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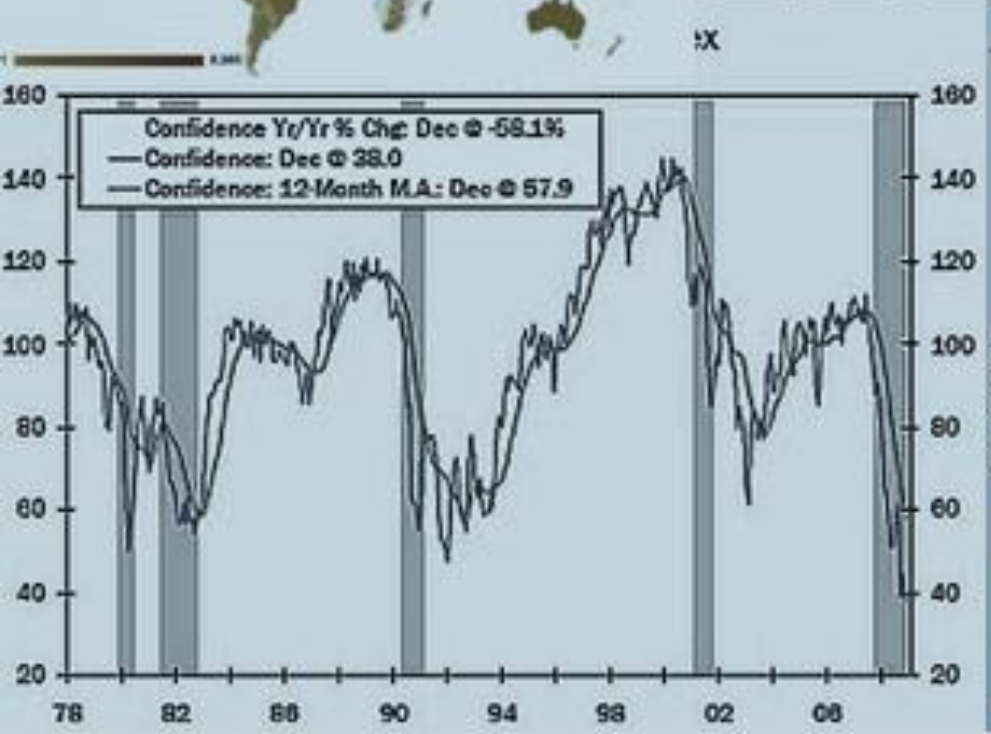

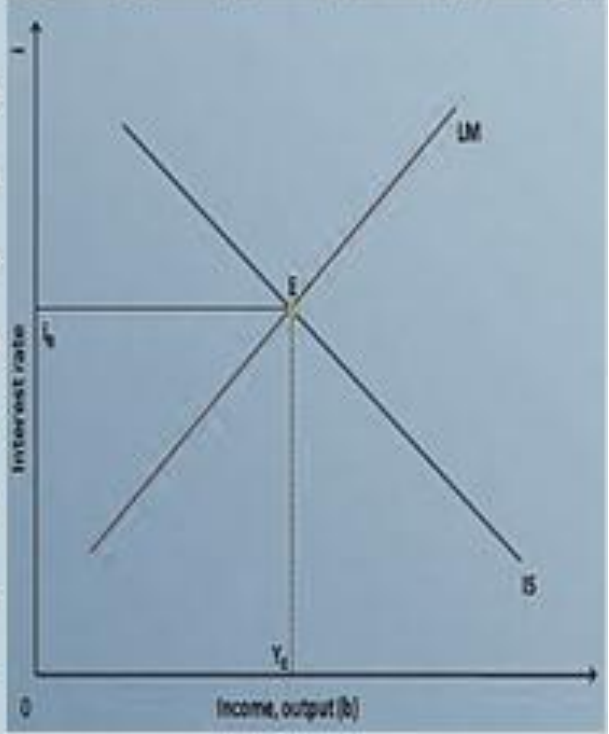

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ORGANISATIONS OVERSEEING THROUGH THE AUDIT COMMITTEE

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Abstract:
The article addresses the main responsibilities of audit committees within organizations, starting from the need for knowledge and understanding of the organization by all members of the audit committee, which must consider both internal factors and external factors.
Among internal factors, the organization's internal control system is one of the key elements in the financial reporting process, the concern of maintaining an appropriate control environment.
Audit committee members should ensure that management gives the organization a "bon ton", "leading tone", developing an organizational culture that promotes the attitude of compliance and internal control findings and conclusions which help to provide default quality of financial reporting.
Good practice issues of Anglo-Saxon and internal control assessment tools for organizations are presented further. Particular attention is paid to risk management and specifically the risk of fraud by the media appetite for such issues can easily affect the organization's brand.
The second part of the article discusses the influences of financial failures of recent decades on corporate governance system of organizations in the Anglo-Saxon environment. Particular attention is paid to how the audit committees, these "living consciences" of organizations have adapted their roles and behavior to capture, monitor and influence the overall management culture of organizations.

Keywords: management, organization, fraud, internal auditors, internal control, external auditors, audit committee

JEL Clasification: M42, M48, M49

1. Roles and Responsibilities within the Organization

A major concern of the audit committee is the need for a better knowledge of the company and its business to fulfill its oversight role, which includes the consideration of the internal control, of the fraud risks and of the financial statements risks.

The knowledge of the company / organization by the members of the audit committee should take into account several internal factors, including business area, the risk types faced by the company in the current competitive trends, the major customers and suppliers, the regulatory requirements and the technology affecting its business. Also, it must be taken into consideration a number of external factors on business knowledge, the financial reporting process and the work of the auditors.

The company may be involved in unique transaction of its business type, in sophisticated and complex or derivative transactions, in the form of purchase and sale of goods, in order to meet a specific objective reporting and an economic objective.

Consequently, it is required that audit committee members should understand the company's objectives in terms of transactions and how the investors requirements are satisfied in terms of economic substance.

The internal control is one of the key elements of the effective financial reporting process and it consists in maintaining a proper control environment. The control environment sets the tone of the organization and contributes to the awareness of staff on the role of internal control. Meanwhile, the control environment is the foundation for all other components of internal control, providing discipline and contributes to the culture of minimizing the loss through fraud and errors risks.

The members of the audit committee must have a good knowledge on the controls' environmental quality of the organization. The Audit Committee should assess whether the management provides a "good tone" to the higher levels of the organization and if they develop a culture that promotes an attitude of respect for the internal control conclusions and also for the high quality financial reporting.

The appreciation of the control environment will be also achieved by analyzing the organizations' code of ethics. The organization should adopt and enforce written codes of ethics for at least its priority areas, to maintain a strong ethics climate and achieve efficient communication channels to protect against fraudulent financial reporting. Therefore, the audit committee will proceed with the analysis and with the periodic operational procedures of management and financial reporting system verification.

The audit committee should understand the organization's internal control system to determine its suitability to assess smooth and efficient, which includes an understanding of any findings or recommendations of the internal auditors.

An effective internal control includes processes and procedures, which among others, are designed to:

- Promote a control environment and corporate attitude to support appropriate business practices;
- Identify and to address financial risk areas currently;
- Ensure that the organization's assets are protected in a prudent and efficient manner in terms of costs;
- Ensure that only authorized transactions are recorded;
- To minimize the risk of fraud.

In the USA, from 1977 the Law of external corrupt practices is the base for public companies, managers and employees where they are subject to sanctions if they do not have an adequate internal control and accounting records correct.

The law has clearly contributed to the awareness of the company's Board members who appreciated more an effective internal control and the audit committee in overseeing the internal control.

The audit committee should understand the effects that may occur as a result of major changes in the organization, especially through layoffs, restructurings, mergers and others and pay attention to changes to be made on reorganizing the internal control system after these events. For this purpose, the audit committee should expect regular information from internal auditors and external auditors regarding the internal control system.

For these reasons the Board of directors and the audit committee must have a clear understanding of the concept of internal control system in order for the internal control to support the organization in achieving its objectives.

The COSO control framework defines internal control as a process established by the board of directors, management or other personnel of a company designed to provide reasonable assurance regarding: the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations .

Based on this definition, the internal control system consists of the following five interconnected components:

- *The control environment* sets the tone of the organization, influencing the control awareness by the staff. It represents the foundation for all other components of internal control, providing discipline and structure;
- *The risk assessment* is the identifying and analyzing relevant risks on the objectives of the company, providing a basis for the risk management;
- *The control activities* represent the policies and procedures that assist in ensuring that management directives are complied with;

- *The information and communication* systems support the identification, the capture and sharing the information that allow people to fulfill their responsibilities;
- *Monitoring* is a process that assesses the quality of internal control performance over time.

In practice, the members of the audit committee are not in a position to determine that the system of internal control over financial reporting works properly and therefore it must rely on other people. In this sense, they will address a number of questions to the management that is directly responsible for the organization and operation of internal control, and will require independent opinions to the internal auditors and external auditors. In order to set correct opinions, the audit committee shall, together with the auditors, evaluate the control system of the organization, including a contact with IT service and security, and to ensure so that significant organization risks are mastered through the undertaken control activities.

The practitioners recommend audit committee members to give time and a special interest for the discussions with managers and auditors in terms of understanding the functioning of the internal control system. Furthermore, it is recommended that the audit committee should set appropriate expectations from the management and the internal auditors regarding the need for the committee to have quality information on internal control, with emphasis on the control environment and forms of control, or lack of it, on financial reporting, including controls over the organization's information systems.

The way to take charge of the main tasks of internal control that the audit committee is recommended to watch could be obtained through a questionnaire which should include at least the following:

NC	**QUESTIONS**	**YES**	**NO**	Comment
1.	The adequacy level of the control character			
2.	The effectiveness of the internal control in the financial reporting process			
3.	Comparing the control system of the organization with generally accepted auditing standards			
4.	Significant improvements of the internal control recommended by the auditors			
5.	Corrective action and taken measures, adequate segregation of duties, checking the existence of persons who initiate and approve transactions			
6.	Analyzing the organization's code of ethics			
7.	The existence of a system whereby the employees can report the organization, under the principle of confidentiality, suspicions of fraud			
8.	The way the Internet is used and the communication in the organization			
9.	Assessing the adequacy of control activities by the management, including security, confidentiality and reliability of the information within the organization			
10.	The existence of an appropriate business continuity plan in case of unforeseen disruptions, and whether this plan has been tested			
11.	The evaluation of the internal auditors procedures and external auditors, including assessing the adequacy of information systems, policies and procedures			

12.	The access to the use of the information technology			
13.	The coverage degree of any evidence of fraud procedures by the external auditors			
14.	The analysis of the internal auditors and external auditors findings on the effectiveness of the control environment of the organization			
15.	The existence of proper controls over the approval and monitoring of special transactions			

Understanding the fraud risk must receive special attention from the audit committee considering the media's appetite for such subjects easily affect the organization's brand.

Therefore, the audit committee must have an answer to the question: *What is fraudulent financial reporting for the organization and how this risk can be attenuated?*

Fraudulent financial reporting implies incorrect statements, misrepresentations or omissions on the existence of property transactions in the financial statements to mislead users of the financial statements. In practice, it is often difficult to determine the management intention, to distinguish between genuine mistakes and fraudulent financial reporting and thus it is impossible to determine the degree of non-compliance of financial statement with generally accepted accounting principles.

The audit committee is not responsible for fraud detection, but can play a decisive role in identifying signals of fraudulent financial reporting. The audit committee should assess the risk of fraudulent financial reporting that occurs after the pressures that are put on management, on internal and external factors, such as rewarding senior executives, underperforming, forecast issued earlier etc.

In practice, the members of the audit committee should try to understand any situation that may create discomfort and always keep an acceptable level of skepticism on all management initiatives.

In the overseeing activity, the audit committee must take into consideration the company's compliance with laws and regulations affecting the financial statements. In addition to the information obtained from the discussions with the managers and auditors, based on checklists and questionnaires requested, they receive updated information from the management by reporting to regulatory bodies and to the Board of Directors on legal and compliance issues that may have an impact on financial statements and that may affect the company's compliance policies or financial stability and profitability.

The "Blue Ribbon" committee Report on the effectiveness of the audit committee, sponsored by the ***Stock Exchange*** in New York and the ***National Association of Corporations Directors (NACD)*** *has developed a practical guide on the work of the audit committees (ratio NACD), that is recommending them to assess the tone of the organization - "tone of the top", ensuring the loyalty of directors and employees regarding legal compliance and ethics within the company, through written policies.*

NACD report further suggests the audit committee to obtain information on the establishment and maintenance, by the management, of a process meant to ensure compliance with laws, regulations and relevant policies.

The Audit Committee may meet with the board of directors to ensure that legal compliance and ethical standards are observed. At the same time, they can request reports from the internal auditors.

The issues concerning the organizational risks, is meant for the board of directors, which can create a separate risk committee or delegate such responsibilities to the audit committee.

The audit committee may be involved in the risk management by supporting the adoption of a system of effective risk management and risk control, or by acting as a catalyst to ensure that the full range of risks management oversees the company's risks.

