the reverse causality, part of the weakness of the economic activity observed in deflationary periods can obviously appear from deflation, but if the deflation rate remains low, many problems can result from developments for which, in the best case, deflation only plays a role of symptom. For example, taking into account historical fluctuation intervals, asset price reductions may obviously have a significantly greater effect on balance sheets and hence on funding constraints and / or the desire to spend than deflation itself, more chosen if accompanied by an extended banking crisis [Borio & Lowe, 2002, Bordo & Jeanne, 2002]. As noted in other speciality papers, it is difficult to see how the low deflation from Japan in the early 2000s could be the main reason for stagnating production, at least compared to the major asset price depression [Okina & Shiratsuka, 2003, Koo, 2003, Ahearne et al., 2002].

Third, there is, in fact, no reason to expect deflation to be necessarily associated with economic weakness. This is why researchers have sometimes categorized deflation in different types, depending on the context in which it occurs [Bordo et al., 2002; Greer and Denison, 2017]. “Good” deflation would reflect productivity improvements against backdrop of underlying falls in nominal demand growth. These could be coupled with higher growth, high asset prices and a healthy expansion of money and credit aggregates, reflecting that lower prices will not affect profitability and cash flows. Good deflation could also be the transient and mild declines in the aggregate price level of normal cyclical crises in a low-inflation environment. The costs of such episodes cannot be clearly distinguished from those of similar positive inflation deviations from the objectives of “price stability”. “Bad” deflation would be that in which specific nominal rigidities played an important role in undermining economic activity, or if other concomitant developments led to severe economic weakness.

Extending such terminology, “ugly” deflation could be considered as the one in which deflationary forces have conspired with the asymmetries of creating a spiral, in a context in which the self-balancing mechanisms of the economy have failed to

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function satisfactorily. The great depression of the interwar years could be considered as a case in this respect.

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STUDY ON THE INVOLVEMENT OF THE UNIVERSITY IN TRAINING AND LIFELONG LEARNING OF THE HIGH SCHOOL'S GRADUATES

Iuliana PÂRVU¹, Iulia GRECU², Paula-Cornelia MITRAN³,
Gheorghe GRECU⁴

^{1, 2, 3, 4} *Spiru Haret University, Faculty of Law and Economics, 32-34
Unirii Street, Constanta, Romania, Tel.: +40241545015,
Email: iuliana.parvu@spiruharet.ro, iulia.grecu@spiruharet.ro,
paula.mitran@spiruharet.ro, gheorghe.grecu@spiruharet.ro*

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Abstract

The nowadays continuously expansion of the market for higher education services puts a high pressure on the management of such institutions. Universities are trying to keep their position on the market by applying theories and practices that have traditionally been used by the business environment. This paper proposes to adapt such a practice to higher education institutions. This is the strategy of backward vertical integration. We understand this by highlighting the possibilities that higher education institutions have to take over some of the activities carried out in high schools. Starting from the experience of a project to whose implementation the authors participated, the paper describes how the counselling and vocational guidance activities addressed to high school students can be carried out by the higher education institutions.

Keywords: *higher education market; backward vertical integration; counselling and vocational guidance.*

JEL Classification: I₂₃

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Introduction

The higher education services market is a dynamic and growing one, characterized by intense competition. *Global Higher Education Market 2016–2020 Study* predicts a trend of market extension as a consequence of the “continuous advancements and rapid integration of new technologies, increased participation from developing nations, and the advent of new higher education institutes”. As a result of the intense competition, universities must develop an organizational behaviour similar to that of the business environment. Thus, notions such as managerial strategies, marketing strategies, competitive advantage, promotional policies etc. are terms and concepts often used in the language and practice of the management of the higher education institutions. Of course, the specificity of the educational services cannot be overlooked, as business theory and practice cannot simply be translated into the field of university education services. As a consequence, it is important for the educational services market to build its own theoretical foundation in terms of managerial approaches.

To these observations we add those that highlight the need for high quality human resources in a knowledge-based society such as the present and the future one and the fact that “Universities represent the source of energy of the generation based on knowledge” (according to Janez Potočnik – European official) – in other words, the quality of human resources depends crushingly on the higher education system.

The present paper starts from two evidences, namely:

–The higher education services market is highly competitive and university management adopts business-specific theories and practices, but with some caution, since they must be adapted to the characteristics of higher education;

–The human resources needed by the present and the future socio-economic context are educated, able to use diverse and complex concepts, rough work being the task of the computerized equipment and technologies. So the universities are the institutions responsible for supporting professional and even personal development of the human resources.

Starting from the two observations, we propose and analyze the possibility of adapting, by the managerial teams of the universities, a well-known management strategy, namely upstream vertical integration.

Literature Review

Vertical integration as defined in the literature refers to expanding the coverage of the business’ activity into the industry it belongs to. The concept is not new in

literature and practice. It has long been a key force in the development of high productivity and managerial sophistication in U.S. business [Chandler, 1977]. A firm can be described as vertically integrated if it encompasses two single output production process in which the entire output of the upstream process is employed as part or all of the quantity of one intermediate input into the downstream process; or the entire quantity of one intermediate input into the downstream process is obtained from part or all of the output of the upstream process [Perry, 1989]

The conceptual development of this strategy has emerged “as a response to inefficiencies that arise when there is market power in both the upstream and downstream markets” [Joskow, 2010]. By appealing to such a strategy, companies seek to achieve “complete control over neighbouring stages of production and distribution and thus enjoys complete flexibility to make investment, production and distribution decisions” [Gambero, 2016].

