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**Section I**  
**MANPOWER – NEW POTENTIALS FOR ENHANCING**  
**THE ECONOMIC EFFICIENCY**



# ACTION GUIDELINES FOR EFFECTIVE MANAGE LABOUR MIGRATION – CASE STUDY FOR ROMANIA<sup>1</sup>

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## Abstract

*The relationship between migration, growth and development is complex. Moreover, in Romania, relatively little is known about this phenomenon, especially due to the fact that the magnitude of flows of workers is insufficiently determined and structured. This leads to assuming a certain degree of caution when political and institutional implications and alternatives are discussed.*

*To support the effective management of labour migration, this study will analyze migration policies considered barriers against mobility and structural characteristics of migration flows by using databases published by the Italian and Spanish authorities. The paper concludes with action guidelines to maximize the positive and minimize the negative effects of migration for Romania, and implicitly for Romanian citizens.*

**Keywords:** *mobility, migration, migration policies, migration size*

**JEL Classification:** J<sub>01</sub>, J<sub>6</sub>, J<sub>61</sub>, J<sub>68</sub>

## Introduction

Free movement of a person is one of the fundamental rights guaranteed by EU law. Labour mobility is a consequence of the free movement in the area of EU in the Treaty on the Functioning of the European Union (art. 45, 46). This includes the right of EU citizens to move freely to another EU Member State in order to hold a job and live on its territory with their families. Freedom of movement for workers entails the abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of employment.

It is believed that greater labour mobility, between jobs (occupational mobility) as well as between countries (geographical mobility), contributes to social and economic progress to a higher level of employment and sustainable and balanced development. Structural changes in the workforce, creating new jobs through the development and emergence of new activities and specializations

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<sup>1</sup> The paper is based on the study "Integrated management of migration flows workers to appropriate management of economic migration", financing sectoral programme, agreement nr.3/11.06.2012, INCSMPS contractor, beneficiary MMFPS, Project Director: Daniela PASNICU.

caused an increase in the need for labour mobility. A higher degree of labour mobility between Member States will encourage closer political integration in the European Union (EU).

Increased labour mobility is also a priority in EU policy approaches, namely the Lisbon Strategy and the European Employment Strategy 2020. Corresponding guidelines of the European Commission, Member States should “improve the balance between supply and demand in the labour market by modernizing and strengthening labour market institutions ..... removing obstacles to mobility for workers across Europe within EU countries ....” ... The Europe 2020 strategy states that the EU should “modernize labour market performance and encourage people to develop their skills throughout the lifecycle having in mind to increase labour market participation and better match labour supply and demand, including through labour mobility.”

In the context of the European Year of Workers’ Mobility (2006), there was performed, within the EU, an Eurobarometer survey on geographic and labour force mobility. The survey results were analyzed and reports have been published on various general and specific aspects of the migration problem. The following key conclusions resulted from the survey: geographical and labour market mobility are major political challenges; too little mobility could lead to reduced adaptability and competitiveness, while a too high mobility may unbalance national labour markets; mobility involves both benefits and losses for the individual in terms of social and economic; key factor which discourage geographic mobility in the EU is the fear of losing social network; mobility is mainly determined by the following factors: employment, related income and desire to discover new things.

Elsner, B (2013) demonstrates in a recent case study on Lithuania that emigration had a significant positive effect on the wages of stayers. A one-percentage-point increase in the emigration rate predicts a 0.67% increase in real wages.

The study will develop a migration policy analysis to capture the existence of barriers to mobility between certain countries, certain transitional provisions designed to protect local labour markets in the context of a general agreement, under which it agreed more labour mobility (at least in Europe. Some specialists (Boeri, T., Jan van Ours, 2008) believe that „international migration is the great absent in the globalization era” and that migration policies have become increasingly strict. Meanwhile, putting faulty application of these restrictions leads to increase the inflow of illegal immigrants. There is a massive labour migration from the new Member States to the EU15 on the one hand and, on the other hand, less developed to the most developed.

### **Migration Policies**

Migration policies are now introducing a complex set of restrictions (conditions) regarding the free movement of persons across borders.

Migration restriction usually takes the following forms:

– „Quotas” that determine the maximum number of workers and residence permits may be granted to foreigners in a given year. They are often allocated on a first come first served, but a growing number of countries adopt a point system, i.e. each participant is assigned a score based on explicit criteria, which usually rewards education, experience and skills language. Bonus points can also be awarded for engaging in certain occupations and regions where there is demand for workers;

– The number of bureaucrats involved in admission procedures affecting both migrants and employers;

– The period of residence is defined as the maximum length of residence or work permit;

– Assimilation policies concerning migrants are also relevant in defining attitude more or less restrictive migration policies. An example of the indicator may be the minimum number of years necessary to be applied to citizenship;

– The existence of ad-hoc rules for asylum seekers. Although asylum policies are largely inspired by non-economic considerations, in practice most of the applicants respond to economic incentives, as well as other migrants. Therefore it is very important to include asylum policies when considering attitude more or less positive international migration across the country.

In the past 15 years, migration policies have become increasingly stringent, but not only in northern and southern Europe. Limitation of labour mobility in Europe is the direct or indirect relationship with the following development trends:

– Progress and adjustment of different levels of development of the European states;

– Lack of integrated legislation in the field of employment, education and social security in Europe;

– Evolution of information and communication technology to facilitate teleworking, from one country to another;

– Difficulties in applying the principle of mutual recognition of diplomas and qualifications.

Labour mobility has important support, which supports the free movement of people without any restriction, and opponents, proposing measures to limit it in the old Member States, countries of immigration. Economic theory suggests that migration increases efficiency by arbitration between countries (or between regions) of the differences in terms of productivity and unemployment. The purpose of arbitration is high efficiency: international markets for goods and financial assets price differences rarely exceed the rate of 2/1, while individuals with the same qualified wages in the advanced countries and low income countries differ by a factor of 10 or more. This suggests that the gains of liberalization of labour mobility between countries are enormous and far greater than for liberalization of goods and capital in the traditional areas. Therefore, migration is still severely restricted, because migration policies are essential redistributive instruments that aim to reduce the effects of migration on wages and unemployment among natives.

• *The evolution of the labour market access of Romanian workers in the EU in the period 2007-2012*

	<i>Free access<sup>2</sup></i>	<i>Restricting access<sup>3</sup></i>
<b><i>First phase transient:</i></b> 1 Jan. 2007 – 31 Dec. 2008	<b>11 Member State:</b> Bulgaria, Czech Republic, Cyprus, Estonia, Finland, Latvia, Lithuania, Poland, Slovakia, Slovenia, Sweden	<b>15 Member State:</b> Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, UK, Netherlands, Portugal, Spain, Hungary
<b><i>The second phase transient:</i></b> 1 Jan. 2009 – 31 Dec. 2011	States that have imposed transitional measures on the labour market access of Romanian citizens maintain, with some exceptions, the regime applied in the first two years: 4 countries – Greece, Portugal, Spain (to 22 July 2011), Hungary – have liberalized access to employment from 1 January 2009 and Denmark from 1 May 2009.	
2010 and 2011	16 Member States – Bulgaria, Czech Republic, Cyprus, Denmark, Estonia, Finland, Greece, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia, Sweden, Spain and Hungary.	10 Member States – Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Malta, UK, Netherlands.
2012	<i>17 Member States:</i> Estonia, Finland, Ireland, Poland, Slovakia, Czech Republic, Cyprus, Sweden, Slovenia, Latvia, Lithuania, Bulgaria, Denmark, Greece, Hungary, Italy and Portugal.	9 Member States – Austria, Belgium, France*, Germany, Luxembourg, Malta, the UK, Spain and the Netherlands.

\* The French government announced a series of measures to facilitate access to the labour market for Bulgarian and Romanian citizens, namely: expanding the list of occupations open to citizens of the two Member States – from 150 to 291 and removing tax that employers were required to pay to the Immigration Office.

Conclusions of the European Commission report on the first phase of implementation (January 1 2007-31 December 2008) of the transitional arrangements, argue that: the fears which persist in the old Member States on the free movement of workers are unmotivated, that enlargement of the mobility within

<sup>2</sup> In states that have liberalized labor market access of Romanian citizens, the transitional arrangements aren't applied, employment is performing under the same conditions as employment of the nationals of that State without the need to obtain in advance a work permit.

<sup>3</sup> In these countries remain transitional arrangements for employing Romanian citizens, being necessary obtaining of the work permit / work permit.

the European Union not led, and is unlikely to lead to serious disturbance of the labour market; EU mobility 10/2 had a positive impact on economic growth in the EU and a reduced impact on wages and employment of national workers of the host country; Romania mobility flows are mainly temporary and occurred before 2007, and now we are witnessing a return migration in Romania; unrestricted labour mobility provides needed flexibility in both directions: workers circulating within the EU labour market where there is demand for labour and many of them return to their home country when abroad employment conditions become less favourable; transitional measures aren't those that prevent migrant workers to enter on the labour market from a Member State, but because they cannot become legal employees, black hiring is the only option that remains, with negative effects on the rights as workers, as well as on the social integration policies of the Member State concerned; Facilitating labour mobility is one of the most effective means of promoting the principle of equal opportunities in gender, etc.

*We conclude that in the period 2007-2012 there is a positive evolution of Romanian workers' access to the labour market in the EU, but their mobility is still restricted all or part of a significant number of Member States, despite the conclusions in support flexibility, included in report on the first phase of the transitional measures.*

### **Structural Characteristics of Migration Flows**

#### **• Data sources, information on the migration of workers and their limits.**

*The real magnitude of migration flows is difficult to estimate in the Romanian case, statistical evidence for migration, deliver data only for permanent migration. Therefore, official figures on migration reflect only a small part of the actual size of the phenomenon.*

To compensate for these shortcomings, in the analysis of migration flows from Romania have been used, outside the data provided by the National Institute of Economic Statistics and data from the **authorities of the Italy, Spain and EUROSTAT.**

Migration flows can change dramatically over time, both in size and in composition, reflecting the current trends and historical migration flows. These major changes combined with the complex nature, on the long-term of the integration of migrants' process, may be challenges for *policy makers who need quality information to underpin decisions on migration. The main dilemmas related to the data base of the new mobility trends, resulting from recent publications, can be summarized as follows:*

- Research employment and labour using homogeneous samples, which are not specified in the national and ethnic minorities and mobile workers;
- Mobile workers can have low response rates in surveys;
- Coverage of very recent migrants;
- Monitoring of illegal mobile workers is difficult or even impossible;
- Measuring the impact of mobile workers conditions on quality of life and working conditions is complicated;

- The small size of the sample;
- Recording of ethnicity in employment records may be illegal or politically sensitive, perceived as a discriminatory practice;
- Language and terminology used in the survey may have different meanings for certain groups of mobile workers.

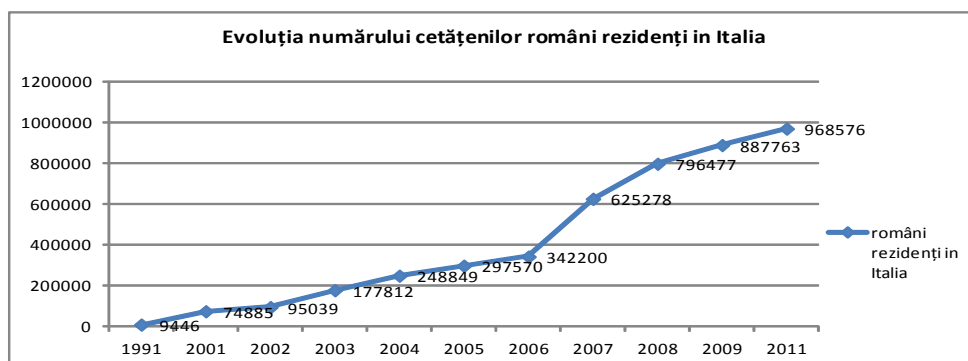
In 2009, the number of people who have acquired citizenship of an EU Member State was 776,000, this corresponds to an increase of 11.1% over 2008. The main contribution to this increase was a United Kingdom, followed by Italy, Romania, Portugal and Luxembourg. In the Romania, these increases are due reform of the national legislation on citizenship.

The structure on citizens of the foreign citizens who living in the EU vary widely from one Member State to another, influenced by factors such as labour migration, historical links between countries of origin and destination, and by the networks created in destination countries. In 2010, Turkish citizens were the largest group of foreign nationals living in the EU with 2.4 million people, or 7.2% of all foreigners. In second place stood Romanian citizens living in another EU country (6.6% of all foreigners), followed by Moroccans (5.7%). The group of Romanian citizens living in the EU has recorded the largest growth in the period 2001-2010, their number increased seven-fold, from 0.3 million in 2001 to 2.1 million by 2010.

• **Data published by the Italian and Spanish on flows of foreign workers, including Romanian.**

In Italy they were in January 2011, a total of 4,570,317 foreign residents, of which 968,576 were Romanian. The evolution of Romanian citizens resident in Italy is presented in Figure 1. We see an upward trend, throughout the period monitored, of the number of Romanian residing in Italy, and this trend is maintained in the case of evolution of the Romanians share in all foreign residents too, presented in graph 2.

Graph 1: *The evolution of the number of Romanian citizens resident in Italy*



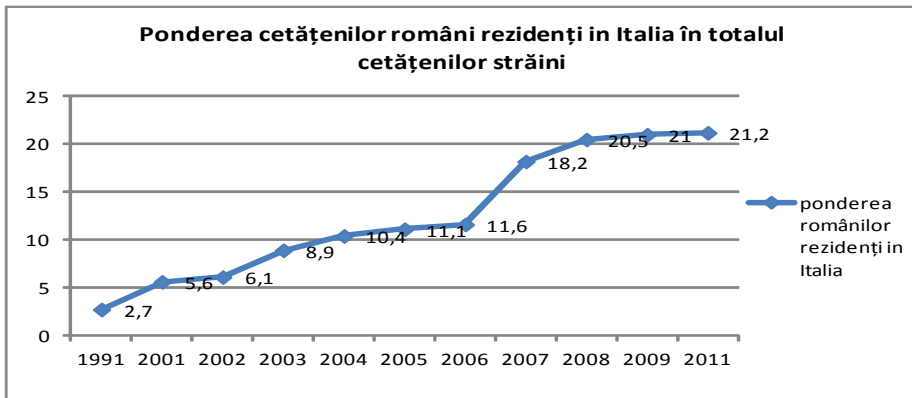
Source: authors based on data provided by SSRMdL di Italia Lavoro

The number of Romanian citizens resident in Italy increased, practically, 100 times in the last 20 years. The increasing of the migration was observed since



2006, due to the shortage of jobs in the national economy. The trend maintained, in all subsequent years, regardless of the circumstances.

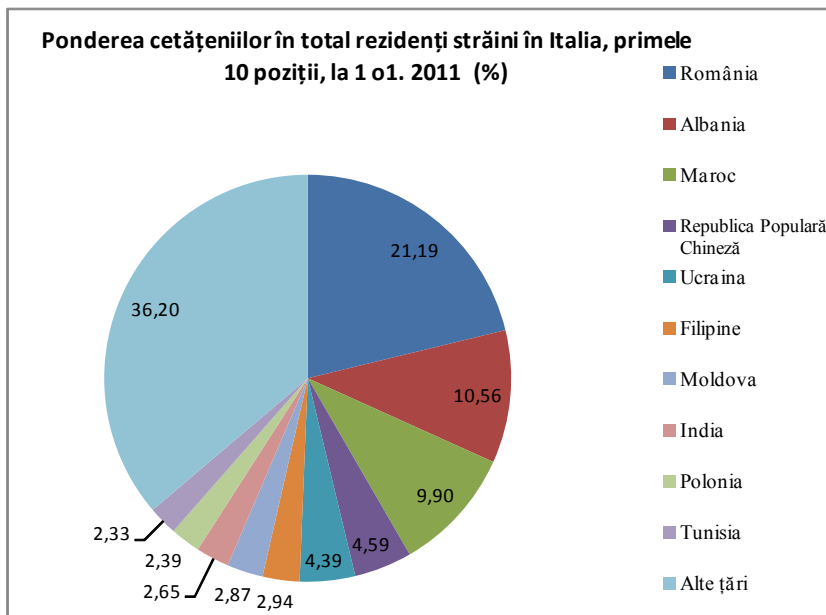
Graph 2: *The evolution of Romanian citizens in total foreign residents*



Source: authors based on data provided by SSRMdl di Italia Lavoro

The share of Romanian citizens, in the total number of foreign residents from Italy, in 2011, was superior to other nationalities, representing 21.19% of the total, compared to Albanian citizens (10.56%), Moroccan (9.90%), Chinese (4.56%) and other citizens of the world (see graph 3).