Ernst & Young Audit Committee presents a detailed list of the risk factors that should be considered by the audit committee:

- Lack of policies regarding values and standards of conduct of the company and the lack of the codes of conduct;

- Lack of adequate attention granting an internal control system, including the effects of the information systems processes;

- The existence of an aggressive financial targets and expectations from the operating personnel;

- The selection of the estimates and the aggressive accounting principles;
- The attempts from the management to reduce the audit purposes (directly, for example by limiting the access to people or information, or indirectly, through unneeded fees or constraints regarding the audit duration) or imposing unreasonable deadlines;
- Lack of the accounting, financial and information personnel competence, or lack of adequate trening in raport with the complexity of the company's business;
- Lack of clear management lines and the existence of contractual arrangements without a goal for the organization;
- Lack of adequate authorization and approval for the transactions;
- Rapid growth in profitability, especially compared with those of other companies in the same industry;
- Changes in the operating environment of the company;
- Inability to generate cash flows while there are reported earnings and the growth;
- Assets, liabilities, income and expenses based on significant estimates that involve uncertainty or subjective judgments;
- Significant transactions, unusual, extremely complex or innovative businesses, especially those that occur at the end of the financial period, which have a determining effect on the financial statements.
- An extraordinary volume of deliveries shortly before the end of the financial year;
- The perception of adverse effect on significant transactions such as combining business, a planned debt or the awards a contract, if poor financial results are reported;
- Significant transactions between third parties that are not part of the ordinary course of business or other entity being audited by the same firm.

When the audit committee was delegated responsibilities for the issues of the organization risks, they should receive periodic updates from the management, including the ones regarded to: the key organizational risks, the company's Internet and the strategies on e-commerce, its infrastructure system, the measures to be taken to protect human and intellectual capital, etc.

In the light of the new trends such as globalization and the growing need among investors about the future of their investments, the audit committees should be informed on events that could affect the company's financial statements and on the way the auditors should respond to these events. In addition, the audit committee may consider the problems that may arise in areas such as security, confidentiality, the reliability of internal and external systems and processes; disclosure of strategic information, non-financial or regarding the performance measurement; the compliance with the contractual obligations.

The audit committee, the board of directors, the management, and the internal and external auditors are "actors" who have each an important role in the company's financial reporting and the frequent communication between them it is essential for the proper functioning of the financial reporting process.

A good practice to clarify the role of each of these "actors" and their specific lines of communication *is the regular meeting of key members of each of these groups to discuss roles, responsibilities and expectations of each group*, and subsequent, documenting the meetings conclusions. So:

• *The management* is responsible for organizing the risk management system of internal control and financial reporting activities.

• *The internal auditors* are responsible for assessing the functioning of the internal control system, risk management and the effectiveness of the identification and notification of deficiencies, irregularities and malfunctions by the responsible parties.

• *The external auditors* are responsible for auditing and certification of the reliability of public company financial statements, assessing the internal control system and the degree of implementation of audit procedures.

• *The Audit Committee* is responsible for overseeing the participants in the financial reporting process and reporting to the board of directors.

• *The board of directors*, lastly, is responsible for overseeing corporate performance on behalf of the shareholders.

The audit committee should have the ability to access internal and external resources, if they need to fulfill its responsibilities, including maintaining a legal adviser. In addition, the audit committee has the authority to conduct its own investigation.

The external auditors work directly with the management in the audit process and frequently interact with them when providing non-audit services. However, the audit committee, the board of directors and the representatives of the shareholders are actually the customers of the external auditors.

In the USA, the SEC requires all companies to provide a report of the audit committee in the management financial statement reporting *to disclose their status and the audit committee member's activities.* Specifically, the rules of the SEC requires companies to disclose the identity of each member of the audit committee and the manner of their appointment and to declare the number of committee meetings of the last fiscal year, if the committee reviewed the external auditors services of non-audit and the compliance of the incompatibilities and describe briefly the functions carried out by the committee.

Therefore, the company should consider a model of disclosure regarding the audit committee information and the audit committee charter, as follows:

The company has an audit committee composed of independent directors. The information on the functions performed by the Committee, the membership and the number of meetings in the last fiscal year is set into the "report to the audit committee" included in the delegation statement of the year. The audit committee is working after the committee charter, written and approved by the board of directors. In addition, the company is required to submit annually written information to the NYSE, attesting the independence, the knowledge of financial language and expertise of the audit committee members in financial management. The statement must also certify the annual mandatory verification of the audit committee charter.

2. The Audit Committee Responsibilities' Development During the Last Decades

The financial scandals from the recent decades have brought a shadow on the functioning of the corporate governance within organizations. In particular, the collapse of ENRON in the USA created a crisis on confidence in the financial reporting system.

The publicity and the political implications that followed the collapse of ENRON and the controversies regarding possible future solutions aimed at the auditing profession, the relations between internal and external auditors with their clients and at the same time, the role of the audit committee. In particular, the controversy focused on the status of the audit committees, which are in a difficult situation, but this perspective has contributed to the approach of the role of independent auditors and accordingly the scope of the provided services / offered by them.

In the literature they have made several recommendations that focused on the following areas:

- *The prohibitions or restrictions on non-audit services to public customers;*
- *Restrictions on consulting services on the financial reporting;*
- *Further restrictions on outsourcing the internal audit;*
- *Banning the design and the implementation of the IT services.*

However, the (private) organizations require non audit services, mainly services relating to, for example, audit fees and taxes, provided by the independent auditors, or the outsourcing of some internal audit activities. At the same time, the organizations cannot be compelled to proceed with the rotation of audit firms and of the personnel that provides services for them.

The "ENRON" lesson, beside the criticisms given to the audit committee determined the companies to have major concerns regarding the reliability, control and liability of the financial reporting process to ensure transparency, comparability, consistency and quality. For these reasons, we believe that current and future members of audit committees must develop its own responsibilities for establishing *useful guides and guidance to fulfill those responsibilities and to understand the expectations of their organizations*.

The Audit Committee plays a critical role in overseeing the integrity and quality of the financial reporting, the effectiveness of the internal control, risks assessment and mitigation affecting the financial statements and monitoring of legal and ethical compliance of the company because it affects the performance, the financial statements and the independency of the auditors.

"The audit committees should be proactive, not just reactive, to ensure the quality and integrity of the corporate financial reporting. Critically, it is felt the need to improve the interaction between the members of the audit committee, the management and the external auditors."

The collapse of the ENRON and the WorldCom in USA helped the renewal of the focus on the role of the audit committee regarding the quality of the financial reporting, the effectiveness of the internal audit process, the auditor independence and the corporate governance efficiency.

Most of the issues that have attracted the media attention after the ENRON "lesson" were related to:

- the general complexity of the operations, the organizational structure and the possibility that the audit committee would not receive appropriate and timely information in order to ask the right questions about accounting policies and financial statements of the organization;

- The economic substance of the transactions with third parties and complete character of the disclosures about such transactions;

- The purpose of unusual transactions as well as the benefits or obligations of the financial results;

- Codes of ethics and corporate policies on conflict of interest, leading to the company's executive management involvement in contractual relations with third parties.

Clearly there is a growth on the requirements from the audit committee on the oversight of the responsibilities within the organization, which tends to become a real challenge.

The audit committees must overlook the employment of qualified members, independent, responsible and to maintain strong connections and communication lines with the management, with the internal and external auditors in order to provide the Board that additional insurance they expect on the adequacy and effectiveness of accounting, financial reporting and internal control organization.

The report of the New York Stock Exchange, issued in February 1999, reveals that the members of the audit committee should be independent and have certain qualities on the recognition of the importance of their responsibilities, knowledge of financial language and devotion to carry out these responsibilities. Also, the audit committee relationships and communication with the external auditors, the internal auditors and the management should have a critical nature and provide recommendations on good practice in the field.

In 2000, in USA, *the Financial Instruments and Transferable Securities (SEC)* Commission's new rules were designed to improve the disclosures on the structure and practices of the audit committees and to increase reliability and trust of the organizations financial statements. In this sense, the SEC rules requested:

- The intermediary financial statements should be audited by external auditors;

- The management / trustees statements must include a report of the audit committee;

- The organizations should reveal in the management statements whether there is a functioning audit committee charter and to attach a copy of it at least once every 3 years;

- The organizations should reveal in the management statements information regarding the independence of audit committee members.

In the same period, *the rules of the New York Stock Exchange and the National Association of Securities Agencies (NASD)* altered the requirements for audit committees to strengthen their independence and qualification with provisions that:

- Defined the independence of the auditors more rigid than in the past;
- Demanded the audit committees to be composed of at least 3 members and to be composed entirely of independent directors with financial language knowledge and to contain at least one director with expertise in accounting or financial management;
- Asked companies to adopt a written charter for the Audit Committee with specific committee responsibilities, including those related to the independence and accountability of the external auditors;
- Required external auditors to discuss their independence with the audit committee.

In addition to these actions, the *Treadway Commission (COSO)* requested an analysis of the USA public companies, which materialized in the *„Fraudulently financial reporting in the 1989-1997 period "*document issued in 1999. All these reports with many others formed the resources useful for the practice improvement of the audit committee effectiveness.

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SOME SCIENCE OF MONEY UPDATES

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Abstract:
Money is all 'everyday' money, Biblical issue and a pure concept to study. This is so that in its depth money is suspected in the literature to be a double controversial essence, i.e. (1) representative and (2) fiat, both of these rather philosophically and morally vulnerable. Thirdly, then historically sometimes one of these two dominated the other (e.g. representative money under primitive monetary systems and gold standard) ; other times it even seams that one of them (e.g.. representative money, after the last World War) has disappeared and leaved the scene. Besides, there were international monetary systems (IMS) that came up and went off; the last one that was European (i.e. the EMS, 1979-1999) was followed by the unique 'common currency' of a multi-country region. Briefly, our proposal here is for revealing new issues and aspects that equally lie around, although less seen or even unseen, whereas they actually reflect both that we know more today than in the past and that money are likely to reiterate stories from the same past that keep familiar. Our findings might be: a third money concept zone, besides representative and fiat, i.e. money neutrality, the old story of barter, as pre-money, renewed, the famous gold standard, reviewed as the 'top advanced' barter episode, theories of international monetary system(IMS) and optimum currency area (OCA) face to face, and ultimately some more defies for the European common currency.

Key concepts: money representative, fiat, neutral, international, barter, international monetary system, common currency, optimum currency area, price system, market, monetary policy.

JEL Classification: E4, E5

Introduction

Money is all: 'everyday' money, Biblical issue and a pure concept to study. Even since before the 80ies (that we are personally studying it) the money conceptualizing still meets hesitations and awkwardness in expression, like money would 'be(come) true money only when/through giving up metal cover-up' etc. Actually, it is not only us, studying the issue, but equally literature itself changing its own picture meanwhile.

Irrespective of all that can be asserted about, money is going to be an issue of three lines of paradoxes (Andrei, 2011a). First, in time terms it is old enough[1], but succeeding, together with the Scriptures, maybe, to be all man made, not a vestige yet and not expecting its ending for the human society. Second, from its very beginning, money is part of the State's metric system as a *measuring tool,*

[1] The oldest money archaeological vestiges indicate the 6th or 7th centuries BCE and were found in Lydia (today, eastern half of Turkey).

but what exactly does it measure (i.e. the social *value*) hasn't yet become clear – neither in the 19th century end, when the *Marxism-Marginalism* polemics, nor so far.

Third, when talking about *experiment,* as money-related, this is equally interesting for several reasons that fill another series of specific paradoxes: (a) since money is supposed to be *economy,* experiment isn't quite appropriate to this; (b) but given the long age of money and the relatively 'short' one of all economics things truly turn into strange; (c) the money experiment continues on strange zones since it is the first ever example of an experiment both repeated and continuous since its existence and as 'experiment for itself' (ibidem).

1. Money, as representative, versus fiat

In reality, in its depth *money* is suspected in the today literature to be a double controversial essence, i.e. (1) **representative** and (2) **fiat,** both of these with supporters and adversaries, whereas both philosophically and morally vulnerable. **Representative money** means money actually representing a *pre-existent* value, i.e. material, and working on spreading *representation* of the same type along a whole implementing chain of money functions – i.e. between monetary *reserves* and *effective money*, as well as between effective money and monetary and financial *titles* money denominated, as naturally. Representative money so cares for each *money unit* from its very *value* creation and for its *certifying;* it deals with money *reserves,* as decisive, as such, and certainly the whole money supply is made by all these money units, as individually strengthened and gathered together. Shortly, in such a practice *representation* would be able to virtuously extend money supply, whereas the pre-existent value, *as represented,* would whenever be able to contract money supply and lead back to the system's safety at any time.