In turn, vertical integration is treated as backward vertical integration or forward vertical integration. A company exhibits backward vertical integration when it controls subsidiaries that produce some of the inputs used in the production of its products. A company tends toward forward vertical integration when it controls distribution centres and retailers where its products are sold.

Vertical integration has been commonly used in industry, such as in automotive or oil companies, but current approaches to vertical integration highlight the fact that integration understood as 100% owned operations is outmoded. Modern firms take over just some stages of their operational process, either backward or upward.

By translating the issue of vertical integration into higher education, management theory and practice could raise the question of how universities can take over some of the upward activities, respectively those offered by the high schools. The approach is relatively new, which is why the literature does not analyze, theoretically substantiated, these aspects. However, literature discusses the fact that university and pre-university education are largely disconnected, which is why the problem of readiness of high school graduates for integration in a higher education institution is raised. [Davis, Ginns & McRobbie, 2002].

In conclusion, we assert that the authors of this paper understand vertical integration (and, above all, upward integration) in higher education as studying the possibility for higher education institutions to get into the market of secondary school level activities.

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High Graduates in Romania

Romania is constantly on the last positions among the EU countries in the international evaluations of the quality of education. Indicators such as the average length of education, the participation of young people in education and vocational training, the rate of NEET are some chapters in which Romania is in the last place in the European rankings. Relevant in this context is the fact that the share of young people aged between 18 and 24, who have completed at most eight grades and who do not attend any form of education or training, declined in 2016 from the 2006 level in most EU Member States, with the exception of Romania, the Czech Republic and Slovakia, according to Eurostat. Also, most EU Member States have improved their rate of early school leaving, with Romania making an exception in the context of this rate rising from 15.3% in 2008 to 19.1% in 2015, respectively 18.5% in 2016 (the third highest rate in Europe). The national target set for 2020 is only 11.3% and the European average in 2016 was 10.7% (17% in 2002).

Referring strictly to high school education, statistics (up to 2014-2015 for which data are available) highlight the following:

- Rate of early school leaving reached 3.7%, up from previous years;
- The lowest rate of early school leaving is in the vocational branch – 1.6%;
- The highest rate of early school leaving is in the technological branch – 5.4%;
- In the theoretical branch, rate of early school leaving was 1.8%; within this branch, the real profile is the one with the highest rate of school leaving – 2.2%.

From the perspective of indicators aiming to capture the results of high school education, we observe a fluctuating evolution:

- The high school graduation rate (with and without a baccalaureate exam) is high and rising, respectively 89.1% for the 2014-2015 promotion;
- Between 2004 and 2009, the rate of promoting the baccalaureate exam reached values of 60%-70%-75% (with the lowest value in 2006, when it was 59.2%);
- Between 2010 and 2014, the rate of promoting the baccalaureate exam is 20%-30%-40% (with the lowest value in 2011 when it was 21.58%);
- In 2015, the rate of graduation increased to 66.41% and in 2016 to 66.7%.

Regarding the continuation of the studies by participating in the tertiary education of the high school graduates, the number of students enrolled in the first cycle of undergraduate studies decreased, reaching about 535,000 in 2015-2016, compared to approximately 1,100,000 in 2009-2010.

Examples of Best Practice Regarding University–High School Institutions Collaboration

A field in which collaboration between universities and high schools can be successful is Career Counselling and Guidance. Taking over the attributions included in this area of responsibility can benefit both parties. Thus, high school institutions can benefit from an operational simplification of their work processes, while universities gain the benefit of better knowledge of the potential students, as well as the opportunity to direct future high school graduates to university.

Such a form of collaboration was made by Spiru Haret University, through the Faculty of Law and Economics, within the project *We are building together your future professional career!* implemented in partnership with “Niculae Titulescu” Technical College of Medgidia. The aim of the project was to increase the chances of success of the future high school graduates in the transition from school to higher levels of education or to work by providing an integrated program of career counselling and internship. From the perspective of the development of the collaboration in the field of Career Counselling and Guidance, the project had the following objectives:

- Increasing professionalism in organizing and carrying out counselling and professional guidance activities;
- Increasing student motivation in lifelong learning;
- Promoting the importance of acquiring “extra-professional” skills (the ability to solve new problems and to understand the context in which to act, the ability to adapt to any working conditions, acquiring relevant “emotional skills” at work, acquiring social skills etc.) in order to be successful in the professional and in the personal life.

As a result of the collaboration, within the faculty, the premises were created to ensure the sustainability of such a partnership, as follows:

➤ *An organizational structure within the higher education institution having as main task the coordination of the counselling activities* – this department periodically reviews the objectives of the counselling program, the set of competencies and expected outcomes to be obtained by the pupils and makes recommendations on updating and refining the way the counselling program works. It is recommended that representatives from all stakeholders to be included in the counselling programs (pupils, parents, teachers in both upper and secondary education, counsellors, representatives of school management). Though the representation of all stakeholders is important, the size of the department should also be considered, as too many

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members can lead to inefficiency. It is estimated that the number of members must range from 8 to 20 members.