Graph 3: *The share of total resident foreign citizens in Italy top ten on 01, 2010*

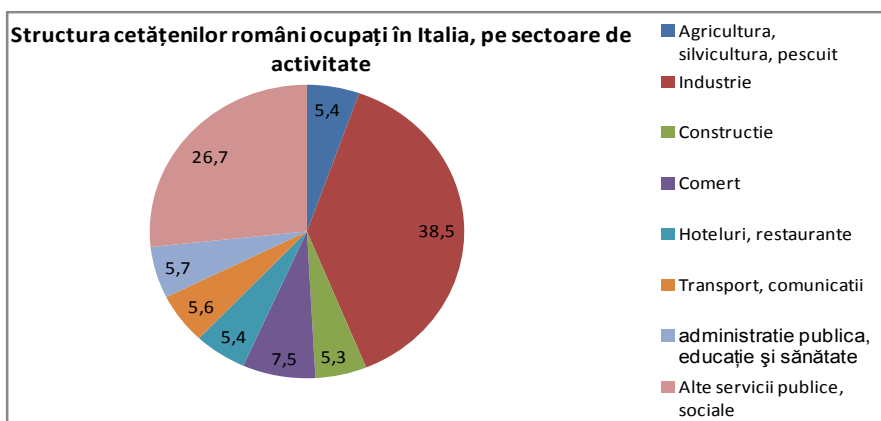


Source: data from the authors after SSRMdl working in Italy by Istat data

The gender Structure of all Romanian citizens resident in Italy is easily unbalanced, so that residents of Romanian female is about 55% and males almost 45%.

*Of the total persons employed on the activities of the Italian economy, a number of 561637 Romanian citizens are registered as workers (representing 2.45% of total employment and 58% of the Romanians who living in Italy). In some sectors of the economy percentage of Romanians employed is higher than workers employed at national level in that branch. So we can say that there are economic activities that employ predominantly Romanian citizens or other nationalities. For example, 38.5% of the Romanian are working in industry (at national level, 28.5% of workers are employed in industry), followed by the percentage of those working in other public and social services, 26.7% (at national level, only 7.3% of employees working in this sector) (graph 4).*

Graph 4: The structure of Romanians workers from Italy on economic sectors



Source: authors after data processing SSRMdl di Italia Lavoro su microdati RCFL-IST

In Spain in the mid-2012, there were 908769 citizens residents of Romanian origin. In fact, the largest share in European foreigners residing in Spain, were Romanian citizens (41.53%), followed by the UK, Italy etc. (Graph 5).

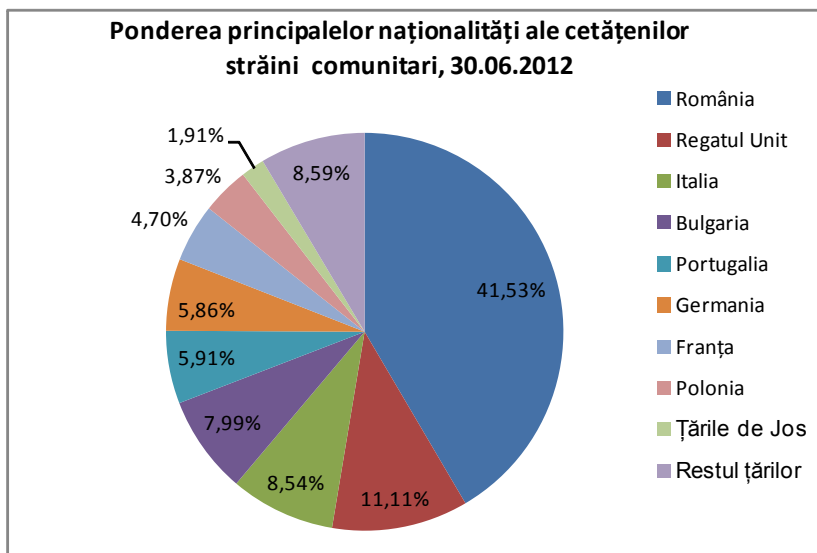
The structure by gender of Romanian citizens living in Spain with a residence permit or green card 30.06.2012, was dominated by men, with a rate of 53.54%, or 486,574 people.

### Action guidelines

*We note that international migration has become an important part of globalized world, generating the need for efficient management of the phenomenon, which to give it an important role in the economic development of countries and poverty reduction. To this end we have identified the following guidelines:*

- Improving international cooperation on labour migration. In this regard government institutions in consultation with the organizations of employers and workers should engage in international cooperation to promote managed migration for employment. Particular attention should be paid to the following aspects:

Graph 5: The weight of the main nationalities of foreigners Community citizens, 2012



Source: processing data from authors after AELC-EFTA: European Free Trade Association

- development of information exchange between governmental institutions and at governmental level between Romania and other countries on issues related to labour migration;

- development of intra and intergovernmental dialogue and cooperation on labour migration policy in consultation with the social partners, civil society organizations and migrant workers, so that Romania should be present in the decision making structures of European migration;

- promotion, where appropriate, a bilateral and multilateral agreements between countries of destination and origin, focusing on various aspects of labour migration, such as admission procedures, flows, possibilities of family reunification, integration and return policy including in particular measures by gender;

- development of projects and programs that generate or increase opportunities for decent work for both men and women in Romania, in order to maintain skills (talent) necessary to achieve a balance in the labour market;

- promotion of bilateral and multilateral agreements between workers' organizations or between Romania and the countries of origin or destination for the exchange of information and transfer of their members.

- The knowledge and information are critical elements in the formulation, implementation and evaluation of the practice and policy on labour migration, and therefore collection and application of information and knowledge should be a priority. In this respect, it must:

- Improving of the capacity and governance structures for collecting and analyzing quantitative and qualitative data on labour migration, including gender structure, sectors and other data that form the basis of labour migration policies;

- having in view the crucial role in the management of the economic migration of NEA and MMFPS, it must improve its system for recording structural immigrants on the economic sectors, occupations, etc.;
- promoting, supporting and reconfiguration of the research and launch special, priority research programs of the migration issues, including the impact of emigration on Romanian, and contribution of the immigrants on Romanian development, international mobility of the talent; elaboration of the policy regarding migration;
- collection and exchange of good practices on labour migration to be ongoing;
- development of the bilateral and multilateral exchange of labour market information;
- a research regarding the movement of the young generation, including highly qualified (including education) as well as low skilled, and the impact of this mobility on the transition from school to work;
- analyzing the effects of mobility on reconciling work and family life, having in mind the effects of mobility on the family (losing touch with family, postponement of a childbirth, therefore resulting in a decline of the fertility rate at the society level, tensions between the initial and current career aspirations, etc.);
- increasing the absorption degree of EU funds as well as other funding sources for specific activities migration.

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# ASPECTS OF INNOVATION WITHIN ROMANIAN ENTERPRISES, COMPARED TO OTHER EUROPEAN COUNTRIES

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## **Abstract**

*The article approaches a key topic of the European economy, namely the issue of innovative enterprises, aiming to provide a more objective picture of the place occupied by our country in the European context in terms of innovative performance, the prevalence of innovation in Romanian companies, the typology of these innovations and these companies compared to other EU states. Emphasis will be placed on the characteristics of innovation in Romanian enterprises, on the differences in the degree of innovation among the developing regions of our country, but also on the difficulties local enterprises face in trying to innovate. Our paper will rely on a secondary analysis of data from multiple databases, reports, studies developed by European and Romanian institutions.*

**Keywords:** *innovative enterprises, innovation performance, types of innovation, cooperation, barriers to innovation*

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

## **Introduction**

The present article brings forward the issue of innovation within Romanian enterprises, compared with other EU27 countries, focusing especially on their innovative performances, but also on other dimensions, such as the percentage of innovative enterprises, types of achieved innovation, the size of the innovative enterprises, the objectives that led to it, sources of information, barriers to innovation and the degree of innovation of Romanian development regions.

Innovation is a key-topic of today and of all the possible and desirable means of conceiving the future, being considered on EU level an essential issue for the development of the knowledge society. A knowledge society cannot be anything else but a society of innovation, and especially driven through innovation, as by its very nature, knowledge is constantly developing, and thus requires innovation. Inside the EU, there are often debates on the necessity of developing an innovative culture, which would lead to a reduction of the present gap between the US and the EU – attributed by many specialists to the more open-to-risk American culture; another disadvantage experienced by the EU is the gap in innovative performances, experienced at the heart of the EU between the EU15 old members and the new

members of EU27. The main “weapon” used by competitor leaders on globalized markets is innovation. To this, the other countries respond with other policies of innovation in order to reduce the recorded gap. Innovation becomes thus the common behaviour in the fight for survival, based on the principle “innovate or die” (European Commission, 2002, 6). This new positioning of innovation with respect to competitiveness results directly from the process of transition towards a knowledge society.

In this regard, the aim of the present paper is to present the current situation of innovation in national enterprises, compared with European ones, but also the status of the overall innovation performances in Romania, in an European context, highlighting the specific difficulties experienced by Romanian enterprises in their attempts to innovate, to become and maintain themselves competitive. Consequently, the present paper shall use a secondary analysis of data from various data bases, reports, and studies, elaborated by Romanian and European institutions.

### **Literature review**

Joseph Schumpeter defined innovation in 1939 as representing “the commercial exploitation of an invention”, emphasizing its character of “creative destruction” (replacing what is old-fashioned by creating something new and better) (Hoffman, Glodeanu, 2006). Thus, innovation can be regarded in general as a process of diffusion, assimilation and usage of inventions in various domains of society (Hoffman, Glodeanu, Leovaridis, Nicolaescu et al., 2009, 52)

Throughout time, various authors have approached innovation and its role in society: four innovation strategies have been introduced, taking into account the manner in which the knowledge process has been taking place (through transfer or one’s own forces) and the field of knowledge (already existent or new), resulting in the strategies of leverage, expansion, assimilation and experimentation (Krough, 2004, 367). Peter Drucker presented different ways of achieving innovative products (Drucker, 1993, 159-163): the changing of product values and characteristics, so that “strategy itself is an innovation”; the innovation in the price system; the innovation in the product-generated services; introduction of maintainance costs, consultancy and installation of products based on the selling price; innovation with regard to new value-criteria taken into consideration in the designing and implementaion of a product. Tom Peters is the one who introduced the analysis of innovation cycles (2000): the author presents a conceptual scheme regarding the basic principles in the conception and production of innovation – the meaning of the cycle is of a morally-philosophical nature. A proper analysis of the “innovation cycle” will take into consideration “the technological discontinuity the user is confronted with, during a time in which the new technology (and its associated options) are competing with the old technology”: “the innovation cycle” is directly related with the “technological cycle”, so that each phase of a technological cycle is associated with various challenges and innovation types (Tushman, Anderson, 2004, 33-36).

Both in the case of the typology of innovation, as in the case of the operational definition of enterprises based on the innovation criterium, a fundamental role is played by the distinction between various types of innovation, as elements that can be found either in the technological reality, or in the non-technological one, acting separately or together. Most of the approaches to this topic (more or less theoretical) identify “four types of innovation: product, process, organizational and marketing innovation” (OECD, 2005, 47). The minimum condition that a product, a process or a marketing, management, organizational method need to fulfil in order to be considered innovative, is for the respective process, product or method to be new in the company or renewed in a significant manner. Another paper (*Harvard...*: 2003, 3) draws a difference between incremental innovation, which exploits already existing technologies, reconfiguring them, and the radical one (or the *discontinuous, breakthrough innovation*) which brings something new, totally different from existing things, in some cases even creating new markets.

Lundvall and Nielsen (2007, 65) approached innovation from the perspective of the social dimension, the relationship that management has with the employees of the innovative company, as a process of creating knowledge, in which the speed and the direction of creating knowledge reflects the company’s organizational features, and implicitly, the involvement of employees in various forms of direct or indirect participation to decision-making, as well as the investment in increasing the competences of its employees. Social cohesion, this time on a national and even international level, has been approached also by Cantwell (2011, 544), who considers that achieving competitiveness through innovation has become a noteworthy objective of national policies, and the role of innovation has increased in the present knowledge-based economy, even though and especially if it is the case of less developed countries or regions which are looking forward to catching from behind the more developed countries. This justifies the need for more successful players being involved in the competition game, who would cooperate with each other in the innovation process, instead of creating obstacles. The European Union has often highlighted the need of strengthening social cohesion, which, from the point of view of stimulating innovation involves the existence, within the inevitable competition, of certain cooperation practices (“a win-win competition”).

### **Comparative statistical data regarding innovation in European countries**

The latest data, of 2008, referring to the European innovative enterprises, shows that Germany has registered the highest percentage of innovative enterprises (79.9% of the total number of enterprises), followed by Luxemburg (64.7%); the lowest percentage has been registered in Latvia (24.3%), Poland (27.9%) and Hungary (28.9%), with an EU-27 average around 51.6%. Estonia, Cyprus and the Czech Republic are the only states that became EU members in 2004 and which have shown a more innovative capacity than the EU-27 average (Eurostat, 2012a, 590).

Table 1

**The share of innovative enterprises of the total number  
of enterprises, in EU27**

<b>EU-27</b>	51.6
Germany	79.9
Luxembourg	64.7
Belgium	58.1
Portugal	57.8
Ireland	56.5
Estonia	56.4
Austria	56.2
Cyprus	56.1
Czech Republic	56.0
Sweden	53.7
Italy	53.2
Finland	52.2
Denmark	51.9
Slovenia	50.3
France	50.2
Great Britain	45.6
Netherlands	44.9
Spain	43.5
Malta	37.4
Slovakia	36.1
<b>Romania</b>	33.3
Bulgaria	30.8
Lithuania	30.3
Hungary	28.9
Poland	27.9
Latvia	24.3

*Source:* Eurostat, *Innovation: tables and figures*. Excel Database available at [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Innovation\\_statistic](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Innovation_statistic), Figure 13.3.1, accessed at 1.03.2013.

Large enterprises have brought on the market a larger product innovation percentage than the medium or small enterprises: this pattern can be observed in 2008 in all EU-27 member states, excepting Latvia (where small enterprises generated to a larger extent product innovation). The same differentiation based on the size of the enterprises is to be noted also in the case of process innovation – the large enterprises dominate, with a few exceptions: in Romania, Poland, Portugal and Finland, small enterprises have become noteworthy through process innovation to a larger extent than the larger ones, while in Italy and Slovenia the medium ones have reached that status. Overall, taking into account both types of innovation, one can notice the tendency manifested by large European enterprises to innovate more, compared with SMEs (Eurostat, 2012b, 178).



In most countries, in 2008, the percentage of innovative enterprises was in general higher for the industry rather than the services' sector – the exceptions were Luxemburg, Hungary and Portugal. A third of the innovative enterprises of EU-27 have cooperated with other enterprises, universities or public research institutes, while the rest of two thirds had relied only on their own resources. The largest percentage of enterprises that have been innovating through cooperation is in Denmark (56.8%), Cyprus (51.4%), Belgium (48.8%) and Estonia (48.6%), while the lowest percentage in this regard is in Romania (13.8%), Italy (16.2%), Bulgaria and Latvia (16.6% for each). In addition to this, except for Cyprus, European innovative enterprises have more likely used internal research and development, rather than the external one (Eurostat, 2011, 81).

Regarding the objectives that lead to innovation, more than half of the innovative enterprises of EU-27 mentioned an improvement in the quality of products and services (56.6%) and a diversification in products and services (52.2%); moreover, in a decreasing order of frequency, 42.4% of them indicated as reason the raise of the market share, and 39.6% – the entry on new markets. Of the Romanian innovative enterprises, just as in the case of the EU-27, most of them indicated an improvement in the quality of offered products and services (55.5%), a diversification of products and services (50.0%), followed by the entry on new markets (35.5%), the replacement of old products and processes (34.4%) and an increase in their market share (34.1%) (Eurostat, 2011, 90).

The situation of Romania, compared with that of other European countries, has been highlighted also by other studies of the European Union, of which the most referential one for the present topic, due to the analysed indicators, is the *Innovation Union Scoreboard* series, initiated in 2001 and published annually ever since. The aim of these studies is to compare the level of member states, from the point of view of the transition towards a knowledge society; from 2002, this research has been including Romania also. The last edition of 2011 is grouping the European countries based on the values of the indicators referring to innovative performances, into four main groups (MERIT, 2012, 12):

- *innovation leaders*, whose performances are above the average of the EU27: Denmark, Finland, Germany and Sweden;

- *innovation followers*, whose performances are closer to the EU27 average: Austria, Belgium, Cyprus, Estonia, France, Ireland, Luxembourg, Holland, Slovenia and Great Britain;

- *moderate innovators*, whose performances are under the average of the EU27: the Czech Republic, Greece, Hungary, Italy, Malta, Poland, Portugal, Slovakia and Spain;

- *modest innovators*, whose performances are under the EU27 average: Bulgaria, Latvia, Lithuania and Romania.