The strength of *representative money* might be expressed by the 'Turgot's axiom / rule': *exchange might be between valuable items, as exclusively* (Jinga, 1981). On the contrary, the weakness here accused for representative money relates to another series of facts and ideas. Which 'pre-existent value', as individual good, backed by an individual industry? How strong might be the idea of here using a good with its natural utility for a supplementary and artificial(ly) added utility that is the exchanges intermediation? Or, especially around the Keynes' name human specie's vanity could wonder about preserving such fetishes for economic value, whereas scientific progress helped sophisticated technical measurements of many other kinds[2]. It is so often that social value everyday proves more important than many other technical measurements.

Fiat money comes to retort the representative money philosophy together with specific weakness, fetish, and 'artificial utility added 'or even 'naturism' of the last. No any 'representation' since, in such a respect, actually no needed. The money unit does not need any specific or individual 'back-up' due to it makes no difference from all the other units alike; the money unit is just *one piece* of an ensemble that here is *money supply* – it is just this way that each money piece is enabled to carry some value (i.e. without individual and material 'back-up'). Money is *value* by its whole mass and so it is a *social convention;* the value implementing mechanism is the one of perceiving the other goods' values, i.e. prices. And it is through the same social convention that *total value* does express for each of its *individual units* in part. There are rather the *law* and *institutional* terms that here come to 'back-up' the money social convention all over, and strengthen the community's involvement in context.

Nevertheless, problems of this second approach aren't missing either. Money not basing on any third material-objective value actually requires alternative 'warranty' or 'back-up' from some *subjective warrantor,* be it genuine enough. Or, this is the *monetary authority* of all time(s) and this specific function is called *seigniorage* – that is supported by the 'seignior'[3]. Then, even modern times do not help communities against such a servitude face to non-democratic authorities' maneuvers in context:

[2] Actually, there were many other problems to be accounted in this order and diversity stretches as between technical management difficulties of huge quantities of such goods and increasing incapacity of representation to ensure larger parts of money supply, as needed – the last circumstance was even able to make liberal economists throw out their ideological support for the Gold Standard in a certain time.

[3] Horne (1915) and Andrei (2011a, pp. 121-123)

e.g. money is managed by *central bank*, not by governments democratically elected with political responsibilities against citizens. It technically belongs to such authority all money's *devaluation* – it is true, at least partly, that the converse *revaluation* is equally available to the same authority – and all affecting individuals' money possession. Or, is that latest the moral superiority expected against the previous representative money formula?

Contrary to skipping the 'absurd fetish'[4] once, in early 30ties, the road made ever-since did lead, instead of 'further on' just backwards after 2000s, namely to repeating a question like: *could fiat money be really superior to metal base money?*

2. Conceptual implications

Back to concrete terms, just look at the primary approaching corollaries. As a significant concept, money keeps a list of other concepts related to. But whereas referring to money, they rather share between the above two irreconcilable *essences* attributed to money in Table 1.

Table 1 - Some money-related concepts*

	representative money	**fiat money**	
1	bank-notes**	banking system, with central bank, vs. commercial banks	1
2	(money and) barter, as history of money	exchange rate' correlation with the EBP sold	2
3	(money) devaluation & revaluation	(money) depreciation & appreciation	3
4	exchange rate	exchange rate, as flexible and part of the price system	4
5	fixed exchange rate	interest rate (as price of money)	5
6	Gold (metal) Standard, including bimetallism	International Monetary Fund (IMF)	6
7	international monetary systems (IMS), including European Monetary System (EMS) and theory of	law(s) on money	7
8	(international) nominal anchor (see also the OCA theory)	monetary policy	8
9	(money) parity	price of money	9
10	representation (monetary and financial)	quantity theory (of money)	10
11	(metal value) standard	seigniorage	11

* No horizontal correspondence between concepts in this table, but the alphabetical order of titles on both columns. The list of concepts isn't exhaustive on none of the two columns.

** See especially 'gold-backed' banknotes (Davies, 1994, pp. 146-151).

That is why such a Table shape might seem quite strange at the first sight. In Table 2, as complementary information table, the same duality deepens. Keeping a distinct analysis for historical issues in the following paragraph, let us have here the same starting point, the money *parity*, for representative money – that of course means a quantity of metal corresponding to a money unit, as declared by State and undoubtedly respected as such in acting. When money parity, different State

[4] This being one of the Keynes' public expressions.

money units naturally compare to one another just as quantities of the same kind the way that *exchange rates* result *as fixed* by definition and nature[5].

In the *parity* order, *exchange rate* is supposed to move through *devaluation/revaluation*, meaning parity (metal quantity represented) modified – this is made by State authority under official auspices but is not characteristic (and frequent) for the system, that's why also very rare. On the contrary, out of parity – i.e. under *fiat money* – devaluation /revaluation are replaced by *depreciation/(re-) appreciation*; they are made by both *money market* evolving[6] and *monetary authority*, i.e. through its *monetary policy*, and such a movement is an everyday one.

Table 2 - Some behavioural differences for money concepts, as representative, versus fiat

	Related concept	Money, as:	
		Representative	**Fiat**
1	Money unit	Legalized as a monetary metal quantity established, called *basic parity*	Part and subordinated to the whole of *money supply*, that is *social convention* for money value and market prices measuring
2	Money reserves	Done by *metal represented*, money supply here resulting through the parity rate. No excess reserves conceivable	Done by *legal reserves* held by organizations at the *central bank* and/or treasury. Excess reserves are possible
3	Money floating	Just *devaluation* and *revaluation*, not characteristic, rare and authority legally engaging in.	*Depreciating* and *re-appreciating* that are *market* stuff and off all authority engaging, except for *market intervention.*
4	Exchange rate*	Basing on metal *parity* and so fixed by definition, here including not dependent on prices' behaviour	Making the *price of money*, as associated to *interest rate*, so part of the general *price system* and flexible by definition
5	Interest rate	*Banking* stuff with less macroeconomic function	Banking stuff, but equally *price of money* expressing together with *exchange rate*
6	Fixed exchange rates	Naturally resulting since *metal parity ratio* among different national *currencies*	Requiring permanent and costly *market intervention of the authority* on the home market
7	Price of money	This isn't a valid concept. Actually, this is just *money parity*, as exogenous for exchange rate and price system	Expressed by *interest* and *exchange rates* and so part of the price system

* See also *fixed exchange rate* and money floating.

[5] Actually, the full story of this wasn't so simple. First, parity, as an exact quantity of *precious metal* substituted by the *currency unit* was supposed to be both declared and respected by the State, as *by law* and as a very State's debt against whoever money detainer. Plus, the State *Mint* institution was assigned to apply it for each case in its activity. Second, the *exchange rate* as simple such quantities' ratio was previously requiring that different States have money represented by the same precious matter, which might be the most complex issue of all here related. Third, only the gold metal, unlike other monetary metals of the ancient times, succeeded to have its Gold Standard in modern times, meaning that modern *monetary and financial systems* were here born, including the *financial market*, a true 'censor' for the currency's market (i.e. true) value. Finally, whenever the *money market* value was too much floating, the currency's detainers were guessed to go back to the State Mint to be rewarded as high as the currency had previously been declared value.

[6] *Fiat money* concept includes even an internal contradiction that is the one between authority's *seigniorage* involved and its high susceptibility to market value's mobility – i.e. a much higher market value mobility than the other case, of *representative money*.

In the *parity* order, again, *exchange rate* equally keeps far from the *price(s)* category[7], unlike the *fiat money* alternative environment. It is in the same order that the *Gold metal Standard* – a top and very symbol of *representative money* – was attributed fixed *exchange rates*, but its 'de facto' *price stability* was different issue and actually not directly linked or related to. *Inflation* was actually compatible with the same Gold Standard, even while fixed exchange rates. Only *monetary* inflation was here ejected by representative money, as of principle.

On the contrary, when and where *fiat money* the *exchange rate* -- basically, a representative and/or rather a neutral money feature, as included in the above Tables – leaves the parity environment for the one of the *price of money* one, in which's defining context exchange rate does associate with *interest rate* – i.e. just another *rate*. In practice, both representative and fiat moneys accept price variation on all time terms; the difference here is that fiat money sees *exchange rate* as price category belonging the way that its variation gets nearly compulsory, together with the *general price level*.

Concomitantly, since *exchange* and *interest* rates are *price of money'*s measuring stuff they are assumed to move pretty similarly within the same period. Whereas interest rate seems to account as less significant for Gold Standard and representative money, under fiat money the *monetary policy* comes up to act on *money depreciation* either for the two *rates*, or for concomitantly rising investments and exports, as endogenous[8] of. It seems that the last maneuver has got very characteristic for the late 30ies post-crisis and for the new born national *development policies* at that time – they were also including *trade policy* in a consistent context.

And contrary to *interest rate* and especially to *monetary policy, international monetary systems (IMS)* – i.e. under the concrete structures of the same *Gold Standard, Bretton Woods Agreement* (1944-1971) and *European Monetary System (EMS)* – ever and all over proven unable to reconcile with any exchange rate flexibility; and here see especially the EMS example, as recent and late in time as rejecting any idea of money parity whereas and despite fixed exchange rates working (McKinnon, 1993). Recall the Bretton-Woods' IMS example of '*US$ 35 for the gold ounce in 1944'* claiming the same by its basic rule in the later 1971 international prices-changed environment – i.e. the imminent IMS' crisis plus collapse at the time.

3. Ancient history of money

We'll see here below how *history of money* itself does bias inside the money issue, as above viewed. Before the money's existence, *people were bartering* – this is already common place and theorists agree such an idea[9], whereas currently another aspect here stays enough significant: the old *barter*, as '*mother of today market economy'*, does benefit from a real smoothness, as historical view on money later produced. Of course, besides and despite all these, this isn't a postulate, like in exact sciences.

When *barter, before money* admitted, analysis can start, as in the above paragraph, from the money *parity* this time for a long and very long term backward moving in time. Once more, the international money parity means a single material money substance and then there are to figure out previous circumstances of several moneys basing on different individual *parity rates* for different State money issuers, as in the ancient history with primitive monetary systems. Those metal moneys were following the previous market *commodity moneys*, that several metals[10] had been when no official authority was backing them. And *commodity moneys* actually were the *advanced stage* of the old *barter* system (Andrei, 2011a, pp. 87-95) – looking backwards once more; this stage was coming to replace the primary and *primitive* barter, i.e. the one met by a classic *Marginalist* like the British William Stanley

[7] Unless the metal *parity* actually being price of the metal itself.

[8] These are for related strategies against recession and for external economic expansion, as concomitantly

[9] Jevons (1873), Davies (1994), Graeber (2001), as well as Andrei (2011a, pp.35-36).

[10] Since the expression that '… all goods played this (i.e. market value equivalent) role' (Guitton & Bramoulé, 1982), metals were coming to fill a very distinct stage of market value equivalents and commodity moneys. Moreover, this might be viewed as related to the ancient metals era.

Jevons with the expression like *'no double coincidence of wants'*[11]. Completing the smoothness of such a scenario, it is here to imagine market working previously than State here acting and so this State's option for the official money metal as according to the market's previous revealing.

The problem with this fluent scenario is that this way *barter leads to money*, but certainly to just *representative money* – never to *fiat money;* actually, not to money as it mostly appears today (and not only, but for a long and significantly long existence, as well). Then, historically, representative money, together with its barter-related history, fails to explain all about what happened with money in the Gold Standard's aftermath.

The literature reveals that there are historians denying any material proof in favour of the barter's pre-existence[12]. On the other hand, the antique history – the one of metal money and primitive monetary systems – did not miss fiat money issues, e.g. *seigniorage*, that always includes *money minting* – i.e. the primary step of *monetary policy*[13] – and sometimes even weakening the intrinsic money value through thinning the coins' metal content by the authority itself – i.e. not by counterfeits in the area --; the harsh laws on money and coins' regime[14] etc.

In a word, there are obvious historical signs for fiat money in the ancient history (i.e. with primitive monetary systems), but a historically consistent view about fiat money's historical development is rather missing, as compared to representative money above story told in the concreteness of the old barter concept. In other words, *history of money* itself seems to be not impartial, inside the (money) concept, either.

4. Our view on the old barter

Recall from above that W.S. Jevons (1893) had the first description of *barter* economic system, be it in an ideological order of justifying its replacing by money. The very long term echo of such a contribution is that barter is rather not to be historically denied. Andrei (2011a) used another basic Marginalist contribution, the one of Leon Walras on general economic equilibrium and price (system) formation – i.e. irrespective of money involvement. Shortly, the double Walrasian assertion that, for prices of goods A, B and C respectively that are P_A, P_B and P_C:

(a) when $P_A \geq P_B$ and $P_B \geq P_C$, it automatically results that $P_A \geq P_C$

(b) and when $P_{A\,/\,C} \geq P_{B\,/\,C}$ -- in which $P_{A/C}$ and $P_{B/C}$ are respectively prices of goods A and B expressed in quantity units of good C -- it automatically results that $P_A \geq P_B$

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[11] Actually, the supreme contribution of this classic here fills the exhaustive list of barter's market handicaps: no common value for either market exchanges, or deferred payments, indivisibility of some goods, no value storage possibilities (Jevons, 1875/1893).