➤ *A data collection system* necessary to: demonstrate the extent to which the objectives of the program are met; monitor student progress; to substantiate decisions on the counselling program etc. The data needed for the counselling programs come from a variety of sources and can be classified according to several criteria:

a. Data highlighting pupils' performance: average of grades; grades obtained on various subjects; graduation rate; diplomas obtained at school competitions; teachers' appraisals; parents' interest in pupils' school performance; participation in extracurricular activities etc.

b. Data highlighting the results of the counselling activity: the number of students who have developed career plans; the number of pupils who participated in internships; the number of students who have achieved their continuing education objectives; the number of students who resolved the conflicts they faced etc.

c. Data highlighting the factors that could determine pupils' performance differences: gender; ethnicity; socio-economic status; the spoken language at home; family status etc.

d. Program evaluation data: Number of parents attending meetings with counsellors; number of students participating in the counselling activities; number of career plans drawn up; the results of questionnaires through which parents, students, teachers appreciate counselling activity; evolution of the graduation rate; the evolution of absenteeism etc.

Most of the data presented above is, as a rule, easy to obtain using the information technology and databases currently used in the educational institution's activity. However, it is recommended that centralizing and compiling statistics to be not the task of the school counsellors.

To ensure the relevance of data that measure the impact of counselling activities, it is important that data to be analyzed and compared dynamically.

Even if data collection is a time consuming process, it should be noted that benefits exceed the costs involved.

➤ *Actions plans* – in order to run an effective Career Counselling and Guidance Program, detailed plans are needed to describe how counsellors will work to achieve the results. Within action plans, for each theme it should be specified:

- Domain: academic, career, personal development, global perspective;
- The competences it develops;
- Description of how the counselling activity will be carried out;

- Highlighting the way in which the counselling activity will address each student;
- Time allocated to the theme;
- The name of the counsellor / counsellors responsible for carrying out activities specific to the theme;
- How students' success will be assessed, using various forms of testing and ways to demonstrate skills;
- Expected results from students expressed in the skills they can demonstrate;
- Plan approval by the management of the counselling program.

➤ *Time allocation* refers to the time allocated to the counselling activities for each of the four components (program theme, activities specific to pupils' individual development, activities for pupils in special situations, organization of the counselling and vocational guidance system). While some experts assert that the time allocated does not matter, as long as the expected results are obtained, others argue that good results can only be achieved under the conditions of a rational allocation of time. In the book *Developing and Managing Your School Guidance Program (4th ed.)* it is recommended the following distribution of time between the components of the counselling programs in high schools:

Time distribution model between components of counselling programs

Components of the counselling program	Time allocation
Develop the program theme	15–25%
Specific activities for the students' individual development	25–35%
Activities for students in special situations	25–35%
Organization of the counselling system	15–20 %

Source: Gysbers, Norman, "Individual Student Planning in the United States: Rationale, Practices and Results", in *Asian Journal of Counselling*, Vol. 15, No. 2, 2008, 117–139

It is very important to have a judicious allocation of time between counselling activities and non-counselling activities. Obviously, it is recommended that most of the counsellors' time be allocated to student meetings.

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Table 1. Activities that should and should not be carried out by the school counsellors

Recommended activities to be carried out by the school counsellors	Activities that are not recommended to be run by the school counsellors
Planning the educational route for each student	Scheduling students to the counselling activities
Analysis of the test results	Managing the test application process
Counselling students who are often late or who have many absences	Responsibility to motivate students' absences
Counselling and monitoring students with disciplinary problems	Applying corrective measures to students with disciplinary problems
Analyzing the evolution of the grades average	Calculation of the grades average
Advising teachers for better coursework	Supervise classes
Assisting the management of the educational institution to identify and solve the problems of students in special situations	Running administrative tasks specific to school management

Source: Fezler, Brooke, Brown, Cheryl, *International Model for School Counselling Programs*. Association of American Schools in South America, 2011

The evidence of temporary planning of the counselling activities is represented by calendars. By publishing them, students, parents, teachers, school leaders are informed about the periods of the counselling activities and the place where they will be carried out. Calendars can be produced on an annual, monthly and weekly basis.

- *Annual calendars* – highlight priorities of the counselling activities. They must be displayed in places with visibility and in the spaces where the counselling activities take place. They must also be displayed on the high school website and sent as a newsletter to students and parents. The role of such calendars is multiple: promoting counselling activities, highlighting the most important events and activities for students and parents, improving communication between the educational institution and the students' families, organizing a structure in which counselling activities take place, strengthening the importance of student participation in counselling activities etc.

- *Monthly calendars* – highlight the most important events and activities that take place in the current month, including holidays. The indication is that 4 to 6 meetings with students to be scheduled monthly.

- *Weekly calendars* – these are not mandatory, but only when unexpected changes occur due to students' needs.

Conclusions

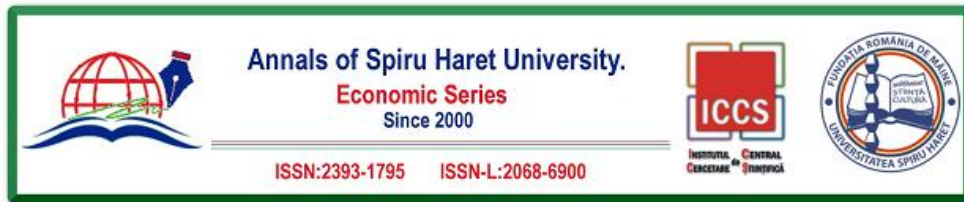
The present paper is a proposal addressed to the management of the higher education institutions in perspective of the necessity to develop their services in order to succeed in the competitive struggle. Thus, a solution identified by the authors is backward vertical integration that universities can do through collaboration with high school institutions in order to take over part of the activities the latter are currently running.