In 2011, *Innovation Union Scoreboard* has been organized based on a methodology comprising 25 indicators, grouped in 8 dimensions (human resources, open, excellent and attractive research systems, finance and support; firm investments, linkages and entrepreneurship, intellectual assets; innovators,

economic effects). These dimensions are also grouped in three main types of indicators (*enablers*, *firm activities* and *outputs*) (MERIT, 2012, 6).

In this last edition of the study, Romania is situated on the 24<sup>th</sup> place among 27 member states, according to its innovative performances (measured overall). After Romania there are only Lithuania, Bulgaria and Latvia left. According to this study (MERIT, 2012, 16), Romania's strengths are highlighted for the indicators grouped in the "firm investments" and "economic effects" dimensions; while the weaknesses are grouped in the following dimensions: "human resources", "open, excellent and attractive research systems", "linkages & entrepreneurship", "intellectual assets" and "innovators".

Table 2

**Romanian innovative performances, compared to EU27, in 2011**

		UE27	Romania
<b>1. Enablers</b>			
<b>1.1.</b>	<b>Human resources</b> (Romania is situated on the 26 <sup>th</sup> place among 27 states)		
1.1.1	New doctorate graduates per 1000 population aged 25-34	1.5	1.3
1.1.2.	Percentage population aged 30-34 having completed tertiary education	33.6	18.1
1.1.3.	Percentage youth aged 20-24 having attained at least upper secondary education	79.0	78.2
1.2.	<b>Open, excellent and attractive research systems</b> (Romania is situated on the 25 <sup>th</sup> place among 27 states)		
1.2.1	International scientific co-publications per million population	301	140
1.2.2.	Scientific publications among the top-10% most cited publications worldwide as % of total scientific publications of the country	10.73	4.22
1.2.3	Non-EU doctorate students as a % of all doctorate holders	19.19	2.06
<b>1.3</b>	<b>Finance and support</b> (Romania is situated on the 22 <sup>nd</sup> place among 27 states)		
1.3.1	R&D expenditure in the public sector (% of GDP)	0.76	0.29
1.3.2	Venture capital (% of GDP)	0.095	0.041
<b>2. Firm activities</b>			
<b>2.1.</b>	<b>Firm investments</b> (Romania is situated on the 12 <sup>th</sup> place among 27 states)		
2.1.1.	R&D expenditure in the business sector (% of GDP)	1.23	0.18
2.1.2.	Non-R&D innovation expenditures (% of turnover)	0.71	1.36
<b>2.2.</b>	<b>Linkages &amp; entrepreneurship</b> (Romania is situated on the 25 <sup>th</sup> place among 27 states)		
2.2.1.	SMEs innovating in-house (% of SMEs)	30.31	16.66
2.2.2	Innovative SMEs collaborating with others (% of SMEs)	11.16	2.27
2.2.3.	Public-private co-publications per million population	36.2	6.3
<b>2.3</b>	<b>Intellectual assets</b> (Romania is situated on the 27 <sup>th</sup> place among 27 states)		
2.3.1	PCT patent applications per billion GDP	3.78	0.15
2.3.2	PCT patent applications in societal challenges per billion GDP	0.64	0.01

2.3.3	Community trademarks per billion GDP	5.59	1.60
2.3.4	Community designs per billion GDP	4.77	0.42
<b>3. Outputs</b>			
<b>3.1.</b>	<b>Innovators</b> (Romania is situated on the 23 <sup>rd</sup> place among 27 states)		
3.1.1.	SMEs introducing product or process innovations (% of SMEs)	34.18	18.03
3.1.2	SMEs introducing marketing or organizational innovations (% of SMEs)	39.09	25.80
<b>3.2</b>	<b>Economic Effects</b> (Romania is situated on the 15 <sup>th</sup> place among 27 states)		
3.2.1	Employment in knowledge-intensive activities as % of total employment	13.50	6.00
3.2.2	Medium and high-tech product as % of total product exports	48.23	50.72
3.2.3	Knowledge-intensive services exports as % of total services exports	48.13	48.35
3.2.4	Sales of new-to-market and new-to-firm innovations as % of turnover	13.26	14.87
3.2.5	License and patent revenues from abroad as % of GDP	0.51	0.28

Source: (MERIT), *Innovation Union Scoreboard 2011*, Belgium, 2012, pp. 63-64.

### **The situation of Romanian innovative enterprises**

In the Romanian case, the data offered by the National Statistics Institute show that the percentage of innovative enterprises, of the total industrial and service enterprises, has been growing in a constant manner, going from 17% in 2000 to 30.8% in 2010 (with intermediate values of 19.9% in 2004, 21.1% in 2006 and 33.3% in 2008). The percentage of enterprises experiencing only technological innovation (product and/or process) dropped from 6.5% in 2008 to 4.3 % in 2010, while the percentage of those experiencing only non-technological innovation (organizational and/or marketing) increased on the same temporal interval from 13.6% to 16.5% – this was possible due to the more reduced costs in the case of introducing non-technological innovation (INS, 2013, Table 4.1).

Based on the size criterion, between 2002 and 2010, small enterprises dominated as percentages the total of innovative enterprises, which can be explained by the fact that these are a majority in the total number of Romanian enterprises; in addition to this, their percentage within the total number of innovative enterprises increased throughout the interval (from 53.6% in 2002 to 69.2% in 2010), to the detriment of large enterprises (from 16.7% in 2002 to 7.7% in 2010) and the medium ones (from 29.7% in 2002 to 23.1% in 2010) (INS, 2013, Table 4.2).

Regarding the most important source of innovation (INS, 2013, Table 4.4), the most often mentioned by enterprises, from the total number of those experiencing technological innovation, is internal innovation (from inside the enterprises or the enterprises group – 43.4%), followed by clients and buyers

(33.5%) and equipment, materials, components or software suppliers (33.4%). Other sources have received less credit: competitors or other enterprises from the same field of activity (23%), conferences, fairs, exhibitions (14%), scientific journals and commercial/technical publications (11%), consultants, commercial labs or private research and development institutes (7,5%), industrial and professional associations (5%), universities or higher education institutions (3.7%), government or public research institutions (2.5%). It is a fact that higher education institutions or public research ones are the last sources of innovation mentioned, based on frequency, which confirms once more the lack of connection between the former and production – a connection that should be visible in the transfer of knowledge from the first to enterprises.

The lack of cooperation in general, which could lie at the basis of innovation, as well as stimulate it, is demonstrated also by the fact that less than a quarter of the total number of Romanian innovative enterprises with technological innovation, in 2010, have innovated through cooperation (INS, 2013, Table 4.6): of these, the majority have Romanian partners (20.6%) while the foreign ones are a mere exception (0.1% European partners and 0.2% US or other country partners).

The innovation expenses of innovative enterprises (INS, 2013, Table 4.7) have been directed in 2010, especially towards buying machinery, equipment and software (69.1%), followed by other more reduced expenses: internal research and development activities (18.3%), external research and development activities (11.1%) and the buying of other external knowledge (1.5%).

Among the non-technological innovative enterprises (within the total number of innovative enterprises) (INS, 2013, Table 4.5), 18.4% have developed organizational organization, while a similar percentage, 19.2% – marketing innovation: of these, within the small enterprises the marketing innovation is highlighted in 2010 (17.7% compared with 15.1%), while in the case of the medium and large enterprises, the organizational innovation is to be highlighted (of the medium-sized, 26.7% experienced organizational innovation, compared with 22.6% with marketing innovation; respectively for the large ones, 42.1% experience organizational innovation compared with 31.5% – marketing innovation).

In 2011, the *Inobarometer Report. A Report on Barriers to Innovation*, has been completed in Romania (the first edition dates back to 2008), which is a study about innovation in various development regions, analysing and putting into a hierarchy, the capacity of regions to generate and maintain a proper environment which can support innovation in the case of economic operators. The study was elaborated by a consortium of 16 entities (Commerce Chambers, research institutes, universities, innovation centres) from the National Network of Innovation and Technological Transfer, coordinated by the Romanian Institute of Socio-Economic Research and Survey – IRECSON. The report shows that from the point of view of the overall degree of innovation of development regions, the first place is taken by the Bucharest-Ilfov Region, followed at a greater distance by the North-Eastern, Centre, Southern, South-Eastern, South-Western, North-Western and Western regions (Autoritatea Națională pentru Cercetare Științifică, 2011, 13).

In order to achieve this general classification, five innovation factors have been taken into account, each of them composed of several other sub-factors, as follows:

- the innovation driving potential (formal and non-formal education; personnel involved in technological research and development activities –TRD; personnel involved in the process of promotion, marketing, prognosis and surveillance of the economic environment; the degree of innovation support from the local public authorities);

- the knowledge creation potential (public; private);

- the capacity to innovate and integrate in a relational system (capacity to innovate; cooperation and collaboration);

- the performance of innovation activities (development of products/technologies or new/modern services on the market or the implementation of new/modern technologies within the organization; TRD activities; consultancy activities – services; promotion, marketing and distribution activities);

- intellectual property (technical and economic documentations – documentations of the production of goods/services, feasibility studies, market studies, business plans, economical and technical projects etc.; patents; protected industrial patterns and drawings; other – copyright, trademarks, recipes, geographical directions, animal and plant species etc.).

Based on these factors and sub-factors, a certain comparison has been drawn over the development regions, which is presented in the following table.

Table 3

**The general comparative situation according to innovation factors**

Development region	General ranking	Ranking according to innovation factors				
		Innovation driving potential	Knowledge creation potential	Capacity to innovate and integrate in a relational system	Performance of innovation activities	Intellectual property
Bucharest-Ilfov	1	1	1	1	1	1
North-East	2	2	4	2	7	6
Centre	3	7	8	3	3	2
South	4	5	2	5	6	3
South-East	5	6	7	4	2	7
South-West	6	3	6	8	4	8
North-West	7	4	3	7	8	4
West	8	8	5	6	5	5

Source: Autoritatea Națională pentru Cercetare Științifică (ed.), *Raportul Inobarometru. Raport Bariere în Calea Inovării*, București, 2011, p. 19.

Another aim of the survey conducted on enterprises was to highlight the factors and their importance in the blockage of innovative activities, projects etc., or over the decision not to innovate. The factors are the following (Autoritatea Națională pentru Cercetare Științifică, 2011, 53):

- cost factors: lack of funds within the unit; lack of outside financing; too-high innovation costs;
- factors regarding the accumulation of knowledge: lack of qualified personnel; difficulties in finding cooperation partners for innovation; lack of information on technology and on the specific market requirements;
- market factors: the market is dominated by other consecrated enterprises; fluctuating demand of innovative goods and services;
- reasons not to innovate: no need because there are no such demands for innovations or because of previous innovations.

Furthermore, a regional analysis of the importance of these factors has shown that as far as cost factors are concerned, the lack of unit funds has contributed to a large extent to the blockage of innovative activities for 36% of enterprises. Most enterprises that have confronted with these problems are from the following regions: Bucharest-Ilfov (19%), North-Western (15%), South-Eastern (14%) and Southern (14%). The lack of outside funds has contributed to a great extent to the blockage of innovative activities for 28% of enterprises. Most enterprises which have been confronted with this issue are from the following regions: Bucharest-Ilfov (19%), North-Western (15%), South-Eastern (14%) and Southern (13%). Too-high innovation costs have contributed to a large extent to the blockage of innovative activities for 30% of enterprises, which come from the following regions: Bucharest-Ilfov (17%), North-Western (15%), South-Eastern (14%) and Southern (14%).

With respect to the factors regarding the assimilation of knowledge, the lack of qualified personnel has contributed to a large extent to the blockage of innovative activities for 12% of enterprises. Most of the enterprises which have been confronted with this matter are from the following regions: North-Western (18%), Western (16%), Bucharest-Ilfov (15%). The difficulties in finding cooperation partners for innovation have also contributed to the blockage of innovative activities for 12% of the enterprises, grouped in the following regions: North-Western (25%), Bucharest-Ilfov (19%), North-Eastern (13%) and Southern (12%).

As far as market factors are concerned, the existence of consecrated enterprises that dominate the specific market has also contributed largely to the blockage of innovative activities for 19% of enterprises. Most of them come from the following regions: Bucharest-Ilfov (17%), Southern (17%), North-Western (16%) and South-Eastern (14%). The fluctuating demand of innovative goods and services has also contributed to such blockage for 12% of enterprises in the following regions: North-Western (20%), Southern (18%), Bucharest-Ilfov (17%) and North-Eastern (14%).

Finally, from the point of view of the reasons not to innovate, the lack of demand for innovation from the specific market has blocked the innovative

activities for 10% of enterprises, especially from the regions Bucharest-Ilfov (28%), North-Western (15%), Southern (14%) and South-Eastern (12%) (Autoritatea Națională pentru Cercetare Științifică, 2011, 53-54).

## Conclusions

Although in our country, the share of innovative enterprises in all enterprises increased steadily over the past 10 years, the proportion of those with technological innovation decreased, increasing of those with non-technological innovation, more accessible and cheaper. The collaborative innovation is insufficient widespread, especially one based on linkages with institutions of higher education and research, which is more an exception. The main barriers to innovation in Romanian enterprises are lack of internal funds and external financing sources under conditions of innovation costs too high, a market dominated by established enterprises, difficulties in finding cooperation partners for innovation, lack of demand for innovation on specific market.

These characteristics of innovation situation in Romanian companies do that, unfortunately, our country currently reside in 24th place out of 27 EU countries in terms of overall innovation performance, placing in the last value group (modest innovators) of the four groups in which European countries are grouped according to this criterion.

Lack of emphasis on research in our country strategies and of sources of funding to encourage the transfer of knowledge from research and higher education to productive enterprises makes key indicators reflecting the transposition of innovation results in the economy to place Romania far behind the EU27 average. In Romania there are premises for innovation, because of highly qualified and creative human resources, but the mechanisms and infrastructure to encourage innovation creation and especially for the dissemination of its results are still in early development.

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# PROMOTING GREENING AND GREEN JOBS THROUGHOUT THE CRISIS – THE CASE OF ROMANIA

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## **Abstract**

*The article focuses on the issues of green jobs and the promotion of green economy in Romania. It takes over several developments throughout the years of crisis pointing both to the progresses made as well as to the hindrances brought about by the economic depression to the efforts of developing a green sector in an emergent economy. A special part is dedicated to actions and initiatives financed via the structural and cohesion instrument as well as to the impact of various initiatives under the EU 2020 Strategy. An analysis is carried out on these initiatives, their number, their character and relative effectiveness. The article also focuses on general aspects relating to greening of the economy and the growing use of renewable resources.*

**Keywords:** *greening of the economy, green jobs, structural and cohesion instruments, renewable*

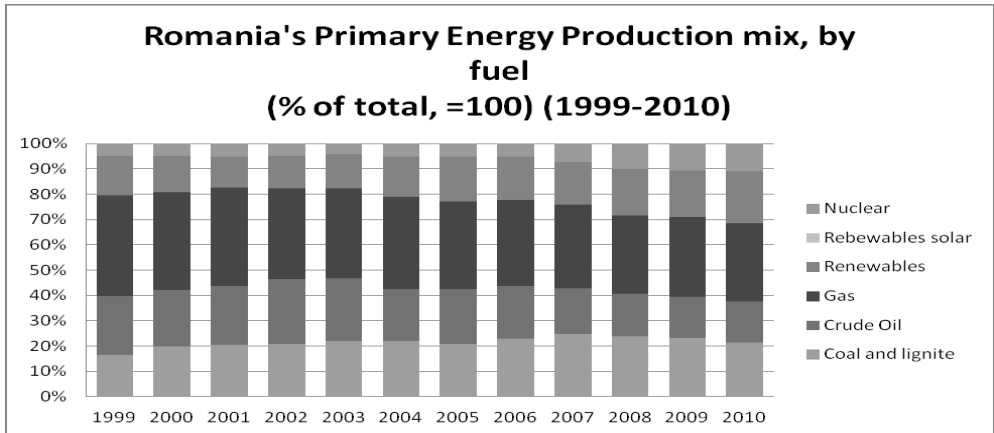
**JEL Classification:** J<sub>21</sub>, J<sub>40</sub>

## **1. Introduction: employment and the green(ing) of the Romanian economy**

Back in 2009 we were arguing that for better or for worse, Romania has been a greener for the last 20 years or so since the fall of communism in 1989, albeit an inadvertent one. An intense process of industrial restructuring that accompanied the Plan to Market total greenhouse gas emissions (CO<sub>2</sub>equivalent) have dropped as against their 1990 levels by 52% while for the whole of the EU27, using the same base year of 1990, in accordance with the Kyoto Protocol, emissions have dropped by only 15% being thus at 85% as against their 1990 levels. In terms of its mix of fuels currently used for primary energy production the country again scores relatively favourably when compared with the average for the EU27.