[12] The most genuine retort that comes up instead, in the literature, might be the example of the so called *gift economy*. The last was primary attributed to the Paleolithic clans, but seems evolving as interestingly as never in decline up to modern times and present. On the contrary, the barter's idea is equally supported by anthropologists, instead of economists – they say that barter was coming together with inter-human relations' (i.e. trust's) degradation. See at least: Mauss (1925), Sahlins (1972), Hyde (1982), Cheal (1988), Kranton (1996), Suranovic (2001), as well as Andrei (2011a, pp. 35-40).

[13] And just let us have here the example of money minting through metal stamping as coinage, versus the same metal quantity amorphous exchanging and so really competing on market. On the one hand, monetary metal becoming effective money seems just a historical formality, as seen from today, but on the other, at that time, in the market exchanges environment vicinity the appropriate option didn't look the same neither to traders (i.e. choosing between coin and a metal amorphous quantity), nor to monetary authority (e.g. how much metal to be stamped as money coinage, versus letting the same metal freely exchanging on market, as it was). Actually, such a dilemma doesn't do, in our view, but verify the *representative-fiat money* substance for a very concrete circumstance. A circumstance in which, besides given dilemma one thing stays quite sure: the given metal quantity, be it natural and amorphous or money minted through stamping, reach the same market value (i.e. equal values).

[14] It is mentioned that Carracalla, an ephemeral Roman emperor in the 3rd Century AD, once put out of law all the Tracia's inhabitants for not having accepted his issued currency on their territory.—this was a CNN television report of the writer Paul Sussman in August 2001.

And then prices were preferred to be replaced by quantities of goods A, B, C,…, M, N, that are respectively a, b, c,…, m and n -- since price is more difficult as operational concept when no money to express in -- and two corresponding models here came out:

(I) Aa ⇔ Bb ⇔ Cc ⇔ …⇔ Mm ⇔ Nn

(II) Aa ⇔ Nn
Bb ⇔ Nn
Cc ⇔ Nn
……
Mm⇔ Nn

in which all over small letters indicate quantities, as opposite to capital letters that remain to indicate specific goods and the ⇔ sign means something *more than equal* – i.e. the fact that the specific goods in quantity indicated were actually met at least once in the market exchange process.

These models of the same kind (pair models) claim to reflect two large steps of a presumable *barter economic system* that of course starts by (I) the **primitive barter.** This is as horizontal as it really reflects the *economic horizontal* – quantitative market exchange relationships among final goods, when no money. Here it is assumed that the owner of good A looks for good N and in the 'no double coincidence of wants' environment the chain of market exchanges work as such above. In reality, the owner of A's problem gets solved together – in the same process-timing -- with all similar problems of the other owners (traders or market operators) in the area. The model reveals facts as: (i) the 'mother' of all *price systems,* that comes together with (ii) the antique *macro-system* so shaped as in today terms, (iii) the serious space limits of such a macro-system, as of principle, (iv) *price stability* required and finally (v) *closeness of market,* (as such) as a rule, which is the very difference between primitive and modern markets – i.e. the last is found of openness, as by definition.

The *(I) model* is missing market *competition* (i.e. among *market operators*) and economic *vertical*. The most highly revealing results of this model are (a) reviewing the 'no double coincidence of wants' circumstance as the one of boosting market activity, (b) long-term dynamic found as '*cell-market-areas*' to enlarge ever-since the primitive barter time and (c) *price stability* found in its primary ever hypostasis. Otherwise, the model equally reveals the double cell-market vulnerability: (a) against market area extending on the short term; (b) against all price variations.

The *(II) model* tries to reflect the other here claimed *barter* step, the **advanced barter** of *market equivalents*[15] or *commodity money* – as pre-money. This alternative model works on the same principles[16] -- i.e. the same goods and corresponding quantities and the same ⇔ equivalence sign – except for certifying that it comes later in time, given that the N good has already been selected as market exchange equivalent for the others. As resulting from, the previous 'no double coincidence of wants' context vanishes. Goods stop exchanging among in the above chain, now encountering the market value equivalent, as individually. It is this new aspect as several times virtuous, i.e. market breaks its previous closeness while preserving the old price stability and this last keeps its price stability safer from individual good price variation, as well as from the newly reached *market openness*.

The most highly revealing results of this second model do consist in the historical perspective of what was coming to be the *Gold Standard,* in its primitive form, but especially in its modern form stretched between 19th and 20th centuries on international market area[17], plus that both it was the sense

[15] i.e. *partial* and *total* equivalents. A market good equivalent is supposed to be *partial* when working on and controlling as such any limited market area, be it a region or a country area of all sizes. Such a market good equivalent is supposed to become *general* when so referring to all existent market areas concomitantly, i.e. the general market equivalent is just one or *universal money,* and it was the gold metal during the 1880-1933 interval that has been called international 'Gold Standard'.

[16] Basic similarities between the two models were deliberate, once more, to shape a unitary story of barter for either a so long time that such a system is admitted to have reigned, or the two apparently so different developments that primitive and advanced barters displayed.

[17] Actually, on Europe and America of its time. Other authors rather argue that the rest of the world (e.g. Asia and extreme East) was *silver standard* (Guitton & Bramoulé, 1982).

of all barter evolving and time in which barter definitively leaved the place to money, as exactly as in the Jevons' above view. Apparently, barter coexisted with money in its final stage, but up to the modern Gold Standard money either delayed proving its expected 'superiority to barter', or so came up to run both domestic and international market areas transactions.

And market physiognomy changed forever – i.e. not only the *Ricardian* and *post-Ricardian* views on modern market, as national-international, but equally such barter to money evolving on longer terms.

Besides the above description, in our view barter did exist before money and it really made its specific *economic system*. The last's specific included that, unlike other economic systems, it more easily coexisted – i.e. when did not correlate, as usually -- with other systems, e.g. *gift economy*, in the ancient times, *individual primitive household* with its specific *'natural economy'*, feudal environment or even primitive and undeveloped monetary systems, but here included the Gold Standard special case (Andrei, 2011a).

5. The quantity theory of money, in context

It won't be quite appropriate to this paragraph reviewing the old quantitative theory in its details[18]. Our issue here consists first in confirming the popular view about money thinking as sharing between the *quantitative theory* and the rest of theories, sometimes called 'non-quantitative' or even 'qualitative' theories (i.e. about money). Such a view is basing on a truth of the significant development that this theory performed in time, on what makes it one of the greatest economic theories of all time – e.g. together with its criticism developed in parallel.

Our specific problem in this text is that the same *quantitative theory* keeps all qualities, except for that *it biases the fiat money concept* – the same as barter and parity above were biasing the opposite representative money in the money history developing context. Despite Andrei (2011a, pp. 167-171) that tries to approach a specific Gold Standard's adapting to the quantitative theory, it cannot be wiped out the primary-basic truth that the same theory refers to *money supply (M)* – i.e. that is certainly *fiat money*, as against its representative money counterpart (e.g. monetary *reserves*) that is fully missing in both basic *formulae*[19] and developing so far.

Curiously, this exclusive money reference that money supply (M) is was the source of criticism equally coming from J.M. Keynes, where the '*Master'* was pointing on the bias for 'supply', against the 'demand for money' acting on the money market that seemed 'invisible' to the opposite classic polemist scholars.

6. Money neutrality

Let us here clarify that 'our money neutrality' comes up in context -- i.e. it strictly refers to not belonging to any of *representative* or *fiat* moneys. Andrei & Andrei (2014, pp. 9-11) started outlining this third money zone and Andrei (2016) points to what we believe it is the most relevant example of belonging to, i.e. money *velocity* and *multiplier* as out of both *representative* and *fiat moneys*.

The interest and even challenge of this last approach is that, despite their functional link between, *velocity* -- the money's supporting capacity for a number of transactions of its individual value and total amount of the same transactions within a given time period – and *multiplier* – the money's capacity of enlarging its direct acting on market, an empowering provided by banking and by the *effective-bank account* shifting status capability of money – are as significantly separated in time terms (that they were born) and corresponding historical pictures as almost bordering on science-fiction when suspected of *acting together* at present. Concretely and basically, the two numbers appear to make a

[18] That would be, on the contrary, for a separate and enough substantial debate-analysis.

[19] i.e. (1) MV = PT, called *implicit* expression, and (2) P(M) = M x (V/T), called *explicit* expression due to its function type reporting between the M exogenous for the P endogenous. In which: M is money supply, V is money velocity, P is the general price level and T the volume of transactions. In time developing of the theory, T was sometimes replaced by Q, production, and Y, national income.

pretty *constant* arithmetical product or a trend in this way meaningful for an *up limit of money empowering* that suggests the monetary health -- i.e. opposite to possible variation or losing limits of money empowering that accuse potential disasters, e.g. the 2008 crisis.

Shortly, recalling the above references the *multiplier-velocity coefficient* was here doubly verified, i.e. primary in the Gold Standard environment, for which this coefficient is found to vary according to the equation:

$$\Delta \text{Ж V} = (1+ \Delta \text{ GDPr}) / (1+ \Delta\text{GdStck}) - 1$$

in which, naturally, Δ Ж V is the *multiplier-velocity coefficient variation*, Δ GDPr is variation of real GDP in non-percentage number and ΔGdStck variation of the gold stock (as monetary) equally in non-percentage number expression. This equation means a simple linear equation of the type of:

$$y\,(x) = x - 1$$

where y(x), as the same velocity-multiplier variation when this time it is viewed as function of x, which is ratio between *real GDP and gold stock indices*. It is the way of finding the searched variation null wherever real GDP's and monetary gold stock's variations (and indexes) get close to each-other; which stays of course invariably valid out of Gold Standard environment for the regime of *monetary reserves* able to preserve money neutrality[20].

The other *money neutrality verified* through the same *money multiplier-velocity coefficient* comes out of some *econometrics* (empirical approaches) on Fed's monetary data on the 1963-2013 interval so with 51 observations. A basic convex hyperbola equation like Ж V = k was primary replaced by the one as:

$$\text{MZMV} = k * \text{Mmult}^{(-1)}$$

in which, of course, MZM is what Fed calls '*money of zero maturity'*, V is money velocity, $\text{Mmult}^{(-1)}$ is the inverse of money multiplier and k is constant.

And when leaving velocity and multiplier as exemplary for *money neutrality* – i.e. since they aren't either representation or event occurring on track authority, but both these other concepts keep obviously able to enlarge money supply, as much as multiplier and velocity do – more concepts here join[21]. *Lending* that turns into *crediting*, when systematic activity and all preceded the money existence -- i.e. as much as and similar way with barter. Unlike barter, lending and then crediting stay neutral against (and when) the usage of money[22]. When these two turn into *banking*, the same picture might become more complicate than that. *Commercial banks* actually deal with all: multiplier (money neutrality), *banking principle* – i.e. fiat money, the same as the opposite *currency principle* – and a diversity of *titles of value* – i.e. representative money, as money denominated.

Box 1 Multiplier-Velocity coefficient on the Fed's data

Our approach started with Dickey-Fuller test used for reaching stationarity; and this came at the first order of differenciation. Then, unique root, logarithms and homoscedasticity required and then possibilities of *co-integration* of our variables and so re-considering the good (impressive) length of given Fed's time series on its monetary base. This is by definition the possibility of variables inter-acting with each-other, as: (i) both exogenous and endogenous; (ii) on both short and long terms; (iii) on several time-lags. Then VECM applies. The econometric inventory used was: unique root, *stationarity* (Dickey-Fuller test), *homoscedasticity*, co-integration (Johansen methodology, with Trace /Unrestricted Co-integration Rank Test & Eigen /value tests), *Vector Errors Correction Model (VECM*/ for *co-integration* confirmed), versus *Vector Auto-Regression (VAR*/ for no-co-integration confirmed), *Ordinary Least*

[20] Andrei (2011a, p. 170)'s calculations for the world gold reserves on the 1982-2002 interval find the gold standard multiplier-velocity variation in two variants, as $\Delta \text{Ж V}_1 = 0.998\ \Delta\text{GDP} - 0.002$ and $\Delta \text{Ж V}_2 = 0.966\ \Delta\text{GDP} - 0.036$.

[21] We equally here admit the debate on in the area, in which context Andrei & Andrei (2014, p. 10 / i.e. the table) might be partly wrong.

[22] i.e. not favouring any of representative of fiat money either.

Square (OLS) test and null probability for coefficients, t-*Statistics, R-squared* correlation, *Durbin-Watson* for self correction errors, *Jarque-Bera* test checking on errors' distribution, *Granger* (1988) causality & *Wald* tests, MacKinnon-Haug-Michelis (1999)[23] *p-values* (Andrei & Andrei, 2014).

Our post 2011studies conclude that, contrary to some of previous assertions in the literature, money of all time shares *between representative and fiat,* be it in various weights -- none of these two has ever died; neither have they done today – and the same for money neutrality. Moreover, whereas *fiat* and *representative* sometimes point to some money's weakness – e.g. 'money has no choice, but this contradictory way being' --, *neutrality,* on the contrary, comes up to strengthen the same money for what it really is and what it currently does.