Starting from the experience of a project funded by European funds that aimed precisely at such collaboration, the present paper presents a set of best practices in the field of collaboration for the taking over by the universities of the professional counselling and guidance activities. These good practices relate specifically to how a department can be organized within a higher education institution to ensure the smooth running of this collaboration.

The theme of this paper is one with a high degree of novelty that offers the opportunity of both a continuation from a theoretical perspective and a continuation from the perspective of identifying new types of activities traditionally conducted in high schools and which could be integrated into the activity of the universities.

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**DOCTORAL AND POSTDOCTORAL
PAPERS**

MILLENNIALS: A NEW TREND FOR THE TOURISM INDUSTRY

Bogdan SOFRONOV¹

¹ *University Politehnica of Bucharest, 313 Splaiul Independenței, Bucharest, 060042, Romania, Email: bogdansofronov@yahoo.com*

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Abstract

The purpose of this paper is how millennials change and influencing the tourism industry and their importance for travel in the world.

Having grown up with near-ubiquitous internet access and beginning their professional careers in the wake of a financial crisis, millennials are using technology to make savvy travel-buying decisions, largely based on the perceived authenticity of the experience they are offered.

Millennials travel more than any other demographic. On average, they take 35 days of vacation each year, and they're also bucking the trend by increasing their annual travel spend as other generations intend to be more conservative with their cash.

Millennial travellers are interested in authenticity, fulfilment and sustainability. That's a message that tour operators, travel agents and the entire travel industry needs to understand.

The millennials represent 27 percent of the global population or about 2 billion people.

Keywords: *millennials; travel; tourism; tourism industry; international tourism.*

JEL Classification: *Z₃₀, Z₃₂*

Introduction

The millennials generation continues to have a significant influence on how the hotel industry is developing its offer and on the types of services the hotel proposes.

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Millennials travel differently from previous generations and have different expectations from accommodation units. For them, experiences are more important than tangible products, and hoteliers have to rethink their offerings accordingly.

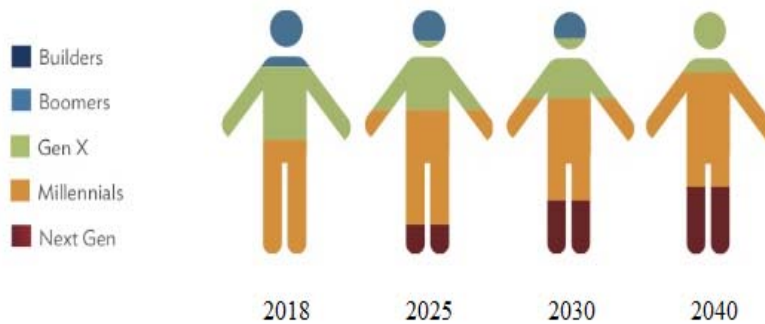


Fig. 1. Millennials in the World
Source: personal contribution

Millennials are looking for new experiences and the tourism industry should focus on providing experiences, not just functionalities. There have been days when the expectations of a tourist from an accommodation unit were limited to a comfortable bed, a clean bathroom and a safe location. Millennials want more; they differ from their parents' generation in purchasing behaviour. If the representatives of older generations prefer to spend their money on tangible objects, the millennia tend to spend more on experiences such as holidays and travels. It is important for hotel owners to consider this.

Millennials are not too interested in staying in their hotel rooms and prefer to go to open public spaces to meet new people or meet up with friends. The lobby is the first thing a guest sees when entering a hotel, so make sure it is functional and encourage socialization and entertainment. A lobby where guests have entertainment or lounge areas, with TVs running matches, invites guests to socialize with other people and provide them with a space to create connections.

One way to reach the heart of the millennials is to offer diversified foods in hotel restaurant. Local ingredients bought directly from manufacturers, specific dishes from the hotel's operating area, local crafted beers, or late lobby snacks. Millennials will have a tendency to go out to eat or drink, but having fresh and tasty food is an advantage for the hotels. These young people appreciate their

culinary options late at night, which they can take on their way to their room or room service until late at night.

Table 1. Most Popular Destinations for Millennials

Top 10 most popular destinations for millennials (%)		
1.	Spain	18%
2.	Australia	15%
3.	UK	14%
4.	New Zealand	12%
5.	Thailand	11%
6.	Italy	10%
7.	Portugal	9%
8.	Costa Rica	5%
9.	Peru	4%
10.	Philippines	2%

Source: personal contribution

Literature Review

My research paper entitled: *Millennials: A New Trend for the Tourism Industry*, is written after I've documented on the basis of the following published articles:

1. "Understanding millennials' tourism experience: values and meaning to travel as a key for identifying target clusters for youth (sustainable) tourism" written by Elena Cavagnaro, published on *Journal of Tourism Futures*.

2. "The role of development of transport tourism in economic growth" written by Flora Alasgarova and published on *Annals of Spiru Haret University. Economic Series*.

3. "Millennials' travel motivations and desired activities within destinations: A comparative study of the US and the UK" written by Paulo Rita and published on *Current Issues in Tourism*.