As such, primary energy production generated from renewable sources, which for Romania mainly means hydropower with the two power plants on the river Danube (the Iron-Gates #1&2/RO-Portile de Fier nr.1&2) counting for a large share, amounts to more than 20% of the total, on par with the EU27 average and on the rise as against 1999 levels when it only accounted for 15% of total primary energy production. In terms of gross final consumption of energy coming from renewable sources, Romania is already near its 2020 target, with 23.4% of this measures being accounted for by renewable, against a target set at 24%. However on the less brighter side it has to be noted that solar power in a country that doesn't miss sunshine, still accounts practically for nil in the total mix of fuels used for

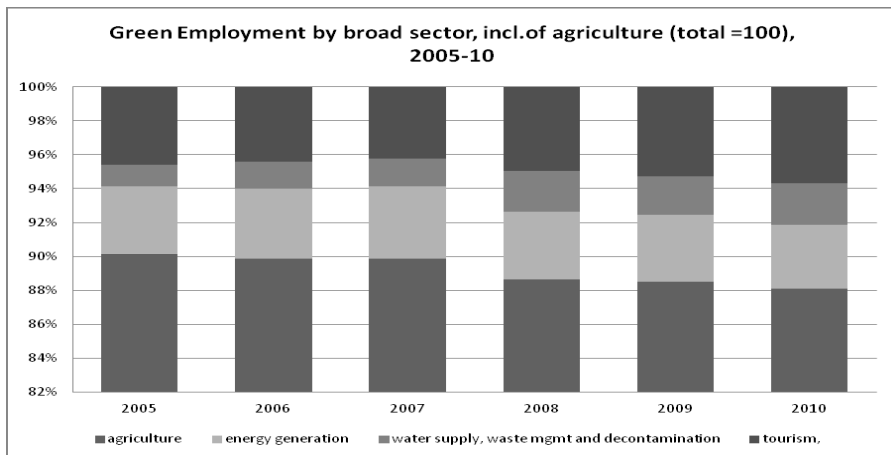
Chart no. 1



Source: EUROSTAT data, processed by the author

primary energy production, while the share of dirtier, though cheaper fuels such as coal and lignite (an even dirtier variety of coal coming from domestic production) has increased from 16% in 1999 to 21.3% in 2010. In what we might call a compensation of sorts, noteworthy nonetheless for Romania's rather poor economic capabilities and taking also into account the massive difficulties its economy had to cope with during the last two decades, the share of nuclear energy has increased in the country's energy production mix from 4.7% in 1999 to 10.8% in 2010 (the two reactors of the Cernavoda plant-app.120 km E of Bucharest).

Chart no. 2



Source: National Institute of Statistics of Romania-NIS, processed by the author

Green sectors broadly might account<sup>1</sup> for around 25% of total employment which would be an astounding figure if taken face-value. Most if it however is represented by agriculture, still undertaken mostly in small farms, with an average surface of less than 5 ha. While taking this as a starting point, when subtracting agriculture (still at around 1/3 of total employment in 2010) and also leaving aside the largest part of energy generation (1.30% of total employment in 2010) one would reach at more plausible share of total employment accounted for by “green sectors/activities” of around 4.7% of total employment or in absolute numbers around 376 thousand workers (2010 data-NIS), nonetheless on the rise from 350000 back in 2005. Sectors that would really account for environmental-related activities (“water supply, waste management and decontamination”) and which only appear as a distinct sector in official statistics starting with 2007 account for a mere 0.82% of total employment (in absolute numbers somewhere around 76 thou. workers) but clearly on the up as against the same base year of 2005, when their share of total employment did not make for more than 0.44% (in absolute values around 40,000 workers) thus marking an increase of 86% as against 2005 as a base year (=100).

This clearly shows that green sectors per se are at an early stage in the Romanian economy. In the meantime it shows that in terms of energy generation while progress is clear, the country still has a lot to do as in terms of energy-intensity of its economy which is still far above the EU27 average being actually one of the most energy intensive economies of the block. In the meantime, and this goes convergent with the country’s new governmental strategy of turning Romania into a regional energy-hub, its energy-dependency is only 21.6%, while for the whole of the EU27 its stands at a double of 52.68%.

## **2. Green employment promotion strategies and programmes with low-carbon / environmental objectives or activities**

Our research for the purposes of this review has grouped strategic initiatives and policies with environmental objectives into four major strands of action:

- Strategies and action programmes aimed at improving the energy efficiency of the economy, reduce primary energy consumption and the level of emissions while in the meantime encourage the use of renewable (**Strand#1**);
- Policies and actions directed at improving the qualifications of personnel working in sectors of activity with significant environmental impact (e.g.: energy generation) a well enhancing the capacity of the public employment services in terms of managing the potential market for green jobs and encourage green jobs generation (**Strand #2**);
- Waste management initiatives (**Strand #3**).

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<sup>1</sup> There is no official statistics on the number of individuals employed in green sectors/green jobs in the Romanian economy nor of their share as of total employment. Therefore we will make a conjecture for the purposes of this article and assume certain sectors as falling broadly into this category given their activity specifics.

– Programs directly aiming at encouraging the creation of green jobs in sectors with high potential (e.g.; agriculture) (**Strand#4**).

The first strand counts as the most developed to date as it includes rather large schemes directly connected with objectives such the reducing the primary energy consumption of the economy by 19% as well as ensuring that at least 24% of the final energy consumption comes from renewables. Inside this broad line of action one can count several programs initiated and financed from the so-called Environment Fund which finances initiatives of business and enterprises in terms of greening their energy generations sources (both power and heat). Initiatives like “Casa Verde” or the program for increasing the thermal efficiency of large multi-storeyed apartment buildings together with initiatives directed at better waste management and waste disposal as well as several program directed at improving water supply, sewage and canal have mobilized substantial financing, including from sources of the Sector Operational Program Environment. It is also here that one can record programs and actions directly aimed at modernizing large combustion plants, especially coal-fired ones in the energy generating complexes of Hunedoara and Oltenia. This strand of action has been the most active and apparently the most effective. Our calculations based on figures provided by the NRP Progress Implementation Report of last year shows that through its different actions this strand has made use of resources to the tune of RON 5.9bn. (approximately 1.3 bn. EUR) or in terms of the country’s GDP in 2010 an estimated 0.98%.

The second strand of action which aims more directly at developing skills and building qualifications for personnel (largely employees and managers as it focuses on sectors with a predominance of large companies) in sectors with a significant impact on environment is substantiated by initiatives funded from resources of the European Social Fund via the Sector Operational Program Human Resources Development (SOP HRD). It is very difficult to say how many initiatives of this type one can count as no reliable statistics to date are truly available but one may judge that more than 90% of them are concentrating in the energy sector, also in relation with the application of several European directives in the field as well as, and noteworthy, in direct connection with the introduction of new qualifications connected more directly with the use of renewables and their specifically associated technologies in energy generation. The total amount calculated by us is nonetheless small (at least compared to the previous strand) although we cannot here claim any kind of exhaustiveness as apparently no official document even attempts quantifying them distinctly), with possibly around 40 mln. RON divided amongst them, which would make for a very small percentage of the GDP.

The third strand is intimately related to Law 132/2011 on the selective management of waste. The legal norm is mandatory for public entities, which are now all obliged to provide for facilities whereby all types of waste produced is selectively disposed and collected while making also room for the disposal via recycling of various types of hardware, especially computers and other related office technique. Also here one may mention’s the country’s “Picnic Law”

(no.54/2012) which regulates the way in which citizens are to treat environment while out for leisure, making them liable in case of destruction or degradation.

The last and final strand is represented by programs devoted to the creation of what could be directly labelled as green jobs, with the main sector targeted here being agriculture and especially small semi-subsistence farms. Our calculations have shown that resources allocated here represent, when looking of course only at those programs that do have also a human resources component (green jobs-green skills) around RON mln.2936 (in EUR equiv. approx.: 667mln.). In GDP terms at 2010 prices it will make for around 0.5%.

A grand total would give thus around 1.3-1.4% of the GDP in allocations, most of them coming from European Funds for the four strands of environment-related programs we have identified and which also have a certain relation with the green job-green skills issue.

### **3. Best practices and examples**

Into this section of the article we will develop further, along the lines of the template provided some of the initiatives briefly announced in the section above. We will do this while keeping also in line with the four “main strands” of strategic action at national level we have identified when it comes to greening and environmentally related actions, including here green jobs and green skills/qualifications

#### **Strand #1 – The Green House/Casa Verde Initiative**

1. The context for the policy: (a) Rationale: The initiative aims at promoting energy efficiency at the base level of households and business establishment by providing income support for the installation of renewable energy sources (RES) powered heating and power plants; (b) Relevance The measure encourages the use of RES while in the meantime supporting employment in a specific sub-sector of the construction sector and also providing an incentive for training into green qualifications;

2. Its specific aims and objectives; To support households and businesses willing to depart from traditional fuels and install RES powered heating and power systems, thus reducing emissions and increasing energy efficiency;

3. The types of policy measure enacted: A support scheme whereby households and businesses get a subsidy for the installation of RES powered systems;

4. The key characteristics of the policy (regulatory scope, budget, duration etc.): The scheme started in 2009 and it is on-going. In 2011 alone more than 11,000 households and 170 businesses benefited from it;

5. The stakeholders involved in policy formation and/or implementation: The Romanian, Government via the Ministry of Environment and the Environment fund;

6. An assessment of the potential or actual impact: (a) Employment creation (actual, intended): no employment targets have been ever fixed but it is apparent that the scheme is supportive of specific employment and especially self-

employment in construction; (b) Training opportunities generated: it created an incentive for training into green qualifications (see below); (c) Transferability: easily transferable and well received by all actors. It encourages individual and community initiatives and entices entrepreneurship;

**Strand#1** – Thermal insulation scheme for large multi-storeyed apartment buildings (blocks of flats)

1. The context for the policy initiative: After 1950 the communist regime built scores of neighbours made out of large, multi-storeyed buildings, commonly as known as *blocks of flats* (RO: blocuri de locuinte). Built poorly and using centralized heating systems, these large complexes of building dotting the urban landscape are difficult to maintain and have become expensive to heat due to their lack of thermal insulation generating large losses of energy; (a) Rationale: to improve energy efficiency of large urban building, with many inhabitants, helping them in reducing the financial burden of energy bills, reducing emissions by reducing consumption of fossil fuel in coal and oil fired heating and power plants and bettering the urban landscape by the renovation of facades following thermal insulation operations; (b) Relevance: the scheme provides both support for families living in these building covering large swathes of the urban landscape by lowering the heating bills while also creating jobs in the construction sector, promoting green, energy saving technologies and finally reducing the consumption of fossil fuel in heating and power plants servicing urban agglomerations. It is thus a multi-purpose vehicle of high relevance;

2. Its specific aims and objectives: (1) to reduce heating bills for large number of households around the country, (2) to increase energy efficiency and reduce losses, (3) to support construction throughout a period of reduced activity due to the crisis and (4) to improve urban landscape as insulation brings also a renovation of facades of what were previously shabby-looking, grey, non-inviting neighbourhoods;

3. The types of policy measure enacted: A government scheme regulated via Government Emergency Ordinance no.18/2009; **Financial Support** is given to local authorities as well as to owner associations deciding to embark on such operations;

4. The key characteristics of the policy (regulatory scope, budget, duration etc.): only covers this particular type of building and thus targets urban areas, scheme is ongoing, more than 37000 apartments have benefited up to now, to the tune 136 mln. RON (EUR mln.31);

5. The stakeholders involved in policy formation and/or implementation: Romanian Government, local authorities, owner associations, construction companies;

6. An assessment of the potential or actual impact: (a) Employment creation (actual, intended): one of the objectives was also that of supporting the construction industry at a time of crisis (i.e.: the relevant piece of legislation issued in 2009 when construction industry at its trough). However it is not precisely known how much it has actually sustained employment in this particular sector as no assessments to date on this matter are available; (b) Training opportunities

**Strand #2** – Training of personnel for Renewable Energy Systems (installation of solar panels, installation of sun-powered heating systems etc), building specialized training capacities in the field of renewable energies and green qualifications, enhance the capacity of the Public Employment Services in servicing a newly emerging job market;

1. The context for the policy initiative including: A the drive for renewable is getting ever more intensive especially with regard to solar and wind energy, but also to biomass as well as, where possible, for the use geothermal energy substituting for fossil fuels. Accordingly a need for qualified personnel appeared on the market. Several specialized training providers (e.g.: FORMENERG, ICEMENERG) as well as universities (e.g.: Politehnica-Bucharest) have started accessing the ESF via the Sector Operational Program Human Resources Development (SOP HRD) to fund initiatives aimed at developing and running specific training programs. Development also included training of trainers, awareness raising and equipping of special laboratories and other specific training facilities; Initiatives of this sort have emerged mostly in the energy sector; (a) Rationale: To train technicians for RES-type technologies and related, responding thus to the needs of an apparently developing market and also cope with the requirements of EU regulation in the specific field of installation of RES powered plants; (b) Relevance: Responding to market demand and creating a new market, developing of green qualifications on a formal basis

2. Its specific aims and objectives: To equip personnel in sectors likely to have a significant impact on the environment (e.g.: chiefly energy production) with skills and eventually “green” qualifications, i.e.; qualifications related to the generation of energy from renewable sources; Building specific training capacities of specialized organizations, creating platforms for the exchange of green jobs and build systems for the identification and registration of green jobs, construct and formalize occupational standards for green qualifications;

3. The key characteristics of the policy (regulatory scope, budget, duration etc.): encouraging investment in human resources related to green sectors as well as in green skills and eventually qualifications; makes use mainly of resources from the ESF via the SOP HRD;

4. Involvement of EU Funding (*examples*): The Green Jobs project of the National Agency of Employment benefits from a total financing of around RON 13 mln, (EUR app.2.9 mln) having a duration of 24 months. It aims at training 83 staff of the public employment services in techniques specific for job market orientation in the field of green jobs, identify specific greening opportunities for the labour

market, identify and manage green jobs and qualification including for the benefit of the unemployed, encourage employers to generate and maintain such workplaces. Partners involved are the NAE jointly with two RO companies (CREARE Resurse Umane and Senior Interactive) and a transnational partner from Spain (see also at [www.locuridemuncaverzi.ro](http://www.locuridemuncaverzi.ro));

The SUN initiative of the ICEMENERG aims at training 80 technicians for the installation of solar panels and sun-powered heating plants, equipping laboratories for training and training of trainers. It is run by ICEMENERG for a period of 12 months (start date June 2012) jointly with ECOSISTEMS Italy and the Romanian Chamber of Commerce and Industry. Financing is to the tune of 3 mln. RON (EUR 681 thou.) (see also at [www.icemenerg.ro](http://www.icemenerg.ro));

5. The stakeholders involved in policy formation and/or implementation: companies, research institutes, universities, training centres, social partners and government agencies (the National Agency for Employment);

6. An assessment of the potential or actual impact: (a) Employment creation (actual, intended): while no assessment at the moment (something is expected to be produced here by the GREEN JOBS project of the NAE however), these initiatives might have a certain impact if not on job creation at least on job churning thus activating the market for green jobs and qualifications; (b) Training opportunities generated: training opportunities have been generated for quite a number of individuals and directly, in terms of obtaining qualifications for occupations directly related with renewable energy sources (our estimates for all programs-not only the two examples above point to around 2,000 trained around the country in various technologies relating to renewable energy mainly); (c) Transferability: easy to transfer and well received by the public. Such initiatives are appropriate for industry as they provide it with qualified labour force.

### **Strand#3 – Waste Management**

1. The context for the policy initiative: (a) Rationale: waste management is crucial for reducing pollution and increasing the cleanliness and health of inhabited areas, especially urban ones. Building a culture of selective waste management as a prerequisite for energy saving and environment cleaning needs also proper regulation. Moreover the state and its bodies have to provide a certain lead for both the public and the corporate community; (b) Relevance: Law no.132/2011 creates the necessary regulatory framework for state agencies and state companies to invest in environment cleaning as well as to recycle in a structured manner, making use of specialized providers. *It thus also creates a market for such services via public procurement, working as such on the principle of the public spending/budgetary multiplier and therefore stimulating the economy in times of crisis;*

1. Its specific aims and objectives: to create regulatory framework with waste collection, disposal and recycling;

2. The types of policy measure enacted: regulation, environment-specific.

3. The key characteristics of the policy (regulatory scope, budget, duration etc.): The measure has both regulatory scope as well as economic/budget stimulus scope. It is permanent being enacted by law (e.g.: Law 132/2011 – selective waste collection, Law 54/2012 – the picnic law);



4. The stakeholders involved in policy formation and/or implementation: state entities (i.e.: ministries agencies and state companies), specialized providers, state agency for the regulation of public purchases, the Court of Accounts (control of the application of the measure);

5. An assessment of the potential or actual impact: (a) Employment creation (actual, intended): no specific target but nevertheless the mandated character of this type of public purchases acts as a lever of maintaining employment in companies specializing in waste management (collection, disposal, recycling); (b) Training opportunities generated: not clear if any; (c) Transferability: Practice highly recommended for transfer. As in many cases the state has to lead by example. One can hardly expect corporations and households to behave responsible and act responsible if the state authority does not or is at best indifferent. It is also a way of returning money collected via taxes to the economy via public purchase.