7. The contemporary theories of OCA and/versus IMS

There are *international monetary system (IMS)* and *optimum currency area (OCA)* to debate about in this paragraph below. Both are postwar theories of money and these are not so simply dealing with its above representative-fiat definition duality either. These theories appear as pretty the same age and interestingly encounter each-other since regarding the *international money* topic. Also the differences between are rather significant and the first one sees their sizes.

7.1 International monetary system (IMS) is a concept regarding inter-States monetary mechanisms which were assumed to be, one after another, *Gold Standard (1870[24]-1933[25]),* the *Bretton Woods* international agreement (1944-1971[26]) and later on the *European Monetary System (1979-1999).* As in theory, IMS[27] shapes as in Box 2 (Triffin, 1973). The *unique reference value* expression tends to be larger than here assuming just an individual national currency freely used internationally, as in the restricted views of fiat money and OCA theories. In facts, it is the *metal* (i.e. *gold*) *money* reference to talk about and this is found as 'neutral' among all member States forming the System (IMS). Reciprocally, national currencies are admitted to compete for such a privileged position inside the IMS.

Box 2 - The international monetary system (IMS)

De iure	a **unique reference value** for all money and their State issuers, as member States of the System
	a remaking **balances of payments (BP)' equilibrium** mechanism for all the IMS' member States

[23] Critical values, at http://lists.wfu.edu/pipermail/gretl-users/2011-February/005860.html

[24] Davies (1994) here finds the 1850-1931 interval for Gold Standard.

[25] In 1931 Bank of England gave up the gold convertibility of its pound sterling. First, some people might think that such a measure wasn't unprecedented, but all Napoleon's wars and World War One had brought similar events. But not only this was forever, but two years later the monetary authorities of France and US came to do the same with their national currencies. All agree now that the big economic crisis of 1929-1933 was the Gold Standard's terminator. But even this did not end the crisis auspices, but another crisis was immediately following – that was the post-IMS *international monetary disorder* that lasted up to the next World War.

[26] 1971 was an interesting year case. The Bretton Woods IMS' working collapsed resulting into exchange rates' entering high floating – actually, it was the US$ strongly depreciating against all the other national currencies and the last appeared to differently floating against each-other. In reality, the US$ had been the IMS' reference value up to that event, so what the gold metal had been for its former IMS. Or, the dollar did depreciate when its IMS collapsing, unlike gold that never did, but something else came up very similarly between 1931 and 1971 (at forty year distance). In 1931 Bank of England was giving up its gold convertibility of the pound sterling that then started floating; in 1971 it was the turn of the other Bretton Woods IMS to do the same with dollar floating consequence. London and Washington had both been centers for Gold Standard and Bretton Woods IMS, as respectively, in 1931 and 1971. Collapsing from its very heavy center so seemed to be another IMS's working rule that was rather skipping to its proponents.

[27] i.e. unlike national and federal State's monetary systems.

	member States' equal legal commitment for the System
De facto	**fixed exchange rates**, as compulsory
	biasing **money parity**

Remaking mechanism for the individual States' BP is basically supposed to be a job done by might-be different contextual *instruments*. And the last might develop between presumably *automatic mechanisms* that was the case of Gold Standard and *international financial institutions* assigned by the System to manage the inter-States flows equilibrium, primary through watching on all such imbalances. *Financial institutions* as such were claimed for the Bretton Woods IMS, i.e. the *International Monetary Fund (IMF)*, and for the EMS, i.e. the *European Monetary Institute (EMI)* (McKinnon, 1993). As in detail, these institutions were supposed to work with their own *account money*[28] against their flows equilibrium aimed.

As for the member States' *commitments against the IMS* in place, they filled a dimension also provoking some misunderstandings in the topic area the way that some supporters here restrict to inter-States agreements form to be admitted – i.e. and so the famous Gold Standard finds itself as nearly excluded from the IMS concept. On the contrary, Andrei (2011a, pp. 151-154) explains that Gold Standard was all over benefiting from States' *monetary laws that were naturally harmonized amongst* – no need for international agreements in this case[29] since equally those agreements rather couldn't prove able to shape stronger IMSs than the other cases (i.e. this is about the same Gold Standard, as unique case of an IMS missing corresponding international financial institutions of management[30]).

On its *de facto* zone of the IMS, *fixed exchange rates* look not being an aim in itself[31], but properly resulting from either Gold Standard's and Bretton Woods IMS' environments – i.e. the latter IMS was as such since its fixed parity settled for the US$ in 1944, the date of the international agreement done[32]. *Money parity* looks biased by IMS up to the date of the other EMS that is the case of *fixed exchange rates without parity*[33], but reclaimed by particular price systems' development throughout *economic integration* process. And this is the aspect arguing that *fixed exchange rates* truly overpass the *parity* environment[34].

Criticism on the IMS might notice that, limiting to some rules explained, here including the rule of IMS's birth under legal States' commitment, the theory sees neither the IMS in its usual declining perspective all over, nor how much of international monetary order would ever be covered by IMS[35].

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[28] i.e. *special drawing right (SDR)* for the Bretton Woods IMS and further on money of the IMF; *European Currency Unit (ECU)* for the EMS as respectively, see McKinnon (1993).

[29] The author here has a longer explanation about, related to the metal's monetary place in the ancient history of money and in the pre-money barter system; a history that equally included non-modern monetary systems based on gold, e.g. the Roman Empire's and Middle Ages' moneys. Shortly, Gold Standard, besides its fixed exchange rates and price stability, was equally exemplary for its law expression that was highly convenient for all State, organizations and citizens.

[30] Though not to be omitted that the *Latin Monetary Union* (1865-1927) did expressly mention Gold Standard, as its basic working monetary system. That remains the lonely ever official mention of Gold Standard .

[31] Here also see the OCA theory in detail that is the case of fixed exchange rates aiming.

[32] Also see paragraph 2., above for money parity circumstances.

[33] That in practical terms means foreign exchange market *interventions* of the monetary authority (i.e. central bank), as part of its *monetary policy*. Recall from above that monetary *policy* and money *parity* rather exclude each-other, but the very problem of this fiat money aspect lays in the number, amplitude and so costs of these market interventions that actually are selling-purchasing different moneys in short and very short periods (i.e. everyday). On the contrary, when money parity, fixed exchange rates stay natural issue and properly work as such.

[34] Note that Triffin (1973), the IMS basic theory's supporter, did not express about the EMS case.

[35] i.e. how could the IMS theory explain and qualify the global exchange rates' relative stability after 1985, the year after the 'La Platza-Louvre' event, as international conference , when no any more IMS, in such a view, asks once more McKinnon (1993, p.32) ?

Fact also is that beyond all the above three IMSs examples, Gold Standard seems to have been reversed by a fiat money subversive motion in the international market area and then the Bretton Woods IMS met a deeper story of the same kind when being founded as a *representative-fiat money mixture* shape. As for Gold Standard, it had required rather international monetary and economic homogeneity, similar to nowadays economic integration, whereas authors claim at least a '*center-periphery'* difference as a reality (Officer, 2010, pp. 96-107). Then, apparently this system proven once more stronger when the British Empire took it under its power support (Andrei, 2011a), but this initiative equally did establish the *central bank versus commercial banks* system, specific to fiat money. Finally, Gold Standard did collapse when *Bank of England* was equally the same as the IMF for the next following Bretton Woods IMS[36].

As for the last, it was contradictory design since 1944, i.e. whereas its *unique reference value* at the time was the US$ and it was claiming its 35 dollars per troy ounce price and fixed exchange rates against the other member States' currencies. The System also was typically established by *inter-States agreement,* in which actually IMF was founded as *financial management institution* support.

The EMS (1979-1992) case looks apparently different than the IMS' general rules, as seen from its European founders. The System has been designed as transitory, i.e. aiming to find and test the real exchange rates of its European member States' currencies at the delayed time of its turning into the *unique common currency*. On the contrary, as seen from outside McKinnon (1993) confirms a structure that is the same as for the other precedent IMSs[37].

7.2 Optimum currency area (OCA)

As in all our previous contributions to this issue – i.e. in which concomitantly talking about IMS and OCA –, our top reference remains McKinnon (1993). The last actually argues about two IMSs – i.e. the Bretton Woods IMS (1944-1971) and the EMS (1979-1999) – similarly working since structurally similar due to claiming OCA as priory to IMS. And actually McKinnon here has just a completion made to the large *OCA theory*[38], the one called *Nominal Anchor theory.* Box 3 keeps a brief description on the last.

Unlike the IMS theory, the *nominal anchor* explains not only about its internal mechanism and rules – i.e. there are entirely different rules to talk about for the IMS' and OCA's cases --, but equally about how the same anchor is born and then dies, here emphasizing that all *OCA is limited life*. Then, nominal anchor and OCA dislike all about *formal* and *law* terms, unlike the IMS theory, once more. No any mention about external balance of payments' controlling mechanisms from the nominal anchor view either.

There is something that finally appears similar between the two theories, and this is about two issues, be they inter-related. The one is *nominal anchor* itself that directly corresponds to the 'unique basic value' for all prices in the area of IMS. The other is the *fixed exchange rates* aspect. The difference is that what was very 'natural' and so an assumption for the other theory, for the nominal anchor and for OCA as a whole stays a wish to be fulfilled in the multi-country region, a target, a stake or a bet – i.e. besides, the two theories stay found of fixed exchange rates as both yet prove unable to accept the money floating of any kind.

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[36] Let us just make the distinction that the latter authors here cited argue that it was the British Empire who admitted Gold Standard as an international monetary order to be supported and internationally managed during its whole life existence. That is why a good number of scholars prefer to see the same IMS as actually the one of the British pound. Unlike them, Andrei (2011a) argues that the Gold Standard's roots are historically much deeper than thought so far. In other words, the same as primitive money had been coins stamped by authorities on metals previously winner of a special market competition as market equivalents, in the 19th century the British Empire, under its glorious Victorian era, might have taken over Gold Standard as something previously market confirmed. In other words, once more, the British Empire didn't ever invent or design the Gold Standard IMS, as possibly understood by this System's opponents of such a group.

[37] See details in the next following paragraph.

[38] Mundel (1961) is the unanimously recognized parent of the OCA theory. Mongelli (2002) has, in our view, the most appropriate, i.e. exhaustive contribution on the OCA theory's description, as a whole, unlike our lines that won't have any of this, except for the McKinnon's nominal anchor theory.

It is equally interesting that nominal anchor sees *fixed exchange rates* without parity corresponding – i.e. this theory repudiates all parity and '*unique basic value',* except for a *national currency that gets internationally free usable.* This really is *fiat money* that the nominal anchor theory stays captured by, similarly as the IMS one for the other *parity* (i.e. metal standard) related stuff.

Box 3 The nominal anchor theory

- The *nominal anchor* is assumed to be the national currency issued by the *anchor country.*
- The *currency area* is a multi-country region to which the *anchor country* and its *nominal anchor* national currency belong
- The anchor country ensures the *free movement of its own currency issued* (i.e. the nominal anchor) within the region, i.e. this currency freely lives its own issuing country.
- This last above idea actually means *unrestricted imports and payments abroad from the anchor country* and of course directly in the nominal anchor currency.
- Whether these last above imports and payments abroad are not entirely free, the same country is still admitted as anchor country whether keeping *the less restricted national (individual) currency movement* within the whole multi-country region.
- The whole picture of the above ideas is the one of the anchor country's non-*intervention* -- i.e. no any kind of intervention, be it monetary, trade or other policies -- on its own balance of payments' problems.
- And consequences of this are of two kinds are:
  (a) creating *imports market* on the anchor country's territory (virtuous evolving);
  (b) creating premises for the nominal anchor's international *depreciation* against the other national currencies in the region (vicious evolving);
  (c) especially since these other currencies do remain backed by their State issuers' monetary policies .
- The result of all these above facts is the *nominal anchor's bankruptcy* within a horizon while.
- Then, the symptom of *searching for a new nominal anchor* in the region area.
- Except for the anchor country and its nominal anchor, there are *no other special regimes for the rest of countries and their national currencies* in the region area (McKinnon, 1993).

In another development, equally to be noticed for the nominal anchor's theory its being captured by what can be called '*hegemonic motor'* – i.e. no international monetary order in the absence of a strong anchor country; plus, this is supposed to be just one in the area.

8. The European common currency: a story of two successive issues

Interestingly, it is through the same McKinnon (1993) that entering this new paragraph relates to the above precedent one. – i.e. the author was just criticizing the EMS structure and doubting on its *de facto* perspectives since, on the contrary, trusting his *nominal anchor theory* instead.

8.1 Issue one: the euro's birth

Then, the immediate reality was different than the here expected collapse of the EMS[39] -- i.e. this system rather had been scheduled to be replaced by the *unique-common European currency* in the 20th century end, instead of being surprised by any presumable catastrophe. So, it is debate about that

[39] There never was any EMS' collapse of the previous IMSs ' type. Such an event was just imagined by the author , but he did not openly express about that either.