4. "Tourism and the new generations: emerging trends and social implications in Italy" written by Salvatore Monaco and published on *Journal of Tourism Futures*.

Millennials: A New Trend for the Tourism Industry

Millennials have quickly become one of the most powerful forces in the travel industry. This generation, which includes adults between the ages of 24 and 35, have money to spend and they want to use it on experiential travel to new and exotic destinations. Millennials are looking for a different type of vacation

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experience than their parents and grandparents did, and tour and activity providers would be wise to take note. [Rezdy, 2018]

Millennials love to travel, not only are they inclined to take extended-stay trips that encourage cultural immersion, but they also enjoy booking spontaneous weekend getaway whenever possible. Given the fact that many millennials are delaying marriage and having children, they often have more discretionary income to spend than other generations and travel is typically a top priority. They would rather book a trip than purchase a nicer car or a luxury home product. [Rezdy, 2018]

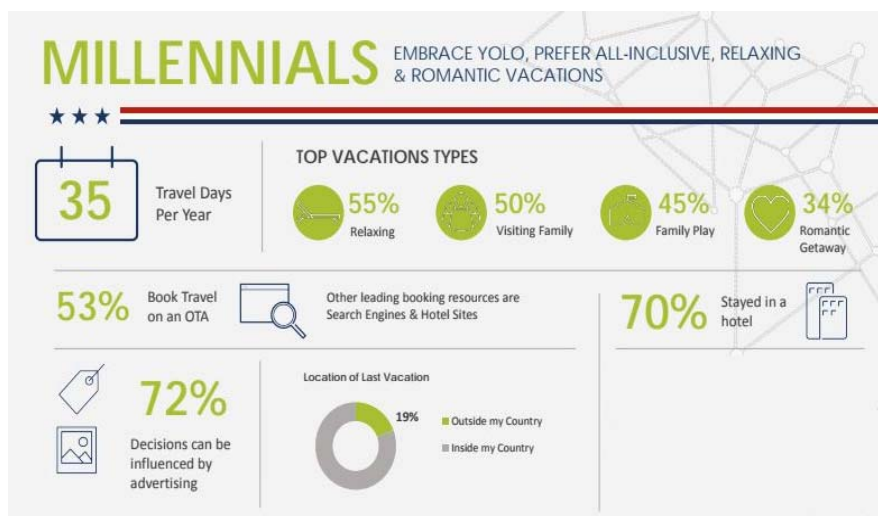


Fig. 2. Millennials Vacations Types

Source: “Millennials: An In-depth Look into the Travel Segment,” accessed July 2, 2018, <https://www.rezdy.com/blog/millennials-depth-look-travel-segment-infographic/>

The data shows that 55 percent of millennials travel in order to relax. Many of them came of age during the recession, and they are used to dealing with constant connection with their peers as well as their professional network. This added stress has increased the need for relaxing getaways that allow them to unplug. In fact, 83 percent of millennials choose to vacation at all-inclusive resorts where they have everything they need right at their fingertips. [Rezdy, 2018]

As opposed to the younger Generation Z, millennial travellers are more likely to be influenced by an advertising campaign than they are by a social media campaign.

More than 72 percent of millennial travellers say that a solid advertising promotion can convince them to book travel arrangements. For the most part, online advertising including retargeting and other social strategies is the best way to connect and engage with millennials. While these travellers have money to spend, they still like to get a great deal. Approximately 92 percent of millennials report that they won't finalize their booking until they feel they have the best deal possible. [Rezdy, 2018]

Millennials may love to take selfies, but they want their vacations to be more than just an endless string of photo opportunities. Millennials are more likely to book a trip that allows them to be outdoors and experience something new, such as an informative tour or an immersive activity. Nearly 83 percent report that it is important to them to book a travel experience that allows them to cross an item off of their bucket list. [Rezdy, 2018]

Millennials are much more sociable than older business travellers, and are also most concerned about their personal safety. [Carlson Wagonlit Travel, 2018]

A full 58% of millennials travel with others, 43% travel with colleagues, and 15% with friends or family. In stark contrast, nearly three-quarters (71%) of baby boomers travel alone. Sometimes, they travel with colleagues (23%), but they rarely bring along friends or family (6%). Generation X travellers are somewhere in the middle, with 58% travelling alone, 31% with a colleague, and 11% with friends or family. [Carlson Wagonlit Travel, 2018]

Nearly half of millennials (45%) contact friends or family while travelling more than once per day, compared to 38% of generation X and 29% of baby boomers. Millennials connect more with clients while travelling (55%) than generation X (44%) and boomers (35%) – and with co-workers (41%) versus 28% of the generation X and only 19% of the boomers. [Carlson Wagonlit Travel, 2018]

The use of technology also varies dramatically between generations. When it comes to connecting with family, boomers prefer to use their phone (51%), compared to barely half of generation X (44%) and only 39% of millennials. Conversely, a full 31% of millennials use Skype, compared to 24% of generation X, and only 17% of boomers. [Carlson Wagonlit Travel, 2018]

When it comes to staying in contact with colleagues, email is everyone's preferred method. However, here too, the generations differed markedly. More than half (52%) of the boomers use email, compared to 46% of the generation X and only 34% of the millennials. When it comes to using the phone, 30% of millennials and 22% of both boomers and generation X prefer to pick up the phone and call colleagues. [Carlson Wagonlit Travel, 2018]