**Strand#4** – The Young Farmer initiative in the frame of the National Programme for Agriculture and Rural Development (PNADR)

1. The context for the policy initiative: (a) Rationale: Rural environment in Romania is increasingly depleted of its human resource. Lack of infrastructure and mostly lack of direct support for the establishment of viable farms make youngsters leave these areas in spite of their significant economic potential. It is a known fact that most of Romania around 2 mil. migrant workers come from the country's villages; (b) Relevance: It puts in place an incentive for youngsters to return towards rural areas and engage in agriculture; Encouraging small farms it also encourages a green-type of behaviour as well as what it can be labelled as a green type of job (at least potentially), i.e.: farmer;

2. Its specific aims and objectives; to encourage youngsters to establish and run small farms, in an efficient and environment friendly way;

3. The types of policy measure enacted: income support/grant type scheme for individuals below the age of 40, owners of a farm and registered as farmers (legal persons);

4. The key characteristics of the policy (regulatory scope, budget, duration etc.): It tackles the area of income support for small farmers using a budget of EUR mil 337 mln.EUR (app. RON bn.1.48) for the period 2007-13; Likely to continue also in the next budgetary cycle starting from 2014;

5. Where EU funding is involved, a basic description of the project (fund, partners, budget etc.): The scheme is financed from the European Agriculture and Rural Development Fund. Maximum payment per unit is of EUR 40,000;

6. The stakeholders involved in policy formation and/or implementation: The Ministry of Agriculture, the Agency for Payments in Agriculture-APIA, the National Program for Agriculture and Rural Development;

7. An assessment of the potential or actual impact: (a) Employment creation (actual, intended): The scheme which has started application kind of belatedly has a clear potential to generate new jobs and stabilize valuable, young workforce in agriculture; (b) Training opportunities generated: Applicants must either prove that they have agricultural skills/qualification or they MUST commit themselves obtaining them in accordance with the specific agricultural activity undertaken!; (c)

Transferability: Its potential or transferability relates to the potential of agriculture itself at the place of transfer. The higher this, the better. Scheme can nevertheless be replicated also in other sectors where one would like to stabilize and encourage employment, especially self-employment amongst youth; however modified variants would have to be adopted given its specificity for the farm sector.

## **Conclusion**

Successful policies and initiatives pursued throughout the years since our last review on the matter in 2009, have based themselves on the following elements:

- A good connection between issues deemed sensitive by a sector-based community (i.e.: energy) and matters related to the greening of industrial processes as training of staff for green/renewable based technologies (e.g.; the energy sector);

- A strong appeal of policies implemented to local communities, which made them easily transferable (e.g.: the thermal insulation of large multi-storeyed apartment buildings) as well as to the general public, both households as well as entrepreneurs (i.e.: a sort of general-interest policies, e.g.: Casa Verde/Green House); Again these make for easy-transferable initiatives;

- Smart and simple legislation than tackled issues of general concern, was relatively easy to apply, enforce and control (e.g.: the law on selective waste management and the picnic law); These are practices that can be easily transferable;

- Finally a strong understanding that harnessing the country's natural resources has to go necessarily hand in hand with a green policy that would ensure the sustainability of such an approach (both energy sector as well as agriculture initiatives); Such an approach favours highly employment as well as human resources development (see the Young Farmer scheme) and thus makes it probe for transfer;

Amongst barriers one should mention:

- A relatively low capacity of accessing EU funds both by companies as well as by public entities, coupled with a relatively, from the point of view of green skills and green jobs,

- Deficient design from this point of view of the country's main sector operational program supporting HR development, the SOP HRD which lacked any specific structure aimed at green skills, green qualifications and/or green jobs; This helps explain why there are is a relative scarcity of initiatives in the area as well as why existing ones lack scale;

- A certain opacity of the corporate community, large multinationals aside, towards issues relating to environment and greenery and

- A relatively low involvement of social partners, safe for the energy sector, a fact not particularly helped by the attitude of successive governments between 2009 and May 2012 which practised a policy of neglect and dismissal towards social dialogue and social partners.

Therefore transferability goes hand in hand with: (1) simplicity in design and ease in enforcement and application of regulatory measures; (2) a strong support

from local and sector communities and involvement of social partners; (3) the ease of access and enticement towards the use of EU funds by earmarking green development, green jobs and green skills as priorities when designing schemes aimed at HR development; (4) Creating a link between economic development based on natural resources and greening also helps especially if such a development is conditioned on an up-keep of environment as well as on generating sustainable employment and making such employment condition at its turn on HR development.

Policies implemented or in course of being implemented by successive governments since 2009 have been rooted essentially into the country's own characteristics and have taken into account its endowment with natural resources which is not negligible by European standards, classifying even as moderate. This gives the country a comparative advantage which policies aiming towards greening can only transform into a competitive one. While there are many factors of success and progresses have been made since our last article on the matter in 2009, with success in most cases coming hand in hand with EU financing, it is clear that much remains to be done and that green business and obvious enough green skills and green jobs are just taking off in Romania.

Nonetheless that fact that a country keen to take up on a pathway that puts its natural and energy reserves to work is also apparently making the right steps, albeit still rather small and shy, into the direction of greening is in itself something of a good practice to be transferred. This in itself shows that an understanding has surfaced that resources, to matter, especially in a place where they are in scarce supply like Europe, have to be necessarily go greening.

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**Section II**  
**MANAGEMENT IMPROVEMENT – DURABLE SOURCE**  
**FOR THE EFFICIENCY OF THE ECONOMIC GROWTH**



# LEADERS AND LEADERSHIP

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## **Abstract**

*Leadership is the ability to transform vision into reality, and the leader is the architect who manages to turn what was just a projection of the future vision of the organization in a tangible reality. A leader can be a manager, while the manager is always a leader. If management function is carrying out particular activities under formal authority, leadership is more than authority and power. Add leadership vision, daring, personal effort and amount of unique qualities, personal, boosting process management.*

**Keywords:** *leader, leadership, management, manager, organisation, human resources, communication*

**JEL Classification:** M<sub>12</sub>

The concept of *leader* is frequently used by the experts in management and human resources, by teachers and students, by everybody employed within a consultancy company, and also by the professionals in the field of communication or even the non-specialists wanting to induce a sophisticated air to a speech or a written communication. In other words, everybody has heard of or pronounced the word leader at least once. The meaning of this word is clear and to be found in all the fields; it is about leading the way or be the boss. The study of leadership showed even deeper layers of the concept, and the theorist or professional leaders have drafted definitions and insights hereto.

“*Leadership is the capacity to translate vision into reality*”, says Warren G. Bennis and takes a further step by stating that above and beyond one’s visionary capabilities, a leader should also be a good social architect, i.e., the man who understands the organization and is able to hone its mode of operation. The leader’s architect side urges him to transform what is only an image, a blurry projection of the organization’s future into reality (2003, p. 102). Asking the opinion of ninety leaders on the personal abilities needed to lead the organization effectively, W.G. Bennis concluded that none of them mentioned concepts that fall into the category of gender stereotypes: charisma, the dress code or good time management. On the contrary, the latter were considered concepts and prejudices belonging to those who do not actually know the essence of leadership. Most leaders mentioned as important qualities those of consistency, commitment, acceptance of challenges, taking risks and accountability, and above all, the ability to remain permanently

connected and of continuous learning. The Donald Michael's study (1980) also states that leaders must undergo continuous training and that the best place for training and learning is the very organization that fosters them (ap W.G. Bennis, 2003, p.177). The most successful leaders manage to do the moment they develop a set of skills that Michael D. calls *new competences*. Thus, leaders must *acknowledge and share uncertainty with others, embrace errors, respond to the future, become interpersonally competent and gain self-knowledge (i.e. listening, nurturing, coping with value conflicts etc.)*.

The Leadership is not the perquisite of the top management. Leadership can be acquired and learned, as Andrew Goşu (2012), the director of a Romanian consultancy company in the area of organizational development, says when explaining the Gauss curb in support of this theory, during an interview with a specialized magazine: "just 5-10% of the leaders are born this way, 5-10% can't be leaders whatever the training, and the rest of 80-90% are normal people who came to be leaders by working and learning the art of leadership, while operating in a leadership development conducive environment." Being a good leader does not happen by accident or chance; and, as proven by numerous cases, more of the times it is not a native feature either. In the same line of thought, considering another statement of A. Goşu (2012), that "an exceptional leader is the one bringing exceptional results", we may conclude that mediocrity is not related to leadership at all. Although short-term successes are also important, one expects more from a leader, such as medium and long-term results and their related sustainability over time.

Anywhere in the world, the leaders have followers, and for a leader to be followed all the way through all his actions, he must be perceived as being in the position of providing people with the means to satisfy their needs.

There is no such a thing as a recipe for the perfect leader, but *true leaders are not emulating the behaviour of other leaders. They must find the right balance between authenticity and adaptability, that is employing their own resources in relation with a given environment*, in other words, they should become *authentic chameleons* according to Rob Goffee and Gareth Jones (2010). The leader's model described by the two authors is slightly different from the theoretical models, in the sense that their successful leader's profile involves a mix of three factors, namely authenticity, context and communication, overcoming the classical personality-context landmark. In the view of the authors, the authentic leader is highly impressed with outstanding features, and the inner harmony, consistency in achieving tasks and communication of a coherent message, are what make him the ideal leader, a leader worth following.

Often informally chosen, the leader is the representative of the group fostering him, and also the group's spokesperson. A leader encourages teamwork and freedom of speech in his followers. He also delegates, coordinates, listens and solves problems. If we are to talk about his communication skills, the leader should focus on a clear presentation of opinions, effective verbalization and writing, and last but not least, on active listening. Goşu A. (2012) is coming around to the same line of thinking when it comes to how open, simple and concise a leader should be.



He says that *There is no need for sophisticated deeds in order to be a leader, and anyone in this position should avoid choosing to communicate in a fancy and encumbered way rather than simple, direct and clear.*

A leader can be also a manager, while the manager isn't always a leader. The changes affecting public and economic aspects of the society during the last decades of our century, generated a more creative management process through leadership. The management style, type of relationship with the subordinates and the approach of the tasks are evenly unifying and segregating factors for the two above mentioned concepts. One may say that being a manager or a leader is equally science and an art, and that the success of any business depends on how well the two are interconnected. The management process consists of administrative and business activities, planning, implementation, monitoring and achievement of targeted results, all done under a formal authority. The leadership process represents more than authority and power. Leadership adds vision, challenge, personal effort and an amount of unique personal abilities that boosts the management process. If a manager succeeds in influencing the subordinates towards achieving the organization's objectives without making use of the formal authority, than he is demonstrating leadership instincts. Peter Drucker, in his preface to Warren Bennis' book, *Leaders* (2003) is supporting this theory by saying that *any manager who is able to lead, not lecture, who knows how to talk and relate with people, has the duty to try leadership.* Warren Bennis also makes the difference between managers and leaders saying that a manager's job is to apply the authority he was invested with, carry out responsibilities, and worry about how things should be accomplished while a leader's job is to inspire and motivate. Hence, the difference is significant: *Leaders are people who do the right thing; managers are people who do things right.* The leaders are those creating dangerously, giving birth to new ideas, policies and methodologies, taking risks, and not just skilfully approaching an already existing environment.

Management and leadership are two distinct yet complementary systems of action in an organization. There is no percentage formula for perfectly balancing the two systems together therefore achieving and maintaining equilibrium between them is a true challenge. The same idea is plastically illustrated by Stephen R. Covey (1994, p.86-87) who says that *the management is the efficiency in climbing the ladder of success while leadership determines whether the ladder is leaning against the right wall.* Although management and leadership do not define the same thing, the terms are often used interchangeably. Moreover, nowadays, there is a tendency to consider or name all managers leaders. In theory, leadership is considered to be a function of the management, but reality has shown that managers should be interested in becoming leaders, relying less on the formal appointment and management position. Managers that are not trying to earn the leader's position are exposed to failure, as Leonard Sayles (1999) suggested. The truth is that neither one can undertake anything completely without the help of the other and *effective overlap of the two systems can be a major prerequisite for success in an increasingly complex and changing business environment,* said John P. Kotter (2008, p.38).

Even if leaders are not given formal power, their followers supply them with even greater authority through their behaviour and commitment. Employees who are willingly following the leaders practically become their followers without being compelled to, but because they want to, which is not always the case in the formal relationship with managers. Olga Dezso (2012), CEO of a large management consultancy firm in Romania, says in one of the interviews for a specialized management magazine that *the real managers are not directors waiting to be entrusted top management powers, the same way as the great leaders are more than managers endowed with a certain amount of refinement. Basically, the actions of a manager and those of a leader are completely different ... If the companies will take one's role for the other's, expecting all managers to be leaders or considering the "leader" just an advanced form of a "manager", then both roles will be mixed up, underestimated, misunderstood and finally wrongfully played.*

One doesn't need to be a professional theorist in order to be able to record and express judgements about the leadership phenomena, especially if the person has been through situations confirming those assessments. The American former football player, Joe Namath, born in 1943, he himself a true leader, issues his view about leadership in a clear, simple and original way, and his quote immediately became famous "To be a leader, you have to make people want to follow you, and nobody wants to follow someone who doesn't know where he is going." So very true!

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## NEW DIRECTIONS FOR THE COSTS OF EVALUATION

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### **Abstract**

*The present paper presents at first ideas about how evaluation can play a key role in the educational reform. Thus, a great variety of data sources, new social power relations and changed ways of thinking about evaluation are required. The new directions for the teachers' evaluation utter that a good evaluation has to assure the audience and also offer a main source of reward and recognition for teachers. It also pretends both the teachers' participation and control. An important issue the pedagogues consider at present is the cost of evaluation: there are different evaluation costs: evaluation costs in terms of money, in terms of time, in terms of materials and morale costs. In its second part, the paper presents several types of data source for teacher evaluation: the pupil reports, teacher tests, documentation of professional activity, systematic observation, dossier assembly and the specific cost for each and every presented approach in the American society and for comparison the costs – as they are seen – in the Romanian system of learning.*

**Keywords:** *evaluation, teachers, costs, system of learning*

**JEL Classification:** A<sub>21</sub>

### **Introduction**

Let us begin with the question: why should teachers want a good evaluation? The formal and most common answer is for improvement: of themselves and of the system of learning. The specialists utter that the research demonstrates that improved practice as a result of evaluation is nonexistent. Instead, other reasons for increasing the teachers' evaluation are the following: teachers' security, audience assurance, the development of ideas for improved practice for the profession, new pieces of information for teacher training and education and the research stimulation [1, p. 3].

## **New directions for teacher evaluation**

Instead of the current practices that are inaccurate and not useful, teacher evaluation can be made to work. A correct evaluation has to assure teachers that they do good works, offer security and an appropriate status to well functioning teachers, disseminate the new education concepts and ideas and convince the public society that teachers really contribute to the society.

The changes in evaluation practice require a gradual introduction and also institutional changes over a period of several years.

The specialists in education say that the educators should adopt and accept the new directions; otherwise they continue to have the evaluation not taken seriously. As concern the political situation, the situation shows that the society became greatly consumer oriented. Citizens require credible information on how the public resources are used and what is the final result.

The new directions and tendencies want to offer response to questions such as: what is the nature of a good teacher evaluation? What techniques are the most appropriate and needed? What are the costs of all aspects and forms: direct, indirect, transition?

The new conception proposed by K. Peterson [1, p. 4-12] refers to the following twelve aspects; these are to improve evaluation, to offer better results to all categories implied in evaluation process:

1. Emphasize the function of teacher evaluation to document and acknowledge the good teaching that already exists. The civil society need to get information about the quality of teachers' performance. Thus, if the teachers interest in evaluation increases, due to positive payoffs, other functions of the evaluation will be enhanced.

2. Use good reasons to evaluate. Recognition of good teaching practices represents good examples for colleagues. The author proposes new uses for teachers' evaluation data, such as teacher leadership decisions, promoting and public relations information.