McKinnon (1993) would have been entirely wrong about facts[40]. Or, the real truth rather is that, replacing a freely used national currency as international (regional) nominal anchor – i.e. an IMS of the same structure with its precedents that all had collapsed, in another translation – be it by a new *common currency* – especially the one that all member States get commonly responsible for – really means *backward regarding, previously than forward.* Europeans – i.e. the EU decision maker -- did prefer to proceed to the perspective *common currency* – together with the last's expectable problems of the next future decades[41] – to a System that was in place, but with no future, as for certain. In other words, the same decision maker did understand that the integration itself was supposed to work on all member States' responsibility, instead of the one of Germany alone[42]. A single example to be here taken for all understanding: how would have been in context the so called euro crisis not so long ago, when several voices were already announcing the 'death of the European currency'? In our view, tensions among member States would more hardly injure that EMS and the integration process together with causing a serious and unprecedented political step back for the whole area[43]. And curiously, what happened then stays equally related to the next further paragraph description.

8.2 Issue two: the euro's current condition

And now let us have the other aspect under focus, the one then coming just next. Basically, euro is the first ever case of a currency common to several States – i.e. of course, an organized Community of States previously and currently acting for their perspective economic integration amongst and both unique currency for these member States and unique case as such so far.

Or, whilst as simple as that such a fact looks just strange from another rational view-point. First, previously to euro and even since back to the antiquity times currencies were born as issued and/or supported by correspondingly strong *political authorities* (e.g. States[44]), as individually. Then, in modern and contemporary times the *central bank, versus commercial banks* formula works partly since even the Gold Standard[45] – i.e. in its latter *gold bullion* period, when, *Bank of England* was obviously acting as *central bank*[46] --, then spread in the world after World War Two at State level and adapted here and there to federal States' specific circumstances – e.g. the US.

Or, the *central bank, versus commercial banks* formula took over the same old *strong political entity compulsory for (newly) issued currency, and then the last aimed to strengthen the same political entity, in its turn*[47]. As in detail, the central bank doesn't subordinate to Government, but cooperate with – basically, central bank is assumed to perform a relatively *stable currency*[48] management while expecting from its Government a budget deficit of no more than 3% GDP[49] – and does enjoy *freedom of acting*[50] in its currency management job done.

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[40] Yes, the EMS hasn't collapsed, as its previous Bretton Woods IMS had. Thought, the whole picture of such a description ought actually also to answer the question: 'would a Deutsche-mark based EMS really make it, instead of the common currency proceeding that has been? And how really long could the EMS last ? '

[41] And we might notice that those problems did not remain just potential, e.g. the euro crisis of late first and early second decades of the new century.

[42] Or, keeping the former *Deutsche mark'*s management structure for the current *euro* here stays just a detail.

[43] Here to be noted one more difference between the common currency and the EMS environments: when the EMS in place, no 'Euro-Zone' different than the whole of the EU region.

[44] But not only, e.g. the Middle Ages time.

[45] That actually was found by theorists as the less appropriate for. See also above 7.1.

[46] i.e. a kind of 'international central bank', but certainly not only in this case.

[47] And even the euro's case then came for 'making a political entity stronger' than previously.

[48] A 'stable currency' under the 20th and 21st centuries predominant fiat money actually includes non-shock money depreciation on longer terms.

[49] It was the IMF rooting and disseminating this idea, by its intellectual – i.e. non legal power or institutional -- authority.

[50] It is equally true that such a freedom of acting might vary in different national legislations, sometimes significantly, e.g. the New Zeeland case. Though, under Gold Standard its corresponding *mint* institution worked

Back to the EU, its euro currency and *Euro-land,* it is the case of confirming the old currency related political stuff[51], above described, but concomitantly: (1) the *European Central Bank (ECB)* is shaping the *federal State* specific institutional structure[52] and (2) no individual political-Government entity as supporter[53] -, but *several national Governments to deal with* instead, this time in no any group or otherwise ordered formula – note that despite the natural size differentiation among EU's and Euro-Zone's member States all hierarchy among stays quite impossible according to current political principles, but central bank dealing with several Government entities concomitantly isn't any easy task either[54] -- e.g. recall the *convergence* or *Maastricht Criteria* in the Treaty of the Union's Annex (1992), which then came to be doubled by *Stability and Growth Pact* among the Euro-zone member States, both for just palliatives replacing the usual *government commitment* for providing not higher than 3% GDP public deficits all over; both these documents and all related about look nearly obsolete at this present time introduced by the 2008 'Lehman episode'.

Such a task might remain the one for further integration strategies' searches, but the real problem is that these strategies actually reduce to *just one* which would include *fiscal union* shaped (Krugman, 1993[55]) and invariably leads to the same *federative State* organizing form of integration (finally) achieved -- i.e. the old expression of the *'United States of Europe'* – but never able to skip some so repudiated *centralizing.* In other words, here there might be no integration strategy alternative available – i.e. to that, be it through the same 'States federation' image, proving the paradox that the long term integration might be able to reach such a well known and already world-wide existent organizational formula. The EU authorities look not too much ready to debate about, anyway.

8.3 Concluding for the European integration

In order to have such a proper conclusion just feeling first obliged to do what we did before (Andrei, 2014b), i.e. dragging the five decades ago corresponding picture in a very presently decisive comparison to be made. Or, at that time Balassa (1962) drew the *five stage evolving integration model,* so integration started and then acquired 'strong spirit' – actually it seemed to be the quite retort of the immediately postwar political spirit for a new era; plus, this new way to follow was becoming increasingly clear. Not only politicians and scholars, but equally ordinary people knew what was going on; and, paradoxically (or not), much better than it is the case for our today future exploring.

As compared to the early 60ies looking ahead -- with their claimed above clairvoyance --, our today (2016 update) view gets obviously reticent. Reasons for might be rather diverse and when not necessarily taken in an order of any kind, there might first be considered even that the old-primary and here valuable contribution of Balassa (1962) was pointing to 'integration done' by a scenario in which the *economic and monetary union* was the last stage to be fulfilled – we have economic and monetary union at present, but all agree that integration obviously isn't yet done.

Second, the fact that we currently know much more than there was known in early 60ies in the area, despite good sense stuff and presently obvious, would not necessarily lead to extra efficiency, but on the contrary to a kind of 'Socratic' attitude. In such an order, the previous *free trade area* and *customs union* once to be successively fulfilled rather do not compare to the today working duality of

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as fully State subordinated, i.e. that was the State committing for the previously declared gold parity of the currency done.

[51] i.e. money means and always is for political power.

[52] E.g. the headquarter plus *filials* in each individual State for the US' Federal Reserve (Fed) case, versus the ECB plus national *filials* that are the former central banks in the Euro-Zone and all form the '*Euro-banking System'*.

[53] And even currency issuer – *issuing* and *supporting* national currency are two actions meant together on the State's political authority side – since historically member States have been the real euro issuers in 2002.

[54] Despite mostly successful, such cooperation between Government and central bank is all over supposed to meet detail difficulties, especially in hard economic circumstances, under crises or when democracy weakens.

[55] Actually, the OCA theory as a whole currently includes the *fiscal union*. Andrei (2009) here explains how the *fiscal union* might be another long-term integration strategy comparable to the precedent *monetary union* one that earlier developed on three decades time.

convergence and *optimum currency area.* (Andrei, 2014b). Here including that both last are large economic theories for which no unanimity of views, as by definition, either.

Third, another dual concept that is *centralizing-decentralizing* makes an interesting career so far. Whereas basically *centralizing* would figure out 'the Union strengthening against member States' – i.e. actually the Union's government was never enough strong against member States' political power and such an idea gets even susceptible of turning into a false issue for debate --, the same centralizing gets increasingly feared by its parallel and informal political translations increasingly stressed that might sound like '*center* member States strengthening against *periphery* member States' of even '*big* nations, against *little* nations', within the Union. Or so, on the contrary, *decentralizing* comes as expected on the side of smaller and disadvantaged ones, be they member States, but also communities of decreasing numbers and individuals.

Since all of the above considered[56] also recall the above paragraph corollary for properly describing the update very drama of *European integration*. Or, it is not the *federal State* formula to be denied as running into or the *fiscal union* pace to be avoided in context. The problem is that the more we're running into this perspective, the less we like it, the way that an enough clear strategic design here becomes equally difficult to approach than is all of its alternatives that actually stay not existent. Are the Europeans expecting something else for their integration process, or they just prefer to proceed on the available way in silence?

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[56] And also others for a really full inventory as such.

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ENVIRONMENTAL ECONOMY AND MANAGEMENT IN THE IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT - CONCEPTUAL APPROACHES

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Abstract

This paper tries to highlight the importance of environmental economic policies and environmental management, and their impact on sustainable development. The paper shows the fact that environmental policy, as a specialized policy at national and international level, also means the assessing of the environment real situations, finding the negative environmental effects, establishing institutional measures necessary to states organs in protecting and conserving the environment and the importance of an effective environmental management. The paper also demonstrates that environmental policy is closely linked and conditioned by economic, administrative, financial and legislative policy, correlation which is based on a national and international relations as they represent both concrete theoretical and practical relations.

Keywords: *environmental economy, environmental management, sustainable development*

JEL Classification: Q50, Q56

1. Introduction

The determination of the European Union regarding the environmental protection measures and promotion of sustainable development worldwide is recognized internationally. The concept of sustainable development requires the implementation of mechanisms and policies that allow both economic development and conservation of the environment, capturing both increased responsibility and economic efficiency in the sense of cost reduction of damage to the environment due to human consumption.

EU policy in this area has gradually evolved from faze of minimum implementation of environmental protection measures, to assuming of greater environmental problems through complex and specific settlement. Thus, the European Union has become a global promoter of sustainable development.

2. Environmental Policy in the European Union and Romania

Main developments in the elaboration of the environmental policies of the European Union highlights two periods: before 2000 and after 2000. Theoretically speaking, environmental policy is one of the youngest EU policies being consecrated in 1986 by adopting the Single European Act ratified in 1987, document through which environmental protection acquires legal basis, attributing European community explicit competence in environmental protection.

With the Treaty of Amsterdam in 1997, environmental policy becomes a horizontal policy of the European Union, which means that environmental aspects are necessarily taken into account within sectorial policies.

Environmental policy after 2000, in addition to the analysis of the evaluating results of the 5th EAP, defined the priorities for the 6th Action Program - 6th EAP (2001-2010) which supports sustainable development strategy and emphasizes the responsibility involved in decisions affecting environment. Here are analyzed and discussed the priority areas of environmental policy provided for PAM-6 for a period of ten years: climate change and global warming; nature protection and biodiversity; health and the environment; conservation of natural resources in waste management. Seventh Environment Action Programme of the European Union - EAP 7 (2014-2020) is the most recent program and it was adopted in November 2013 and will guide European policy until 2020. This program creates a general framework for all EU environmental policies from now until 2020. The program is consistent with the current Europe 2020 strategy, which stresses the sustainable growth as one of its priorities and resource efficiency as one of its flagship initiatives.

Environmental policy is distinguished by a number of goals (adapting sustainable development as a Community strategy on long-term, environmental and health strategy), the adoption of horizontal and sectorial legislation in the environmental field, institutional actors involved in the preparation, definition and implementation of the environment policy (European Commission, DG environment, the Council of Environment Ministers, the European Parliament The Environment public health and consumer policy Committee, Committee of the regions, The European Environment Agency, The European Information and Observation Network for environment), principles of action (principle "polluter pays principle, preventive action principle, the precautionary principle of high environmental protection, integration and proximity), changing of the environmental policy based on consensus, and the transition from an approach based on the control to one based on prevention and operationalized by using economic and fiscal instruments.

The evolution of the environmental policy is reflected not only by its objectives and priorities, but also by the increased the number of its implementing instruments at which are added those aids which are represented by a series of programs (LIFE Programme and the Social Cohesion).

In Romania environmental protection has emerged as a self-contained domain of national policy in 1990 when it was first established a Ministry of Environment.

Environmental policy in our country has evolved from the adoption of minimal measures of environmental protection, which had in view the limiting of pollution, to shaping their causes, and to establish the roles and responsibilities for environmental damage.

In 1992, it was elaborated the first official document that sets the national targets for the protection and sustainable conservation of the environment, the National Strategy for Environmental Protection, updated in 1996 and 2002 in accordance with the relevant Community provisions. Divided into two parts, the National Strategy for Environment proceeds to a presentation of the main natural sources and elements regarding the economic state and the quality of the environmental factors as well as an overview of the main resources for environmental protection, priorities and objectives in the short, medium and long term.

Since 1996, it can be observed an adequacy of the national strategy with the community strategy regarding the principles, priorities and objectives in the field of environment.

The principles underlying environmental policy in our country are: the precautionary principle regarding the activities with impact on the environment; pollution prevention and environmental risks; conserving biodiversity, cultural and historical heritage; the polluter and user "pay" in the sense that they are required to make direct payments by those who pollute the environment and those who use the natural resources of the environment; stimulating the activities of environment recovery (through grants, loans, etc.).

Regarding the identified priorities, they reflect both national needs and trends and initiatives globally.