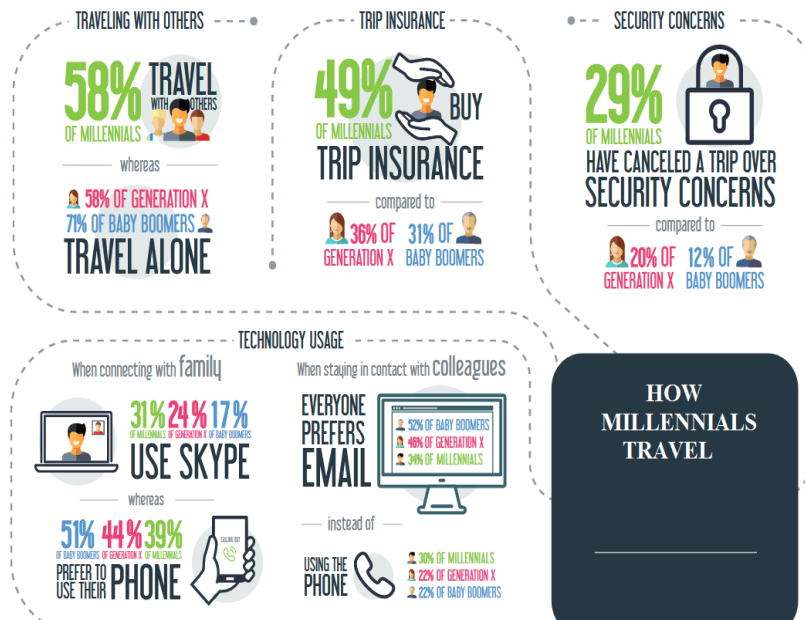


Fig. 3. How Millennials Travel

Source: “Millennials like to Travel in Groups – and Are the Most Security Conscious,” accessed July 3, 2018, <https://www.carlsonwagonlit.com/au/en/news/news-releases/20171129-CWT-research--Millennials-like-to-travel-in-groups/>

How Change Millennials the Travel and Tourism Industry

Millennials have primary interests like friends, fun and digital culture. They are confident and relaxed, relatively conservative in thinking, and, perhaps most importantly, the most educated generation in history.

Millennials have a major impact on the tourism industry. Those in this category travel more frequently, explore more destinations and spend more when they are on vacation; are in constant search for information and new sensations.

They have already begun to replace the old generation and this causes changes in the tourism industry in all its sectors. In a transition period, the millennials become the main segment as to the volume of services purchased. Thus, the tourism industry

has to adapt to this wave of travellers who are better acquainted with the offers they ask for.

Table 2. Trip Styles in Terms of Popularity for Millennials

Top 10 trip styles in terms of popularity for millennials (%)		
1.	Foodie Travel	16%
2.	Business Travel	14%
3.	Active adventures	13%
4.	Island Hopping	12%
5.	Sailling	11%
6.	Sustainable Travel	9%
7.	Music Travel	8%
8.	Wildlife and safari	7%
9.	Mountains and Trekking	6%
10.	Spring Break	4%

Source: personal contribution

Technology is not something new for the millenarians. They grew up with smartphones in their hand and benefited from innovative applications that make life seem a little easier. Hotels need to keep up with the times and technology.

Consideration needs to be given to developing facilities to meet the expectations of this category of customers, such as smartphone reservation applications, room service from the available tablet in the hotel room, extended loyalty programs, a commission that will make the stay as long as possible.

Millennials quickly attach to certain brands, requiring industry to begin implementing solutions that will ensure customer loyalty for the next five to ten years. In the era of permanent connectivity, the relationship between supplier and consumer must be reliable.

Social media have an extremely important role: a hotel unit can attract new customers by promoting services and interacting with those who spend time on this type of network. And the number of people who spend time on social networks daily is a significant segment.

Millennials have travel applications on their mobile phone, they prefer to reserve a phone call and make extensive research into the online environment before completing the booking of a particular property. For a hotel it is a

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disadvantage if the website is not optimized for mobile. A hotel application would be an additional advantage that can prove profitable. The millennials want to have the information at their fingertips; they do not like to go to ask people information about the hotel or what they can do outside the hotel. Everything must be available through their smartphones.

The millennials want to get many services at a reasonable price. They want unique and accessible travel experiences at the same time. The millennials have not yet reached their maximum potential, but they are expected to take over the luxury segment between 2018 and 2020. But the millennials do not see luxury in the same way as previous generations, for whom luxury was spinning around a higher statute. Millennials do not attach such importance to statute; they want unprecedented experiences to share with their friends. They are always looking for new experiences.