3. Place the teacher at the centre of evaluation activity. The hint is to make evaluation a task conducted by the teacher himself. He has to be aware of and responsible for data assembly, judgments and the use of evaluation results. More than that, the teachers can be involved in evaluating their colleagues.

4. Use more than one person to judge teacher quality and performance. Judgments about the quality of teaching should be made by using panels that comprise extensive evidence of teachers' performance, activity and situation. The above mentioned panels should be fulfilled by different types of actors implied in evaluation. We know there are questions easy to be answered at and also there are questions that require judgment from a broader perspective.

5. Limit administrator judgment role in teacher evaluation. The author considers the administrators can monitor for only minimal performance. Their judgments are required, necessary and pertinent when quick judgments are needed: to stop abusive or acute problems teacher practices. Their role is to see the teacher overall activity in relation to parents, school boards, local and national education

policy. The author makes pertinent observations on the basic role conflict of interest when the administrators fulfil both roles: summative judges and educational leaders.

6. Use multiple data sources to inform judgments about teacher quality. Good teaching is a very complex set of activities and has to rely on documents and recognition in a varied number of ways. These can comprise data sources such as: student and parent surveys, peer review, pupil gain data, teacher tests and other unique pieces of evidence.

7. When possible, include actual pupil achievement data. Defensible data on pupils achievements require the teachers' choice, agreement on what is to be measured, good tests and gain data.

8. Use variable data sources to inform judgments. Good teachers are good for different reasons. What makes one teacher good cannot function for another one. Teacher can make teaching function in many different ways.

9. Spend the time and other resources needed to recognize good teaching. Serious and at the same time comprehensive evaluation require teachers to take individual time to consider their own situation, position and data gathering.

10. Use research on teacher evaluation correctly. Generally the research studies in the literature are not taken into consideration. For example, the research on inaccuracy of principal reports did not eliminate them in practice. New practices, such as including artefacts of teaching are used in a timid way.

11. Attend to the sociology of teacher evaluation. The sociology of the working place represents an important barrier in changing and improving teachers' evaluation. Generally, the system does not recognize the sociological forces. According to the sociologists, current school environments are the most reward scarce settings for any professional work.

12. Use the results of teacher evaluation to encourage personal professional dossiers, publicize aggregated results and support teacher promotion systems. Teachers personal professional dossier tell the teachers story. They offer security and files about value, merit and worth. They also show that a good teaching activity requires much preparation and individual initiative.

To sum up the new tendencies and directions presented above, we can say that they represent big changes and challenges for educators. Teachers locked into the old system seem to consider all these actions as being too ambitious or unnecessary. This position is dangerous and unconstructive. The changes in evaluation practice require a gradual introduction. However, the research literature clearly utter that the educators should quickly adopt these directions; otherwise they keep on having a not taken into consideration evaluation.

### **Different types of data sources for teacher evaluation in terms of costs**

As we said above, there are different data sources for realizing teacher evaluation. One of them is *the pupil reports*. The pupil report data have a large number of possible usages. The costs for the pupil surveys include the duplication

of the forms and time for administration and scoring them. The Peterson study [2, p. 30-34] found a cost of 8.50 \$ per teacher in the American schools.

*Teacher tests* are other method used in evaluation. Their costs include the testing fees and personnel costs for monitoring tests. The same study mentioned above affirms that the estimate cost for teacher tests is 2.35 \$ per teacher per year.

*Documentation of professional activity* summarizes important preparation and credentials for teaching, the efforts to keep and also update the professional skills and knowledge. For the most part of the teacher, this activity represents a concrete and satisfactory affirmation of their activity. For others it should be a time of reflection and consideration for increasing their professional involvement. The same author estimated a time cost of 1 hour per year to maintain and update the professional activity records: 2.00 \$ per year.

*Systematic observation* is popular with teachers. The great majority of the teachers comprise this activity in their evaluation. Systematic observation is an expensive data source. Peterson [1, p. 30-36] estimated for this activity a general cost of 85 \$ per teacher.

*Dossier assembly* is also one technique taken into consideration. The dossiers are to be not longer than 15 pages; they have to contain several data sources. As concern the dossier assembly costs, one of its area is represented by the personnel time. Teachers need time to plan, talk and also research and maintain the records. The evaluators at their turn need time to file, review and audit the dossiers. Another dossier cost is for production. This includes the paper duplication. Computer storage of the teacher data may be an additional expense. The specialists [2] say that the sociological value of these types of activities far exceeds the monetary value.

### **The costs of teacher evaluation**

Specialists in education – Scriven [3], Thomson [4] and many others – took into consideration the cost of evaluation in their works. The current practice shows that the system acts as if the teacher evaluation has no expense; this activity represents a normal and included part of the schools' responsibilities. The expenses connected to teacher evaluation include data gathering, decision making and personnel usage. So, there are different evaluation costs: evaluation costs in terms of money, in terms of time, in terms of materials and morale costs. We must not forget about expenses of initializing and installing the evaluation systems and costs connected with not doing other actions or activities restricted by the evaluation process.

The teacher evaluation must be seen and understood in relation to the appropriate costs it implies. The discussions and the decisions about the new adopted policies and specific techniques required by evaluation are to be done in the light of explicit and specific cost and benefit analyses.

Ideas connected with cost – benefit analyses were referred to by great pedagogue specialists: Levin, Glass and Meister [5]. The specialist deal with evaluation have to estimate and monitor costs as one of the fundamental activities.

These costs must be seen in the terms of payoffs. After serious studies, Peterson established an approximately general cost of 45 \$ per teacher per year [1, p.329].

As concern the Romanian system of learning, a very elaborated and scrupulous calculation was made and presented in a Government Law [6], including the standards with costs per pupil for the teachers continuous training and evaluation, costs for the pupils periodical and intern evaluation, material costs and costs for services and also costs with the current maintenance. Thus, the calculation is not separated in its components; it is seen on the whole. A fragment of the table is presented below, in Table 1.

Table 1

**Standard cost per pupil**

Romanian currency RON								
Criterion 1: Thresholds	Criterion 2: Types of schools	Criterion 3: Place Urban/ Rural	Standard cost per pupil, in conformity with the temperature area					
			Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
0-150 pupils	Kindergarten	Urban	268	270	276	284	292	300
		Rural	228	230	235	241	248	255
	School I-IV	Urban	252	254	259	267	274	282
		Rural	212	214	218	225	231	237
	School I-VIII	Urban	256	259	264	271	279	287
		Rural	216	218	223	229	236	242
	School V-VIII	Urban	267	270	275	283	291	299
		Rural	227	229	234	241	248	254
	School Group	Urban	264	267	272	280	288	296
		Rural	224	227	231	238	245	251
	High School	Urban	285	288	294	303	311	320
		Rural	246	248	253	260	268	275
	College	Urban	293	296	301	310	319	328
		Rural	253	255	260	268	276	283

Source: [7] <http://legestart.ro/Hotararea-1274-2011>

## Conclusions

There is no more important work in the society than the education and care of the young people. Teachers dedicated their activity and working lives to this purpose.

Specialists gained general consensus on what teacher should be doing: that is enabling students/pupils to learn important subjects that consists of information, skills and attitudes. But there is less agreement about the manner the teacher should perform other important task of their job: teachers are expected to help students recognize their competencies, feel more confident about themselves, become rational and active citizens, develop their responsibility, increase their ability of problem-solving, prepare them for accept the work and moral values, think critically, collaborate with others of different nationalities, sex etc. When these important goals of education are taken into consideration, it becomes more difficult to specify and measure the teachers' activity in a narrow way.

Having in mind all these above mentioned considerations and teachers roles, it is difficult to establish fixed rate of costs. These costs need to be analyzed in terms of payoffs. There is good evaluation idea that should be supported because of the cost-benefit justification; other ideas should be discarded because of their great costs. Money spent on teacher evaluation is taken from other supports and materials which could improve teaching.

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# MODERN APPROACHES ON DEFINING FOOD QUALITY ON THE EU MARKET

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## Abstract

*This paper seeks to prove that, on the EU food market, foodstuff quality presently has a very active complex dynamic dimension determined by the current consumer – agricultural and food industry relationship, apart from its technical dimension as derived from quality standards. This relationship comes as the result of the deep transformation that the food market has undergone in EU member states following the target-oriented action of the European Union aimed at solving the historical food-related issue of its members. Understanding the phenomena characteristic of the current food demand-supply relationship on the EU agricultural and food market and the way this market functions is very important for Romania’s integration in the European Union. This relevance derives both from economic aspects that these phenomena imply and social implications for everyday life.*

**Keywords:** *quality, demand, consumption, defining, integration, market, food, European Union*

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

## Introduction

Quality on the EU food market today is a complex concept with a multifold approach. It is defined in terms of the interests of those who use it in order to attain their market goals, i.e. consumer satisfaction, economic interests or food safety and of the interest in having a market that functions according to complex yet clear and balanced regulations. The new context in which the European Union scientifically and economically places food quality urges Romania as one of the youngest members of the EU economic system to get acquainted to mutations that have occurred in this sector and to find means to actively adapt to them at the level of both authorities and market players.

Considering the mutations that have occurred in the definition and practical approach of the concept of quality, we can currently consider that the European Union, in its pre-2004 structure, is a unique example of what one can accomplish

when seeks to solve a complex problem such as food, especially in terms of meeting quantitative and qualitative needs. The implications of the solution paths are particularly relevant and can be deemed exceptional: to create a society in which satisfying basic needs is no longer the main purpose of economic and social activities, but rather satisfying higher order needs (safety, belonging, acknowledgment, self-improvement) by associating the latter with the first. The changes that occurred in reference to the quality of agri-food products actually mirror this social reality of the EU's developed countries.

The solution found to existing problems was far from perfect, as shown by the reforms applied to EU agricultural policies and food crises in the last 25 years. Nevertheless, this does not change the fact that it has achieved the set goal. Neither does it change the performance that it represents in the agri-food sector as well as in an integrated market comprised of several national markets of countries that not so long ago used to be in a permanent state of economic rivalry and deep food crisis. Therefore, the European Union is a unique and particular example for other countries that seek to solve the food issue, be they new entries, candidates or non-EU states.

### **Theoretical background**

In the time following the industrial revolution and the soaring development of trade, numerous specialists have defined the quality of goods. At first, quality was defined starting from a product-oriented viewpoint – quality is the sum total of quality features of the product – or from a production-oriented viewpoint – quality means complying with the requirements (Olaru: 1999, 57). Gradually, as mass production developed, since it implies a looser relationship with the potential client and hence higher economic risk for the enterprise in case it fails to satisfy the customer, another definition emerged, one that was user-oriented. Uttered by Juran, this definition considered quality to be the fitness for use, placing user/consumer satisfaction first.

Although seemingly very different, these three definitions as well as the other ones that are transcendently oriented or cost-oriented (product quality is directly proportional to the costs for its making and its price, respectively), share a common element, namely that they do not consider the nature of the goods and implicitly nor do they account for the relationship between the user-consumer and the goods.

In point of their nature, goods classify into food and non-food products. This classification stems firstly from the fact that the raw materials and the way to obtain them are different, although today these differences somehow tend to fade. Secondly, this classification also relies on the totally different nature of the needs these two categories of goods meet. Thus, whereas non-food products tend to meet psychosensory needs, to meet the user's (it is improper to say that a non-food product has a "consumer") affective, psychological or economic needs, food products meet a basic, vital need of the consumer, namely to feed.

The difference between the two categories of goods depending on the nature of the needs they meet automatically leads to a more than obvious difference in the

nature of the relationship between the user/consumer and the respective product. The relationship between a non-food product and its user is of the same nature as the need the product meets. The same thing goes for the implications of the non-quality of a non-food product for the user.

The relationship between the food consumer and the food is “organic”, physiological in nature, and the consequences of its non-quality are in this case particularly serious for the consumer’s health and in extreme situations, for his/her life.

Thus, we come to the need to define the concept of quality considering not only the consequences that it has for the producer or retailer, but also those consequences, especially the negative ones, that it can have for the person who acquires the goods for use or consumption. The nature of the good must be one of the most important elements underpinning the definition of product quality because it also provides the basis for making the difference between the ways we approach notionally the two categories of goods.

A definition underpinned by this principle provides the producers and retailers with the possibility to have a clearer vision of what innovation, making and distribution of new goods should be. Concurrently, by giving greater weight to the subjective component of quality, such a way to define it allows for the differentiation of new, more effective principles and methods of achieving quality and mostly of providing for it.

Equally important is the fact that the above stated principles show that defining food quality is much more difficult than defining non-food product quality. The subjective element of “consumer” is a decisive factor in this process, which bears direct implications on the effectiveness-quality relationship in the activity of producers and retailers in this sector.

The EU agricultural and food sector is the most telling example for the way in which food quality is defined and traced in order to provide and uphold consumer safety. The main arguments here are the position it has in the world in food production and distribution, the complexity and phenomena that have been characterizing it and especially the fact that Romania, as food producing country, is a State Member of the European Union.

### **Defining quality on the EU market**

The most significant trait of the pre-2004 EU food market is the very high level of satisfying food demand. This has first and foremost caused the food market to transform into a genuine consumer market and triggered a real revolution in the consumer-producer relationship. This has been outlined in the official definition of quality as regulated by the EU authorities and has triggered a need to redefine and revisit the approach on the concept of food quality. The complexity of the concept of quality has grown with the difficulty in uttering and applying a global definition that would be equally valid to producers and consumers alike, a difficulty which the EU authorities have acknowledged in relevant regulations. If we refer to

producers, the problem is technical. If we refer to the end consumer of food products, the problem has to do with the role of decisive economic factor.

The difficulty resides also in the fact that many elements of the concept's definition are neither fixed nor invariable. They outline a dynamic, delicate and complex relationship that currently exists between consumers, producers and authorities and undergoes permanent changes which seek to preserve balance between their interests. The most significant elements among them are the following: (a) meeting nutritional needs and subjective desires of individual consumers by consuming a certain food product; (b) meeting the economic interests of agricultural and industrial producers, meaning first and foremost to provide economic efficiency that would not jeopardize consumer safety; (c) the wish of national and EU authorities to maintain a fair balance between consumer and producer interests by setting a proper legal framework that would define, foresee and thwart food-related hazards and implement effective methods of monitoring quality without an involvement that would damage the producers' interests and lead to malfunctioning and misbalance on the market.

Subsequently, articulating a general definition of food quality is rather difficult and even impossible given the complexity of the parameters that must be taken into account. The most relevant of them include: (1) the sanitary aspect of quality which is difficult to quantify given the influence of other factors that operate on the market and cause a permanent change of relevant values; (2) the authorities' confining themselves to defining food safety only, without making any connection between food safety and food quality as a complex notion; (3) the ecological aspect of quality which affects the way foodstuffs are obtained and processed and is influenced by both subjective (the consumer's) and objective (the authorities') factors; and last but not least (4) the complex relations between market players.

Concurrently, however, producers cannot advertise and/or label food products by referring to the impact that processing methods can have on the consumer's health. This measure ensures a balance between the producer's and the consumer's interests by avoiding unfair competition and enforcing the consumer's right to formulate his/her own definition of product quality depending on his/her subjective and subjective interests. The producers, compelled by food safety and product processing regulations can meet their economic interest by interfering in the consumer's "formulation" of this definition. Here the producers act along two lines. On the one hand, they seek to influence the consumer's purchase decision by advertising the intrinsic quality features of the food or even by proposing new ones. Both emerge as a result of innovation by using new processing methods and by increasing economic performance and competitiveness.

On the other hand, the producers seek to provide a direct and positive answer to the consumer's demands of personalizing food by using new processing methods or by changing existing ones so that food quality would meet or be as close as possible to the one established by the consumer.

Starting from definitions that depend on the specific interests of involved players in close connection to their concrete needs, assessing food quality is

random and utterly subjective. Thus, on the EU market today, the officially accepted objective way of defining food quality is to define it in reference to the processing method, specified for each category of goods and each and every food product. For a marketed food product to meet the minimum required quality level the producer has to follow regulations and specifications for each processing method, however, without obligations as to the result.

Therefore, in the European Union today, food quality is defined through the needs that food consumption satisfies and also through the way in which agri-food products are processed. The mutations in agri-food quality in the European Union can be therefore found in those typical for demand that is represented by consumers and in those that are typical for offer that is represented by the agri-food production system and are a result of the relationships and interactions of these two sides of the market.

### **Defining quality for the EU consumer**

The significance of food quality has undergone a radical change for the European consumer, which has been acknowledged in the definition given by EU regulations in the field. This significance refers to the satisfaction of complex needs characterized by four main components, i.e. (a) nutritional security which aims at reaching the best level of providing for the nutritional needs of the body; (b) food security which seeks to provide complete access to food products; (c) food safety in point of foodstuff innocuousness, and (d) meeting the consumer's subjective requirements.