The national environment strategies from 1992 and 1996, represents the documents which was structured the national environmental policy until 1999, when it was adopted the National Programme for EU Accession. During the next period, the national strategy on environment was complemented by a series documents such as Report regarding the environment status in Romania; National Waste and dangerous subassemblies Management Plan.

Starting with 2000, when begin the accession negotiations of Romania to the EU, environmental policy in our country is developing according to the European Commission's strategy for candidate countries under Agenda 2000.

In order to align the national environmental policies and objectives to the Community standards, our country had to identify the priority areas of action, establish key objectives to be achieved by accession and the deadlines for adoption, transposition and implementation of the environmental acquis.

Development strategies of national environmental policy in the pre-accession were outlined by Romania's EU accession priorities and national needs, in conjunction with the community priorities. Community initiatives active in national environmental policy were the tools of pre-accession under the support programs: PHARE, which was the main instrument of financial and technical assistance, with a role in implementing the community environment acquis and leveraging the investment in environmental field; ISPA program, focused on financing infrastructure projects in the environmental field; The LIFE program, which finances projects aimed at the protection and preservation of environment and biodiversity.

Agenda 21 is a comprehensive strategy for UN action, which focuses on the community participation in the implementation of environmental policies, the increasing role of education in development of environmental knowledge and responsible use of natural resources. The strategy was implemented since 2000 in several local communities.

Romania as a member state of the European Union has opportunities for the implementation of environmental programs because the resource-environment ration, in the context of sustainable development, increasingly requires a reconsideration of natural resources management in terms of consequences on the citizens' work and life. In this context resource management, environmental tools and policies, the micro and macroeconomic effects of environmental protection means are matters subject to the National Development Plan, which has the overall objective to protect and improve the environment in accordance with economic and social needs of Romania, thereby significantly improving the quality of life by encouraging sustainable development. Also NDP through the specific objectives ensures improved living standards by providing public utilities in the water and waste quality and quantity required and improve the environment with particular compliance with relevant EU Directives.

In this context, Romania, based on NDP, elaborated Environmental SOP based on the principles, policies, practices and objectives at EU level. This SOP is designed that represents the foundation and, also, a catalyst for a more competitive economy, a better environment and a more balanced regional development. Through its global and specific objective Environment SOP lay the foundation for sustainable economic development. Moreover, it is closely related to other operational programs and considers compliance with the community acquis concerning the procedures for management of Community funds.

3. The importance of management in solving the environmental issues

Environmental issues are part of the problems that are accumulated gradually, but in a relatively short time and then require a great time to be resolved.

In appreciation of environmental issues a basic rule is to balance the cost of applying a policy, with its likely positive results. Such an approach provides a basis for ordering the alternative possibilities of action. The positive results of a measure are equivalent to environmental damage if the measure or investment that would not have been implemented. This way of looking at things is certainly very different from the case in which we took into account the financial indicators or profitability, because both benefits and costs are defined in a broader sense; a thorough economic analysis also includes quantitative data and, where possible, an assessment of environmental and social factors and consider the costs and benefits of an investment or policy as a whole.

In the decision making process, it must first clearly defined the problem, because that will largely determine the way in which it will be implemented. This seems self-evident, but experience shows that often are provided solution for the environment protection without the fully evaluation of the problem and different options to solve it.

These considerations apply to situations in which ineffective investments in terms of environmental protection are proposed to solve social and political problems. Thus, it can be proposed costly investments in equipments to reduce emissions in the energy sector to continue using inferior coal, thus avoiding extreme dependence on energy resources and to not close mines that provide a significant number of jobs. Again, there may be much cheaper ways to provide the necessary electricity

without producing a serious atmospheric pollution and damage to electrical safety, especially where cost reductions can be more efficient economic targeted retraining miners.

As a result, policy makers need to seek ways of solving problems simultaneously and to avoid transferring the problem from one environment component to another. As some environmental problems are related to common causes (e.g., energy use or the use of ores) some measures (e.g. energy conservation and introduction of production processes more effective in metallurgy) will result in the simultaneous reduction of some inland pollution.

Measures taken to reduce emissions and also the water purification or installing dust collectors, often treat one problem of the environment; structural changes, such as using energy conversion, restructuring of the industrial processes or improving of the product quality, will act on several environmental problems simultaneously. A reduction in the use of coal, for example, will simultaneously reduce health risks caused by dust and sulfur dioxide, acidifying and water salinity, and the greenhouse effect. These are measures that need to be prioritized. The advantage of such structural measures is that they not only reduce harmful emission and resource needs (energy, raw materials), thus having a direct financial payback.

Another principle that can be used in prioritizing is that prevention is always cheaper than canceling or reducing the effects once they have occurred. For example, long-term soil pollution prevention is cheaper than cleaning contaminated soil, producing less waste and treating them more carefully. Improving the efficiency of mining and industry - and thus reducing the losses - and strictly applying the rules of waste management are therefore more urgent than a program for soil cleaning.

The above considerations certify the multitude of issues, the multitude of requirements, and the multitude of needs that manifests in the environmental protection field, which raises the question of priorities.

Prioritizing becomes at this stage, especially when environmental issues overlap with social, economic, reform, restructuring, etc., the cornerstone of the success of environmental policies and strategies.

A balance between the various considerations is not easy. It is an art, not a science, since the variety of factors that must be considered is high and the available data are often of poor quality. They are complementary and should be applied simultaneously.

To achieve an environmental strategy, every manager, state or private institution must meet current environmental problems in their relationships with economic development. [1]

In less developed countries, many markets work highly imperfect. Also, in addition to "formal" markets, there are many ‘‘informal’’ markets, that some authors define as adjusted exchange without contractual forms. In addition, the absence of monitoring and regulations "encourages" the activity with negative impact on the environment, which imposes new spending. [2]

The complexity and dynamics of the economic domain imposed economic decision-making under risk. In economic activity besides the high exploitation of resources ‘‘appear other types of risks, such as the change in market conditions, change that may lead to either a recession or expansion’’. The appearance probability of factors which either expansion or risk or normal behavior, variants directly influence the adoption decision.

In turn, management processes, the most dynamic of economic processes, have suffered several influences, priority manifesting in the dimensions of analysis and synthesis that are the basis of environmental knowledge, concepts and theories related to planning, organizing, training, coordination, control and evaluation of the economic activity in the context of environmental requirements based on quantifiable expression evaluation indicators.

Sustainable development is a relatively new concept applied to economic growth in order to take combine economic and ecological aspects to the planet.

Monitoring instruments were produced by many institutions, from economic organizations and civil society formations, groups of experts and research centers to local governments, national governments, intergovernmental organizations and international financial institutions. The scope of these efforts reflects the specialists/ company need to dispose of such instruments to cover a diverse array of applications and overcome a host of methodological difficulties. Differences, still notable, of how to design, stage of development and effective utilization of coherent sets of indicators illustrates the complexity of the task to find effective compatibility between the approaches of empirical and normative distinct domains of the concept of sustainable development: economy, society and natural

capital. In these circumstances, methodological aspects which are still in a theoretical consideration are taken up dynamically in the development of statistical reporting applications.

Developing of a set of widely accepted indicators of sustainable development, including the reflection in the system of national accounts by specific instruments, ecological factors and social determinants of development, remains a priority concern of the Statistical Office of the European Union (Eurostat), UN Economic Commission for Europe (UNECE) and the Organization for Economic Cooperation and Development (OECD). [7]

Romania, through the National Statistics Institute is actively engaged in this process. At this stage, the National Statistics Institute sends to Eurostat a partial system of indicators, integrated into the European system of sustainable development, according to available data. At this stage, data sources can be improved through a direct and effective inter-institutional cooperation, in particular to quantifying the human and social capital and the capacity of natural ecosystems. The current system used to monitor implementation of the Sustainable Development renewed/ revised Strategy of the European Union explicitly recognizes the existence of these problems and recommends to the Member States to continue to revise their respective sets of indicators, to ensure their quality level comparability and relevance to the objectives of the EU Strategy. [5]

Thus, through the revision at short intervals of National Strategies and the EU Strategy it is reduced the margin of error in assessing the needed resources to implement the agreed targets.

In order to monitor and verify the implementation of National Strategies it will created and maintained a national system of statistical indicators of sustainable development, harmonized and congruent with the relevant system of indicators used at EU level, to monitor national progress in relation to the Sustainable Development Strategy of the European Union.

Collecting and processing correct /actual information, quantified and regularly updated, aggregated at the level of sustainable development indicators, will allow to measure progress towards the goals set by the Strategy and accurate reporting on the results.

Regarding the *National Strategy for Sustainable Development of Romania*, seeks to operationalize the two types of indicators: National Indicators of sustainable development - focused on the key priorities expressed by measurable targets in order to compare the national performance with the international partners and objectives of the EU Sustainable Development Strategy. This set of indicators will be based on working group results Eurostat-UNECE-OECD and will be continually updated and *Progress Indicators of the National Strategy* - covering the full range of policies that are generated, including those not covered EU strategy. In this way, all policies will be subject to monitoring, enabling political decision-makers and the public to evaluate the success of actions taken. All activities related to the development of the national system of sustainable development indicators will be conducted under the guidance and control of an Interagency Committee for Sustainable Development. [3]

4. Conclusions

For Romania as a Member State of the European Union, sustainable development is not one of the possible options, but the only rational prospect for national development, having as a result the establishment of a new development paradigm at the confluence of economic, social and environment.

Sustainable development and a high level of environmental protection promotion have been included as an important goal in the European Treaty. EU institutions are now obliged to take into account the environmental considerations in all policies they promote. The range of available environmental instruments has diversified with the development of environmental policy.

A number of researchers of the European Institute of Romania analyzed the environmental issues, concluding that "environment is a responsibility that should we assume in common. On the background of advanced environmental damage from the past decade, the degree of involvement and responsibility of international actors has increased. The concern for the environment has emerged on the European agenda in the early 1970s. Environmental policy of the European Union (EU) was created by the European Community Treaty and aims to ensure sustainable environmental protection measures. Through Treaty of Maastricht, environmental protection becomes a key priority of the European Union, where it is reported the need for integration and implementation of environmental policy in sectorial policies such as agriculture, energy, industry, transport. The main pillar of

environmental policy is the concept of sustainable development, which is a transversal policy encompassing all other Community policies, highlighting the need to integrate environmental protection requirements in the definition and implementation of all European policies ".[6]

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*** www.europa.eu

*** www.ier.ro

*** www.oecd.org

RISKS AND OPPORTUNITIES FOR EUROPEAN AND NATIONAL DEVELOPMENT DURING THE POST-CRISIS – THE CATALYST ROLE OF LABOUR MARKET

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Abstract

The current trends are marked increasingly more by tendencies of decoupling from the globalization process. One of the essential reasons is the development of the labour markets determined more frequently by technological progress and change which contributes to job losses, changes of occupational profiles and increased inequalities leading to labour market polarization.

This type of issues are not new in the economic-social history of the world, but this repetitiveness includes this time a set of new issues related to the increasing degree of technology, computerisation and automation which has a higher rate than the national, European and international capacities of identifying solutions for the labour force caught in the 'scissors' of polarisation and inequality.

The main solutions must be found at institutional level, in the way cooperation, relationship and collaboration networks are set up between labour market institutions and the other institutions in the social and economic field.

The present paper intends to analyse the main trends, opportunities and risks faced by the European and Romanian labour market, pursuing to particularise them for our country from the viewpoint of main phenomena and developments.

Key-words: labour market, polarisation, employment, unemployment, institutions

JEL Classification: J21, J24, J29, J39,O14,O39

1. Introduction

The current post-crisis period is one of the most difficult at global and European level. The successive crises of the years 2008-2011 imposed austerity measures at the level of the European Union which were managed under difficult conditions, in point, and generated thus several and concern-rising issues for the decision factors and population at the same time.

The effects of the crisis, dominated especially by a swift and increasingly more polarising change of the labour market were the background for several developments suggesting a period of apparent 'decoupling' of some member-states, and for some other countries in the world. Brexit, the increased isolationist trends at world level expressed also by the USA (see recent US-elections), the heightened opposition of the population against migration flow – irrespective of the origin country of the migrants (again, see the case of Great Britain) despite the issues triggered by demographic ageing – poses one of the questions still waiting for a reply from the institutions with direct impact in managing labour market, the way it is structured, as well as from the decision factors with decision attributions regarding economic and social policies dedicated to labour market.

The EU-28 labour force, as well as the world labour force is caught due to the recent evolutions in the midst of interactions between technological progress and technological pressure, between the objectives of attaining sustainable, and as much as possible 'green' and 'smart' economic growth, and the objectives aiming to ensure employability rather than employment of labour force.

Because labour force represents the most significant and active component of the society, the pressure exercised by it, as well as the difficulties encountered in identifying jobs tend to reverse the globalisation process and to put up for debate the traditional economic-social development models.

These processes in which globalisation and de-globalisation succeeded one another during historical periods from the end of the 19th century up to the end of the 20th century were noticed by Williamson (1996a, 1997) and represent a useful starting point in analysing the current period of post-crisis at European, international and national level.