Table 3. Most Popular Cities to Trip for Millennials

Top 10 most popular cities to trip for millennials (%)		
1.	Barcelona	25%
2.	Madrid	20%
3.	London	11%
4.	Rome	10%
5.	Amsterdam	9%
6.	Bangkok	8%
7.	Tokyo	6%
8.	Auckland	5%
9.	Dublin	4%
10.	Manila	2%

Source: personal contribution

For an industry that's as fast-moving and competitive as the global travel and tourism industry, it's logical to look ahead; to seek opportunities to launch new products that appeal to new groups of consumers. The race is now on for major travel and tourism brands around the globe to understand the next generation of business travellers, honeymooners, family travellers and all the other adult consumers, who will, in the next two decades, be the main consumers of a whole variety of travel products and services. [Gen C Traveller, 2018]

Millennials are driving enormous change in the tourism industry. To properly understand how millennials are doing this, you have to get into the 'Millennial

mindset’, by considering the events that have affected them, their values and their consumer choices outside the travel industry. It’s also important to remember that millennials in different parts of the world are going through different experiences; there are some things that unite them, and others that cause them to behave differently when they travel. Therefore, I believe that it’s essential to take a step back and look at millennials as consumers, their life choices, their experiences. [Gen C Traveller, 2018]

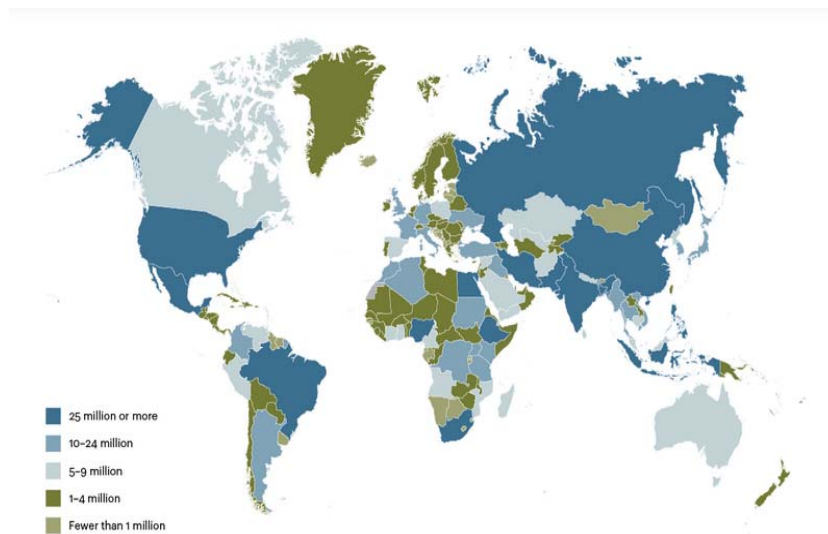


Fig. 4. Global Millennials Located by Countries

Source: “Where are the Global Millennials?,” accessed August 3, 2018, <https://www.atkearney.com/web/global-business-policy-council/article/?a/where-are-the-global-millennials->

The Importance of Millennials for the Tourism Industry

Millennials are a savvy group that want better value when they travel and expect premium services. Their customer service demands are high and recognizing and responding to those demands will help create a stronger foothold with the catering market. [Crown Verity, 2018]

About 58 percent of global millennials live in Asia, including a whopping 385 million in India by far the largest domestic population of millennials in the world, and accounting for 19 percent of the global generational cohort. The next largest regional concentration is in Sub-Saharan Africa, which accounts for about 13 percent

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of all millennials. This is hardly surprising given that these two regions also have the greatest overall populations, but it does point to their continued importance to consumer spending and potential economic growth in the coming decades. [ATKearney, 2018]

It is important to note that Europe and Asia are the only regions in which the millennial population varies more than a percentage point from their respective proportion of the global population. Asia is slightly overrepresented by its millennial population relative to its overall share of the global population (58 percent of global millennials vs. 56 percent of total global population). In contrast, the only region that is noticeably underweight on millennials is Europe (8 percent of global millennials vs. 10 percent of total global population). [ATKearney, 2018]

In absolute terms, India, China, the United States, Indonesia, and Brazil have the world's largest millennial populations (see fig. 4). Together they account for nearly half of the world's millennials. Again, this is unsurprising, as these five countries are also the most heavily populated. [ATKearney, 2018]

Although many millennials are approaching the period in their lives where family, mortgage and car payments are a financial reality, these double income households have greater disposable income than ever before and use that income for their own immediate comfort, pleasure and satisfaction. Their hotel preferences are largely driven by budget and their budget for luxury. [Crown Verity, 2018]

It is no longer enough to just hire staff. You must offer skilled and trained employees to meet the demands of the travellers with expectations that all travel reach a certain level of their standards. [Crown Verity, 2018]

Travellers are changing their expectations. Millennials are full of enthusiasm. They don't confine themselves to one place or even one continent. This generation has a sense of adventure. Their desire to experience the best travel opportunities possible and the demand to have those options readily available and modifiable to their particular needs is becoming more and more evident. [Crown Verity, 2018]

Millennials don't hope to be elite or at the top of social influence, they create it for themselves. Social media plays a huge role in how they view the world and themselves within that world. Their perception is reality and they make it that way. With friendship connections worldwide, travel referrals are made via social connections. Nearly half of all millennials will turn to people instead of businesses for advice on travel. For this reason it is imperative that hotels offer the best possible experience to every guest because that guest could be the connection to any number of other reservations. It is also a good reason for hotels and caterers to have a strong social media presence

through such outlets as Facebook, Twitter, and most importantly a website since millennials want to see what they are investing in. [Crown Verity, 2018]

The millennial demographic desire to connect with and share goes beyond just social media. However, as world travellers they are seeking greater opportunities to make connections with others within their own work industries and others that share their own specific interests. Hotels now find the need to invest in the basics of the hotel such as the lobby. That is the point of reference for the millennial. It's not just a room to sleep in but an overall environment to wrap themselves in what they believe is catered to their individual needs. Lobbies and common areas are no longer just check in spots but are becoming more and more about spaces designed and developed to offer social gatherings to their guests. [Crown Verity, 2018]