The economic development and the good satisfaction of nutritional needs, which have practically resulted in the complete satisfaction of the needs pertaining to the first and second components, have boosted the relevance of components number three and four. Subsequently, when it comes to the EU consumers, food quality is first and foremost tantamount to providing for their subjective needs. In terms of food, the disappearance of nutritional constraints means the possibility to satisfy the needs underpinned by individual, subjective preferences which pertain to higher order needs: belonging, individualization, safety, etc. Subsequently, in the eyes of the consumer, a better quality food product is the one that complies with the individually established conditions for the satisfaction of higher needs.

Thus, the features of the food product do no longer have a strictly technical relevance but also a symbolic one, according to each consumer's individual perception in point of subjective higher order needs. Although food quality is the same in view of standardization, regardless of the product trademark, it ceases to be the same in the eyes of the consumer who will interpret it according to his/her own set of requirements and individual needs. We can therefore speak of a personalization of the concept of food quality which is justified if we take into account the fact that quality has become the main element in the individual purchase decision process.

A particular case is the case of food safety. The consumer's attitude towards it has undergone a significant mutation triggered by the food crises that occurred

on the EU market. Their main consequence was a radical and sudden drop in the perception on food safety. The result was that the consumer became increasingly selective in his/her attitude towards producers and processors in terms of guarantees of food innocuousness and a better communication, i.e. providing full description of the product. The mere protection ensured by EU and national regulations is no longer enough for the EU consumer. The issue is no longer to guarantee a certain level of food safety, but rather to articulate and provide the most thorough product description possible. This description should offer the consumer the possibility to choose for himself/ herself depending on his/her own image about health and nature of the products as well as depending on his/her preferences determined by the product's sensory properties.

Relying therefore on personal preferences, the EU consumer seeks to choose for himself/herself what he/she believes to be good for his/her health and body. Thus, consumer protection is no longer focused exclusively on product innocuousness but also on the viability and credibility of the information about the product. Nevertheless, the consumer still demands less standardized and less uniform products and more varied goods that would allow him/her the opportunity of independent choice.

To sum up, if we look through the eyes of the EU consumer, food quality can be defined as the capacity of the food product to meet the requirements in terms of the opportunity to choose depending on features that the consumer deems important, amidst a high-level food safety.

### **Defining quality in the EU agri-food sector**

In defining the quality of their products, the producers and mostly the industrial processors in the EU agri-food sector have long used the principle according to which quality is a concept designed mainly for the definition and identification of the product. This vision of quality that focuses on the product is rather restrictive. During the last decade, it has been replaced by a larger one that focuses on the consumer. According to this vision, quality would be the ability of a good or service to satisfy expressed and potential needs of the user.

Such approach implies also new methods of managing and achieving quality. Subsequently, quality in the EU food industry does no longer focus exclusively on the food product and rather integrates its conception and design as well as the entire logistic system. Therefore, the focus shifts on the foodstuff quality and on manufacturing with its intermediate stages (methods that are typical for the quality guarantee system and quality management in the non-food sector). Thus, the EU implements management methods that have initially characterized high-risk economic sectors that are subject to reliability and conformity restrictions. Subsequently, the focus of the processors' action has shifted from the product towards the consumer in terms of providing a quality level that suits or even anticipates the consumer's expectations.

This conceptual shift of quality has also meant the quest for new manufacturing methods especially in agriculture. They are significantly determined

by the integration of agriculture and the EU food industry. The aim is to eliminate consumer risks and offer a better answer to consumer food safety benchmarks, i.e. the identity of the product. The latter element offers better consumer security and higher consumer confidence in the means of certifying product quality, such as labelling or marking.

Moreover, considerable efforts have been made in the EU food industry these last decades in order to improve food safety. Processing technologies have been adapted to increasingly tougher hygiene requirements. Monitoring quality throughout the production process has been substantially improved. Modern analysis technologies have improved and accelerated controls against contaminants.

Essentially, from the point of view of the EU producers in the agri-food sector food quality can be currently defined as the capacity of food products to meet the consumers' increasingly complex requirements, including economic ones as well as the producers' efficiency and profitability needs through their properties, in the context of a high satisfaction of food demand on the EU market which is a strong constraint for producers considering the implications it has for the functioning of the market.

Therefore, the 'good product for a good price' principle is but one of the dimensions of food quality for the EU food producer as well. Moreover, this principle is just an immediate aspect of quality while the real issues, i.e. manufacturing food products, go beyond it. The most important is to adapt food quality to the completely changed requirements of the consumers. From this point of view, diversity and variety are no longer the only ones important. It is also important to satisfy to the fullest extent possible specific, subjective and particularized needs by integrating numerous and complex data in product processing as part of industrial innovation.

### **Implications and prospects**

Therefore, the transformation of food markets in the EU's developed countries as a result of the high level of satisfaction of food demand has triggered a radical change in the way food quality is defined, i.e. mainly in reference to the consumer's particularized needs. The transformation of the EU agri-food sector has triggered a surge in its economic growth, with its subsequent advantages for producers, consumers and economy of the EU, in general. Furthermore, however, it has also had a series of negative consequences with a strong impact on food consumer, agricultural production and food industry. The interaction of these effects and the consumer's perception of quality have triggered a change in the producer's definition of quality by integrating consumer needs. Moreover, a reference to the action of producers and processors has been subsequently introduced into the definition of quality. The result was an increase in the consumer's role in terms of his/her power of negotiation in the relationship with production, which concretely meant a series of specific developments on the food market. These developments have been manifest ever since the 1990s either as

phenomena with a significant PR impact over this sector or as profound conceptual changes that underpin current trends within it. Consequently, the tendencies within the EU agri-food sector appear as feedback mostly to the EU consumers' concern with food safety and food quality in its subjective and objective aspects.

Essentially, the main mutation that occurred in the conceptual definition of food quality in the EU is its transformation into a concept that resulted from the direct relationship between offer and demand. This change occurred in a context in which the EU food market functions as a consumer market following a very high level of the satisfaction of food needs and of economic development. These two aspects have allowed the consumer to associate food needs to higher order needs. Moreover, they have allowed the diversity of food offer to increase as a result of increasing competitiveness among producers. Thus, for the EU food producers and processors today quality represented by the features of food products has become the most important answer to the requirements of demand, which is a must for them to remain on the market and increase economic competitiveness.

The prospects of the EU food market as described by the tendencies in production and food offer helps identify the paths of future change and development for the food markets of recent members of the European Union, including Romania. Moreover, it is important for these countries to get insight into the tendencies in food production and offer on the EU market for them to acknowledge the way their own food markets and the consumer-producer relationship operate today.

As to the development of the food market in Romania we can consider that currently the legal approach on quality has largely adjusted to the EU benchmarks. Legislation has been amended in its essential points. A new way of setting the definition has been adopted to match the EU one. Institutions have been created and assigned to implement and oversee the measures designed to ensure food innocuousness. A series of elements requires improvement and not necessarily in terms of adapting to the EU system. The most significant such elements include the increase of the effectiveness of relevant food safety bodies and institutions; closer monitoring of the way licenses are granted to relevant economic agents, especially to small-sized enterprises; the integration of all legal acts that regulate the food sector into an integrated program that would render the authorities' efforts more unified; strengthening the traceability mechanism by enforcing it to all agricultural producers and agri-food processors; the improvement of communication systems between companies and consumers on food safety and food quality issues; the development of clear policies according to the EU policies in increasing sanitary security and food safety that should be based on compulsory measures and also on efforts to inform, encourage and co-opt companies and mostly consumers in this process.



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# ASSESSMENT OF THE BUSINESS ENVIRONMENT IN ROMANIA AND THE SME SECTOR IN THE 2012-2013 PERIOD

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## **Abstract**

*Small and medium enterprises play a vital role in the development of any economy and generate a part of GDP, both in the trade and in the industry or services. SMEs are characterized by dynamism, flexibility and innovation. They are able to adapt the changes that occur in the economy, to refer the matter quickly of the market trends and to be promoters of the change. Through this article I want to make realistic and meaningful analysis of the business environment in Romania based on its features and continuing with the analysis of the SME sector in 2012-2013.*

**Keywords:** *Features of the business environment, evaluation of the business, the SME sector, entrepreneurship*

**JEL Classification:** L<sub>26</sub>, M<sub>1</sub>

## **Introduction**

Entrepreneurship is the surest way to prosper in an uncertain world, constantly changing. William Hesketh Lever, founder of Lever Brothers (Unilever) believed that “managing a successful business is the principle of doing things in a very simple manner, constantly”.

Most entrepreneurs who have achieved the success in business continuously applied simple principles, since awareness of the work mission they accomplish, continuing with and integrated vision with on the product and customer and the accentuated sense of innovation and confident behaviour.

The importance of this issue consists in the association between entrepreneurship and the economic performance of a country as it is shown by Baumol (1990, p 894) who believes that "entrepreneurship is always present in any economy and play an important role in its expansion."

However many Romanian watch with fear a business starting up because a financial failure, as shown in the GEM Report 2012<sup>1</sup> and additional of some

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<sup>1</sup> According to the report, the criterion of “fear of starting up a business”, a percentage of 24.7% of the respondents answered yes, which places Romania in 5th place in the ranking, alongside the countries such as Greece, Hungary, Slovakia and Croatia.

features of the business environment in our country, such as the existence of the incoherent and ambiguous legal framework, lack of entrepreneurial education, taxes too high and unstable economic environment.

Through this article we have tried to answer some questions such as: "Can entrepreneurship education help the business developing in Romania?", "What were principal risks and opportunities faced by businesses in the period 2012-2013?", "What are the priorities for the Romanian business in 2013?".

The relationship between the article and the literature consists in the forefront bringing of the business features in Romania and analysis of quantitative indicators included in the Doing Business Report 2013.

### **Literature review**

In our scientific approach we based on the existing specialized studies as Doing Business Report 2013, SME White Paper 2011 and SME White Paper 2012, The Global Entrepreneurship Monitor 2012 and Economics books "Entrepreneurship. The road from the idea to opportunities and success in business" author Marius Ghenea and "How to become an entrepreneur. Develop your own business!" written by Larry C. Farrell. To present the positive role of entrepreneurship on the economic activity I referred to Baumol (1999) and Schumpeter (1912). The economic growth and wealth of a country depends on the competitiveness of its companies, and this is based on the ability of the entrepreneurs and managers to lead those (Cuervo et al., 2008).

Entrepreneurship is one of the most rapidly evolving in economics, management, finance and law (Baron and Henry, 2010).

There is a twice larger probability as a graduate of faculty to start his own business than an MBA graduate from Wharton (Professor Ian MacMillan, Wharton Business School, University of Pennsylvania, 2004)

40 years ago, Baumol said that "trying to understand the entrepreneurship without an entrepreneur, is just like trying to understand Shakespeare without Hamlet".

### **1. Particulars of the business environment in Romania**

Current business environment in Romania has a number of features that have influenced the SME sector evolution in 2012-2013 and that are presented below:

1. Existence of an incoherent and deeply ambiguous legal framework, which discourages initiative and the entrepreneurial spirit;
2. Lack of industries producing goods and competitive services to the European quality standards;
3. Lack of the business originality ideas. In this respect, it is hoped, may still way too much, on the business ideas copied from "outside" and on the "big shot";
4. Poor entrepreneurship education in schools, as evidenced by inconsistency of the formative methods, the regression constructive attitudes about work and also by the fact that often many people waiting, still, help came from the Romanian state, and newer, from the EU bodies;

5. In the close correlation with point 4, we see the decreasing of interest in the results of their work, while increasing the incompetence and superficiality in the most areas of activity;

6. Lack of mentality to create and develop the business partnerships of “Winner – Winner”. In this context, we point out, again, the great danger they submit “entrepreneurs” aimed exclusively the short-term partnerships and (maximum) medium;

7. Orientation (educating) of the people for consumption and not for production. From this point of view, we have already become disciplined consumers and "good" and still have a huge exploitable potential, which is conferred by more than 22.3 million inhabitants (the national territory, only approx. 18 million) representing 4.49% of the EU population. Not to mention the fact that the national currency depreciated (was deprecated) over 1000 times over ten years;

8. Political priority to the detriment of the economic and social. In this context we emphasize that, until we shall “realize” that not politics should dominate the economics, but conversely, we have no chance of progress. Moreover, because of the many and the crucial interference of the politics in economic we face the extremely dangerous phenomena, including widespread corruption and the political clientism, which is carefully and skilfully “supported” and/or “masked” by the existing legislative framework ;

9. Delay of the reform and restructuring of the real macroeconomic, as well as the political situation more and more confusing led to loss of confidence and damage the country's image abroad, they manifested through continuous decline of the country rating, periodically published by the large international assessment agencies.

## **2. Assessing of the business environment in Romania in 2011-2012**

According to the Doing Business Report 2013, Romania, in 2012, is ranked 72 of the 185 participating economies to analyse the quantitative indicators included in the annual report, at the criterion “ease to start a business” compared with 2011 when it ranked 65. Thus, countries such as Bulgaria, Turkey, Czech Republic, Hungary, Cyprus, Poland, Spain is at the higher criterion than our country and Germany ranks first with a rate of 20% as can be seen from the graph 1.

Between the years 2012-2013 the main risks and opportunities faced by businesses in Romania are found in the study “Turn Risks and Opportunities into Results”, performed by Ernst & Young.

*The risk category included:*

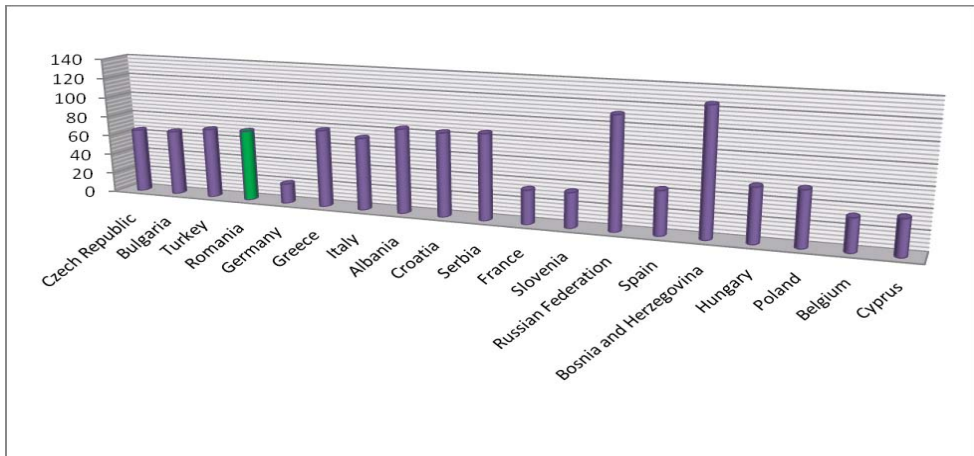
– pressure on the falling prices as a result of the lower incomes, rising unemployment and uncertainty in the economic environment;

– the market risk has increased due to the volatility of the financial and commodity markets, including oil prices due to unrest in the Middle East;

intensification the undermining risk of the company performance as a result of cost cutting measures taken without a sufficient quantify of the degree to which

such decisions affect companies' ability to compete and the ability to react to the potential opportunities.

Chart. 1. Criterion "ease to start a business" in some countries in Eastern Europe



Source: Own processing of the data extracted from the Doing Business Report 2013

Among opportunities identified by the respondents of the study performed by Ernst & Young include: innovation, investment in processes and tools to increase the productivity, improve the implementation of business strategies and investment in the green technology.

Conclusions of the first edition of the *Barometer perception on the Romanian business environment – Entrepreneurs speak*, released by Ernst & Young, the first at Romanian Business Leaders Summit from June 1 to August 15, 2012 shows that Romanian entrepreneurs lack relevant information about funding sources, organizations that support the entrepreneurship and the education programs designed for them.

GEM Reports demonstrate that institutional typology, demographics, entrepreneurial culture and economic wellbeing emerging entrepreneurial characteristics of a country (Bosma et al, 2010).

Schumpeter in "*Theorie der wirtschaftlichen Entwicklung: eine Untersuchung über Unternehmengewinn*" shows that entrepreneurs by introducing the new products, production processes and organizational structures causing the future economic conditions and affect the present.

According to GEM Report 2012, perception and entrepreneurial attitude in some European Union countries were:

Table 1

## GEM Report 2012 on entrepreneurial perceptions and attitudes

	Observed Opportunities	Perceived skills	Fear of making mistakes	Entrepreneurial intentions	How good is the image that enjoyed the successful entrepreneurs	Entrepreneurship a good career opportunity	Promoting entrepreneurship in the media
Austria	49	50	36	9	46	76	
Belgium	33	37	41	9	62	57	54
Denmark	44	31	39	7	-	-	-
Estonia	45	43	34	16	55	63	41
Finland	55	34	37	8	45	83	68
France	38	36	43	17	65	77	41
Germany	36	37	42	6	49	76	49
Greece	13	50	61	10	64	68	33
Hungary	11	40	34	13	41	74	29
Ireland	26	45	35	5	45	81	61
Italy	20	30	58	11	67	70	51
Latvia	33	44	37	22	60	53	53
Lithuania	30	40	36	18	63	53	37
Netherlands	34	42	30	9	79	65	58
Poland	20	54	43	22	68	57	56
Portugal	16	47	42	14	-	-	-
Romania	37	38	41	27	71	74	55
Slovakia	18	50	38	12	50	74	59
Slovenia	20	51	27	13	53	71	51
Spain	14	50	42	11	64	64	47
Sweden	66	37	33	11	-	-	-
Great Britain	33	47	36	10	50	77	47

Source: <http://www.gemconsortium.org/docs/download/2645.pdf> p. 27

The first step in starting a business is to identify the business opportunities and as seen in Table. 1 the Nordic countries (Finland, Sweden, Estonia) have the highest perceptions regarding the criterion “*observed opportunities*”.

The Southern European countries, such as Greece, Hungary, Italy, Portugal and Spain rank low criterion “*observed opportunities*” although their opinion on the criterion of “*perceived ability*” is high.

At the criterion “*entrepreneurial intentions*”, the lowest level lies in 2012 countries such as Ireland, Germany, Denmark, Finland and Romania ranks first among European countries, with 27 points.

The GEM Report 2012 shows that in all geographic regions studied, those aged between 25 and 34 years have the most entrepreneurial initiatives.

The highest score on the indicator “*entrepreneurship - good career opportunity*” was obtained by Ireland (81 points), followed by Britain, France (77 points), Austria and Germany (76 points). Romania scored 74 points, on a par with Hungary and Slovakia.

The indicator “*fear of making mistakes*” Greece ranks highest with 61 points while the opposite is Slovenia with 27 points.

About the “*promoting entrepreneurship in the media*” the highest scores were obtained by Finland, Ireland, and Slovenia, and “*entrepreneurs who have an image of success*” are the highest points in Ireland, Germany and France.

In this survey in 2012, conducted by the Global Entrepreneurship Monitor took part over 198,000 entrepreneurs in 69 sectors of the economy.

Marius Ghenea, a serial and business entrepreneur and president of the Romanian online stores, in his book “Entrepreneurship. The way from the idea to the opportunity and success in business”, believes that *the weaknesses of the Romanian entrepreneurs are:*

- excess of imagination, because the creativity unsupported by a feasible plan work against the businessmen, as many ideas that sound good at first become to be impossible to implement in a profitable business;

- inability to make decisions quickly: the most Romanian entrepreneurs will always take the “best decision”, which often delays the decision-making in their organizations so that a less decision taken immediately is better than a good decision taken later (often too late);

- lack of training in the business financial planning: a large part of Romanian entrepreneurs are based exclusively on their entrepreneurial intuition in planning the company's cash flow and other financial planning indispensable for the harmonious development of the business;

- insufficient delegation of the company responsibilities to the team: the Romanian entrepreneurs, even more than in other countries, try to keep everything under the control because the prudential reasons related to the trust in the employees, or the syndrome “I know best”, even in the areas where they are not necessarily trained, which attracts entrepreneurs in the irrelevant activities for the firm, but require extensive resources of time, which they do not have, getting to work 24/7, leading to exhaustion, bad decisions, misallocations of priorities and, finally, harmful to the whole affair.

To overcome these disadvantages, the education in the Romanian schools should be oriented towards the creativity and personal development, communication, financial and strategic planning etc. In this regard, Steve Jobs said “to lead is an easy part - to develop yourself is difficult, and, for that, you need to know how to produce great products and how to provide great services”.

Most of the world's top entrepreneurs, like Steve Jobs, Walt Disney, Soichiro Honda, Sam Walton, Richard Branson have an extremely common thing about the knowledge: all were able to get very good at something. They understood that to build a company to grow quickly do not need to be a very good manager, but to be very good at producing and doing something that many people in the world need and who will pay a lot of money.

Daniel Tigănilă, the Startups.ro cofounder, believes that “the mistakes and failures are blamed and seen as a sign of incompetence. When, in fact, the effort should be appreciated. In the entrepreneurship, mistakes and failures are in fact the



expression of initiative and the repeated attempts, which over the time can become a success”.

In this sense, the necessary knowledge for education of a successful entrepreneur should include:

- knowledge of evaluating a business (such as the discipline Company evaluation);
- strategic knowledge (such as Strategic Management);
- knowledge of career assessment;
- knowledge of environmental assessment;
- knowledge of ethical assessment;
- knowledge of business negotiation;
- knowledge of production (Operational management).

Currently, Romania needs to develop a new generation of the entrepreneurs with characteristic skills like responsibility, spontaneity, adaptability, foresight, initiative and managerial spirit, enabling them to identify and implement the appropriate strategies to penetrate and maintain on the market. These personal skills must be cultivated from primary school and developed to higher level in the high schools and universities.

In the table below, I presented the *entrepreneurship stage in the Romania education*:

Table 2

#### Entrepreneurship stage in the Romania education

Education level	Subject	No. hours/week
grades I-IV	Counseling and orientation	0-1 hour/week
grades V-VIII	Technological Education - common body	1 hour/week
9 <sup>th</sup> grade	Civics/entrepreneurial culture	1 hour/week
10 <sup>th</sup> grade	Entrepreneurship education	1 hour/week
grades IX and X in arts and crafts	Civics/entrepreneurial culture	1 hour/week -the 9 <sup>th</sup> grade all areas - the 10 <sup>th</sup> grade the economic field
grade XI for the completion year	Applied Economics and Entrepreneurship Education	Applied Economics -2 hours/week for the Commerce, Tourism and Nutrition fields; Entrepreneurship Education - 1 hour/week for all fields
the 12 <sup>th</sup> grade, the common body, the technological pathway, all specialties	Entrepreneurship Education	1 hour/week

Source: [http://www.minind.ro/Strategia Guvernamentală pentru dezvoltarea sectorului IMM pdf. p.31](http://www.minind.ro/Strategia_Guvernamentală_pentru_dezvoltarea_sectorului_IMM.pdf)

As regards the university education, it is noted the various initiatives of some universities in Romania, especially technical ones, to create partnerships, to develop and implement the programs and the projects for developing the spiritual

entrepreneurial education. The current economic situation, in concordance with the gained experience, certifies the need to extend these initiatives in all the university centres, and to include the entrepreneurship education as a compulsory subject (or at least the optional subject) in the university curricula.

In 2012, a market survey conducted by the Post-Privatisation Foundation, during October-November, at the national level, under its Business Mentoring Program has revealed that the attitude of entrepreneurs towards the educational programs is mainly positive, a total of 27% of managers are interested in following training courses regardless of resources, 29% of the respondents would follow such courses only if it does not require much time and 8% of respondents were showed complete disinterest in the entrepreneurship education programs.

The changing economic environment, many challenges in the context of globalization, will inevitably lead to the new market developments, implementation of some adequate measures to stimulate the entrepreneurship education system, representing a need for SMEs development.

### **3. Priorities for the business environment in 2013**

In 2013, members of the National Council of Private Small and Medium Enterprises in Romania (CNIPMMR) believe that should be considered some priorities for the business environment, such as:

- ensuring a stable and predictable legal framework for business to improve the bureaucracy and reducing the taxation issues;

- a new law for SMEs to ensure a full implementation at the national level of the Small Business Act (SBA), applying the principle of “first regulated for SMEs” and gradual increase from 0.4% to 1% of GDP of the funds allocated from the state budget to the finance development programs, of the support measures to start up new enterprises and supporting the development of the small and medium-sized enterprises at the national and local level for the period 2013-2020;

- increasing the amounts allocated to the establishment and development of SMEs, compared to the multiplier effect recorded in 2012, with the priority allocation of 300 million euro for the financial support of the start-up program during 2013-2014, which will ensure the creation of 300,000 new jobs and growth with 4.26% of GDP in the period 2013-2016;

- improving the legal framework concerning the state aid schemes with changing the criteria for granting, to make them accessible to the SMEs;

- incentives measures for SMEs such as: gradual taxation of the start-up SMEs, tax exemption in the first year and 50% reduction in income tax for the second year running, with the obligation to ensure the functioning of society for a period of at least three years after the completion of the facilities;

- improving access for SMEs to the finance by simplifying the procedures for increasing the absorption of the structural funds, improving regulations on the exemption of the reinvested profits, increase the SME access to the public procurement, support the development CEC as a bank to finance SMEs and microfinance programs for microenterprises;

– improving the legislation relating the public-private partnership to reduce the limits set by the law disposals to make them operational for entrepreneurs in Romania, including SMEs;

– improving the enforcement regulations for budgetary flows, with the release of SME bank accounts and creating a rescheduling amount by withholding up to 30% of monthly income without affecting the salaries and current activity.

## Conclusions

Between the years 2012-2013 business environment faced some risks but CNIPMMR members are considering a number of priorities for 2013, to support the development of SME sector in Romania.

Looking around us, at least 70% of us think to become entrepreneurs, considering that to survive in an uncertain economy, we can put our knowledge into the value, our work and the own entrepreneurial spirit.

However, the Romanian entrepreneurs lack relevant information about the sources of funding organizations that support the entrepreneurship and education programs designed for them.

The entrepreneurial education should start at the lowest possible age, focusing on the knowledge about the financial planning, teamwork, ability to make gains from own activities, etc. Through a proper education, the entrepreneurial skills can be developed through two ways: by the theoretical education in order to assimilate the specialized knowledge in economic and through the practical education (practical applications of simulation to set up a company or a special physical education, called team-building).

A good entrepreneur is one who identifies opportunities even where others see only problems and have qualities such as: entrepreneurial flair, positive thinking and passion for own business, responsibility, perseverance, and creativity. Accumulation of knowledge and skills unfold as any valuable business building with effort and patience.

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## **REVIEWS**



**DEVELOPING A SUSTAINABLE FUTURE BY IDENTIFYING  
AND UNDERSTANDING THE LIMITATIONS OF THE PAST.  
A REVIEW OF “DEBUNKING ECONOMICS: THE NAKED EMPEROR  
OF THE SOCIAL SCIENCES” BY STEVE KEEN<sup>1</sup>**

One of the first arguments presented in the start of the book and extensively discussed latter on, is the impossibility of providing a generalization of human behaviour. The pattern of behaviour is central in the economic theory, as all phenomena are illustrated and modelled using this starting point. While actions and preferences can be rigorously modelled at microeconomic level, in most situations, when depicting the society as a whole, further conditions or hypothesis are required.

The author sheds light on the improbable or even unrealistic character of such hypothesis, that fail to hold true when confronted with the real world market. From the notion of utility, initially laid down by Bentham, to the development of indifference curves and aggregate consumption patterns, expanding the theoretical work from an individual scope to a wider, community level, requires the adoption of less than logical assumptions such as that all participants have the same preferences and, if obtaining an increase in revenues, they would continue to express the same needs and expectations.

The author eloquently shows that these limitations become null or unacceptable under the test of the real economy. Furthermore, the book laments the fact that these weak and artificial conditions have become lost in the latter efforts to expand the theory, and following extensive reiterations of research processes, they become obscured, leaving the uninitiated in a position of overwhelming uncertainty and doubt. Confronted with such unsure theoretical basis, the most common response in many economists and university students is to accept without comment the initial limits or even place further restrictions which in turn lead the models further away from the real market.

Social phenomena are diverse, extensive and exceedingly dynamic. These characteristics make assessments and precise predictions highly illusive. In his book, Keen points out the overall inability of economics through its current neoclassical models to adequately predict market processes and evolutions. Crucially, the author expresses his dismay, not merely for the lack of accuracy in the economic prognosis, but rather the constant creation of state policies based solely on such fundamentals.

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<sup>1</sup> The book to which this paper makes references is that of *Debunking Economics: The naked emperor of the social sciences* by Steve Keen, published by Pluto Press Australia Limited, Annandale, 2001.

Indeed the point is made that while mainstream economics champions the claim that the market is the only true force that can efficiently allocate resources and establish prices, governments continue to interfere through various measures seeking to improve and reshape the economy. Thus, a paradox emerges in the fact that ever more intrusive policies are devised on the basis on non-intervention and market self-determination. It can be remarked that the present on-going economic turmoil has enforced this paradox. The unsustainable developments in the world economy which lead to this state of things served to indicate the limits which reside in the free market, while, concurrently, many of the solutions and responses that central authorities adopted thereafter, only underlined the problems and the sentiment that intervention could generate more harm.

Another discussion point is constructed around the notion of price creation. The book challenges the mainstream reasoning that prices are merely formed by the market confrontation of supply and demand, and particularly, that the output of a company is established at the hypothetical point where marginal revenue equals marginal costs.

In keeping with Sraffa's assertions, the size of a company's output is more connected with its ability to attract financing and devise an effective means of marketing the new products, rather than internal productivity limitations.

This argument is enforced with the introduction of time as a factor that influences firm decisions. Undeniably, it should be highlighted that while numerous economic models are constructed as being static, considering the forces that can be identified in a snapshot of the market at a given moment, managers and policymakers, never develop plans of actions be disregarding the effect of time.

Businessmen do not limit their gaze at searching only to maximize current profits. They are obliged by real world determinants to think ahead and make plans for increasing returns over extensive periods, consequently improving the company's worth and image. As Keen describes this situation, in simple terms, it means that, by eliminating time as a factor in certain models investments must certainly be null. Disregarding time as a determinant in economic models would lead to a situation in which the rational ambition of an entity to maximize its current profit would always eliminate the investments which only have a reason for existence if future winnings are expected.

An additional point in the case made against orthodox economics is represented by the hypothesis and conditions that are utilized in demonstrating that perfect competition is a mathematically sound concept and that, in fact, it is always preferable to monopolistic situations.

Without overemphasising the obvious, Keen strides to debunk the practice utilized in economics of considering extremely small numbers as equal to zero. While this approximation can be feasible and manageable at microeconomic level, in the case of one or a few observations, it should not be practiced when the results are extrapolated to represent entire industries or markets. The logic of considering a very low number as zero is unsound when confronted with large populations due to the fact that by adding numerous values close to zero one does not generate a null result.



This part of the book constitutes another expression of the fact that perfect competition is simply a concept, being utterly unattainable in practice. This assertion, while not being original or new, is well constructed, discussed and logically proven in Keen's presentation. The author has made an explicit effort to maintain the content of his book as friendly to the reader as possible, going to great lengths to restrain the presentation from engaging logical assertions through the use of overwhelming mathematical formulas and computations. Thus, the technical parts of previous economic models are expressed without numerical calculus, making the pages friendlier to the uninitiated and greatly cumbersome to the analytical reader.

A point is made that the Walrasian auctioneer has been extensively used in neoclassical economics in support of the notion of equilibrium, despite the fact that the concept was originally adopted strictly as an artificial "ruse" that would simplify the real world phenomena. The presence of the auctioneer enabled the use of techniques that described market actions by solving relatively simple simultaneous linear equations. Nevertheless, this practice was initially intended as a starting stage, a stepping stone to further, dynamic and non-equilibrium phenomena. The author continues to lament the apparent unwillingness of orthodox thinking to dismiss these preliminary stages and proceed to other, more advanced concepts.

Fundamental breakthroughs in the direction of augmenting these theories have been made by Keynes, with great emphasis being placed on disequilibrium, dynamic approach and the idea of uncertainty. However, the book presents explicit regrets that the latter economists developed the Keynesian school of thought into a slightly temperate theory which would not clash with the neoclassical predecessors.

As previously mentioned, the author's view is not predominantly pessimistic, as his chapters make serious efforts in illustrating or at least suggesting means through which the economic theory can be enlarged and improved so as to be able to keep pace with changing market operations and trends. The last part of the book presents the principal heterodox schools of thought which, according to Keen, will certainly prove fundamental to the development of economics in the current century and beyond.

The possible contenders to neoclassical economics are deemed to be Austrian school of thought, Post-Keynesian economics, Sraffian economics, complexity theory and evolutionary economics. The solution for moving forward is by no means exclusive, as elements of two or more schools of thought can be central to developing a new modern perspective on the market operations and economic principles. The latter methodology is significantly new to the study of market behaviour, as the instruments adopted are influenced from the study of species, interactions between organisms and population stability in the field of biology. Nevertheless, these methods can prove very useful as economic processes, being shaped by human behaviour have the tendency to evolve and adapt to various external stimuli.

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