Millennial travellers will avoid staying at hotels that are not easily accessible. Many millennials choose not to drive, for whatever reason, so access to public transportation from hotels is important. Once at their chosen hotel millennials are demanding of the availability of one of a kind experiences and personal attention. [Crown Verity, 2018]

The millennial traveller looks for not just quality but exceptional, personalized service and demands it on the spot. Millennials want and seek out international standards of excellence in the hotel of their choice. Average meals, average accommodations and standard amenities will not cut it. Because millennials take extended holidays, business trips and even visit cities and stay for several days it is necessary to attract them with the comforts of home and the luxury of vacation. [Crown Verity, 2018]

In order to meet those expectations the hospitality is increasingly having to hire a higher qualified degree of personnel in hotel management, food and beverage management, casino management, club management, and tourism. [Crown Verity, 2018]

Millennials understand the importance of businesses that recognize the value in implementing green business practices. They also look for hotels that incorporate green procedures to reduce the demand on the environment such as reduction of linen change. [Crown Verity, 2018]

Millennials are also the fastest growing demographic of international travel accounting for around 20% of the current market and predicted to expand from 270 million visits to 320 million by 2020 as more begin to leave school, enjoy greater pay packets and the desire for travel continues to spiral. [Fiz, 2018]

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It's now common knowledge that this generation wants to feel like a local rather than a brusque tourist. So part of the experience of travel is in really getting the 'feel' of a place. [Fiz, 2018]

This generation aren't content to be locked away in an all-inclusive beach side hotel (although, as we'll see, they wouldn't turn it down either). They want to feel in the thick of the action – hanging out in a local piazza, or browsing the local market. [Fiz, 2018]

This is partially to do with authorship, having the choice to go where you want and do what you want rather than be dictated to by the tour bus, or limited by the buffet selection. [Fiz, 2018]

They are also allergic to anything that appears false, fake, designed to appeal to tourists. This desire for choice and authenticity is enabled by the advent of personal, transportable technology. You can easily meet new people or book a remote mountainside log cabin with a few taps on your phone. [Fiz, 2018]

Thanks to millennials travellers, the 'experience' and 'tours' sector is booming and many companies are jumping on this expanding market. \$135 billion is the current worth of tours and activities and it's expected to breach \$183 billion by 2020. [Fiz, 2018]

While of course many millennials stay in a hostel and budget their travel, many are willing to fork out for a weekend yoga retreat, a mountain trek or even a luxury spa treatment. [Fiz, 2018]

When more expensive activities are seen as an 'event' the desire to be a part of it increases further. Joining a one off secret concert or seeing a rare cultural spectacle is worth spending on to 'live in the moment', take some great photos and feel a part of something bigger than yourself. [Fiz, 2018]

But it's not just one off splurges and back to basics after. There's been so much talk about this generation 'living like local' that we miss the bigger picture – millennials want a bit of everything. [Fiz, 2018]

They want to go undercover, have a drink at a local bar, eat what the locals eat. But they also want to see the Mona Lisa at The Louvre, go to the British Museum and all the other classic tourist hotspots. They want it all, they want it now and they want the Instagram photo to go with it. [Fiz, 2018]

Millennials have transformed how the travel world operates and we're happy to say, so far, it seems for the best. Let's see what tomorrow brings. [Fiz, 2018]

Statistics about millennials [LeadsCon, 2018]:

–Globally, the aggregated net worth of millennials is projected to more than double from 2015 to 2020, skyrocketing to anywhere between \$19 trillion and \$24 trillion.

–Compared with consumers age 50 and over, millennials are over 10 times more likely to consider borrowing money through peer-to-peer lenders.

–43 percent of millennials don't think their bank communicates with them through preferred channels, such as mobile apps and text messages.

–Millennials favour mobile banking. During a typical month, millennials access their financial institution 8.5 times via a mobile app or browser versus 3.1 times for non-millennials.

–27 percent of millennials trust the virtual currency bitcoin.

–22 percent of millennials seek financial advice on social media, compared with 3 percent for people age 55 and over.

–47 percent of millennials have transferred money to someone electronically.

–Only 14 percent of millennials prefer to conduct banking activities in person.

Conclusions

In conclusion, although they have yet to reach their maximum potential, the millennials will have the most purchasing power in a few years, which means that it is now very important for each producer and service provider to gain the confidence and money of these young people through competitive methods.

The millennials are the ones who will pay more for experiences, not for products. But what is more important, they will not pay for trivial experiences, but for “different” experiences. If in the past people chose the busiest restaurant in the resort / town, new generations will look for themed restaurants on the sidewalks, with unique decoration and an adequate plating. Especially because the places they visit go through the social media filter.

Furthermore, millennials travelling for business purposes are accustomed to extending their journey a few days to discover local experiences. Hotels have adapted to this trend by offering extra-night at preferential rates, and restaurants have begun organizing so-called “after work” events. These events target young people who work in corporations and want moments of recreation after hours at the office.

The smartphone is the main gadget that millennials use to make a hotel reservation or for a flight ticket.

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Also, millennials are the ones who are planning a holiday on their phone. More than two-thirds of these tourists think it is more comfortable to plan their journey on the phone.

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