Moreover, the last period tends to provide more substantial support for the advocates of including institutional approaches in analysing the possible interventions that would provide concrete solutions regarding the management and diminishment of unemployment, the increase of employment and for ensuring the social balance which due to increasing polarisation became more fragile at the level of the European Union-28(27).

Economic growth, both in Romania and the world was permanently associated with increased employment opportunities. The current trends at European and international level show a significant change in the relationship between growth and employment, respectively however uncertain and volatile, the economic growth of the last decade, and in particular the one of the last years after the economic-financial crisis was not associated with the corresponding (and expected) increases of labour force employment.

In this context the first significant and problematic difference can be noticed when considering the model proposed by Williamson where the periods of economic growth by global expansions have brought along also increased convergence between the countries involved in these processes, succeeded thereafter by isolationist episodes, only to resume thereafter the globalisation process of an even higher intensity. From historical viewpoint, we notice that the global 'withdrawal' processes were followed by two world wars, which had as outcome political, economic and social reconfiguring.

The current period is marked by comparable conflicting trend: from fears related to immigrants that would increase the 'imbalances' of the national/regional/local labour markets to the ones related to foreign capital and the domination of corporations, and the ones related to the lack of opportunities for an increasingly higher number of youths to find jobs according to their education and training, all of these issues converging to signal a consistent 'decoupling' tendency of national economies, as well as trends of reformulating national economic and social policies on other foundations. However, all these trend leave out elements, factors and phenomena which distinguish the current evolutions from the aforementioned periods of the interchange between globalisation and de-globalisation:

The future will be defined by increasingly complex evolutions triggered by the trends shaped during the period of the financial-economic crisis and which were confirmed and consolidated during the post-crisis period: automation, robots, and digitalisation of all sectors of economic, social and cultural life. The dominant reason resides in the 'new industrial revolution' debated recently by the World Economic Forum (WEF) where the present period was classified and interpreted as the fourth stage of industrial revolution as result of intense and almost complete changes in the main economic fields.

The empirical observations, and the first statistical-mathematical analyses drew attention to the fact that the penetration of ICT in all sectors, even during the times of the crisis, have triggered new risks for employment under the conditions in which innovations, and their outcomes are immediately and directly valorised in all sectors of activities exposing to increased risks the global labour force, implicitly at national level.. The financial crisis, followed by the economic one and subsequently by the 'sovereign debts' crisis opened the way to social crises that make their effects felt now, especially at political and economic level. For instance, Brexit, the concern rising ascension of political movements contesting the mainstream politics and heavily bending right or left, the vehement attacks against the financial-banking and industrial systems within the 'traditional' western societies are all mainly because of the increased difficulties in identifying a job depending on education and training, but also because of the more swifter changes of the requirements of employers for the majority of jobs, and of the growing inequalities in incomes associated with higher and intense polarisation of jobs, etc.

One of the triggering factors was the increased appetite of enterprises and corporations to become more efficient with respect to costs and expenditures by implementing and immediately valorising the progresses recorded by using robots and automation. The first effect was felt by diminished labour forced demand, both with respect to available and potential labour force. Moreover,

estimates suggest that by 2020, genetics, biotechnologies, artificial intelligence and nanotechnologies will change completely the way in which industries, services and companies operate, while fields and specialisations which apparently cannot be correlated will be the main generators of jobs in the next stage. Nevertheless, the current period is noticeable first of all for its lack of solutions in outlining possible new occupations and employment opportunities for a time horizon that meets the expectations of the active population.

Thus, human resources are faced on the labour market with one of the most severe crises regarding employment opportunities the entire field of labour market being subjected to some unprecedented transforming pressures, while the highest upheavals are born by the young working age generations and by those nearing the end of their active life on the labour market.

The Lisbon Agenda 2010 by its appeal for creating 'more and better jobs' represented a concerted effort at European level associated to a significant initiative drawing attention to the risks related to employment, respectively the inclusion in the Treaty of Maastricht of specific chapter dedicated to employment. The relevance and importance of introducing these specific provisions might be highlighted in the next period when in-depth analyses will be made regarding the effects of the four crises (we might consider) underwent by the global and European society, if we include also the increasingly more deep social crisis.

In the period preceding the crisis, respectively the year 2008, the employment rate recorded a peak of 65.7% at EU-27(28) for persons aged between 15 and 64 years of age, according to the Labour Force Survey (EU LFS). However, by 2010 a diminishment of 1.6 pp was registered regarding the employment rate. Still, much more relevant is the stagnation at the level of the year 2010 for the period 2010-2013, when the employment rate oscillated between the value of the year 2010 of the employment rate of 64.1% and at most 64.2%. Only for 2014 is noticed an increase by 0.8 pp, to 64.9%[57].

Even though the current premise is of considering a general and consistent increasing trend of the employment rate, the emergence of some processes is noticed which tend to contradict these optimistic estimates. These processes do not reside only in digitalisation, automation and the use of robots, but also in the capacity of the systems with direct impact on labour market (education, professional and vocational training, other forms of formal and informal training) to meet directly, customised and according to expectations to the requirements of employers both within the public and private system. Moreover, this increase in the employment rate generates atypical forms of employment which are progressively more different from what tends to be regarded as the 'traditional' form of employment of labour force.

The trends regarding unemployment are more and more comparable with the even more often called upon gap between the Northern and Western countries and those from Central, Eastern and Southern Europe, with the lowest unemployment rates registered in Germany (4.5%), Czech R. (5.0%) and Malta (5.1%), and the highest in Greece (25.2% in June 2015) and Spain (22.2%) during the same period[58], while in the New Member States the highest unemployment rates on long-term were recorded in Croatia, with a rate of 6% in 2007, before the outbreak of the crisis and an unemployment rate of 10.1% for the age group 15 to 74 years of age in the year 2014. Still, in the case of Croatia should be taken into account that the unemployment increase could be regarded as a transition effect, this country being the newest EU member (EU-28, accession in July, 2013). Romania succeeded in maintaining long-term unemployment at relatively reasonable levels, respectively for the age group 15 to 74 years of age at 3.2%, and on decrease to 2.8% in the year 2014, in order to record an increase by 0.2 pp to 3,0% in the year 2015 (according to Eurostat statistics).

In this context, we notice also the display of well-outlined trends representing as many challenges for employment and superior valorisation of human resources:

1. the continuing significant increase of relevance and impact of science and technology on economic growth;

[57] http://ec.europa.eu/eurostat/statistics-explained/index.php/ Labour_market_and_Labour_force_ Survey_ (LFS)_statistics

[58] Eurostat statistics, www.ec.europe.eu.

2. the increased complexity regarding the creation of additional value and value added in industry and services, which means implicitly an increased necessity of ensuring and strengthening inter-industrial/inter-services and sectoral activities and partnerships, as result of the increased degree of interdisciplinary interaction in generating products, goods and services;
3. the swift emergence of new models of businesses and enterprises which is stimulated on one hand by the effects of the economic-financial crisis and, on the other hand, by the continuing digitalisation of the whole economy.

2. The integrated and innovative approach of employment – a possible solution?

The time horizon 2020 is still under the sign of uncertainty regarding the economic-financial evolutions due to several factors which, far from consolidating a climate of relative calm in the post-crisis period, contribute to increasing the degree of uncertainty. Such a first event is the Brexit as its (potential) effects are still not fully assessable, measurable and properly evaluated due to the postponement of initiating the negotiation process for exiting the European Union and, consequently, delaying the negotiation process regarding the conditions that will govern in the future the relationship between EU and Great Britain[59].

However, it should be underpinned that this decoupling vote of Great Britain from the common European process counts among its essential reasons the issue of employment, and of the evolutions in employment for this country. A brief analysis of employment in Great Britain, though included in the group of developed EU member-countries provides important indicators of the positive and negative impact factors, about the way in which negative factors prevailed and had a more considerable weight in the option of the society and of the political decision factors, the more so as the risks that generated them are shared by all EU member-countries, irrespective of the level of economic and social development. Among the factors with the most negative impact leading to the pro-Brexit vote were counted:

- the decrease in the numbers of jobs, especially in the productive (labour-intensive), and manufacturing sector at national and regional level, including the European level, even if the unemployment rates indicate decreases for the second half of 2016 at EU-28 level, including in Great Britain, where the statistical data reflect a relatively constant development of employment which is around 70% of active population as of 1971 for this country (71.8% in 1971, then the economic crises of the eighties, reflected in an employment decrease to 68.5% in 1981, followed again by an increase to 70.7% in 1991, 72.6% in 2002, just like in 2008 at the outbreak of the financial-economic crisis, with a decrease to 70.3% in the peak year of the economic-financial crisis (2011) and, finally, the increase to 73.7% in 2015)[60].
- increasing disparities between the regions in Great Britain at national level, as there are obvious correlations between the pro-Brexit regions and increased unemployment rates and the disappearance of some industrial sectors, just as these correlations are given also for regions where the vote was essentially against Brexit and remaining in the European Union and higher employment chances existed. Examples in this respect are revealed also by the national statistics of 2016 for Great Britain which also show yet another aspect with direct impact on employment and unemployment not only for this country, but also for the other European Union member-states, respectively: the increased weight of the services' industry and of financial-banking sectors, and the decrease in the weight of industries with a strong labour-intensive component;
- the increased immigration from regions of the world which are not perceived as 'traditional' regarding the flow of migrants to Great Britain. Thus, a study dedicated to Brexit underpins that

[59] Meanwhile, the British prime-minister Theresa May stated that the initiation of the process will take place in the spring (March) of this year, however, the uncertainty persists because the decision is also depending on the resolutions of the British Parliament (January, 2017).

[60] https://www.ons.gov.uk/employmentandlabourmarket

between 1995 and 2015 the number of immigrants from other EU member-countries tripled from 0.9 million to 3.3 millions. And the share of those originating from the EU increased also, from 1.5% to 5.3% in total population, and fro 1.8% to 6.3% regarding the working age population (for the age group between 16 to 64 years of age)[61];

- the sentiment, at population level, that the relationship between costs and benefits of being in the European Union is imbalanced, and that benefits are fewer than costs. This persuasion was very much strengthened also by the erroneous perception regarding the diminished chances of finding a job because of the immigrants.

From the development of the industrial sector at European level we find a decrease of its contribution to GDP formation within the European Union in favour of the services' sector with respect to attaining the objectives of economic growth and sustainable development. Thus, nowadays, is estimated that industry has a share of about 16% of GDP at EU level, a reason for the position of the European Commission to indicate as one of the essential economic policy objectives for the Europe 2020 Agenda the increase of the percentage contribution of industry to the EU-GDP to 20%[62], thus aiming to re-launch the European industrial sector. Moreover, this diminishment of industry's contribution to the European GDP is reflected also in the disparities at the level of the member-states. Thus, regarding the contribution of the industrial sector to GDP a significant gap exists between the Czech R. (24.7%), Ireland (23.3%), Hungary (22.7%) and Germany (22.4%) which are on the leading positions regarding the contribution of the industry sector to GDP, and Greece, France, and Great Britain where the contribution of this sector diminished to only about 10% from the national GDP.

Recent analyses estimate that the European Union benefits of competitive advantages in some strategic, key-sectors for launching the (re)industrialisation process, respectively in sectors such as: aeronautics, constructions, chemical and pharmaceutical products, automotive sector, including the spatial industry. At the same time, industry represents 80% from European exports, while 60% from the private investments in the R&D sector are realised by enterprises directly involved in productive activities. In this regard, several studies and analyses have shown that about 12 million jobs in the European Union depend on the automotive industry either directly or indirectly, as this sector is also the most important investor in RDI sector, with about 28 billion euro/year[63]. Another sector of particular relevance with a contribution exceeding 6% of the European Union GDP, respectively 800 billion euro is the sector dedicated to satellite assisted navigation applications, including strategic sectors of management, networking, mobility and smart transport infrastructure. In this respect two projects have been initiated which might have extremely positive effects that could be propagated on the value chain aimed at reindustrialising, respectively the projects Galileo and GMES, the outcomes of which expressed in financial terms are translated into 90, respectively 70 billion for the next 20 years[64].

Actually, the new post-crisis period links directly economy growth to putting to good use the technological progress and surpassing difficulties in identifying new employment opportunities generated by the changes brought about by the technological progress in (re)creating and generating jobs. The processes aimed to reindustrialising the European economy will be translated into valorising high-tech industries which fulfil also the criteria related to environmental protection. At the same time, the new type of industries based on the outcomes of technological progress will impose the direct

[61] Jonathan Wadsworth et al., Brexit and the Impact of Immigration on the UK, CEP Brexit Analysis no. 5, Centre for Economic Performance and London School of Economics and Political Science, 2016, pg. 4, http://cep.lse.ac.uk

[62] EU Commission (2012). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A Stronger European Industry for Growth and Economic Recovery. Brussels.

[63] Antonio Tajani, vice-president of the European Commission, responsible for Industry and Entrepreneurship "Mission Growth: Europe at the Lead of the New Industrial Revolution", High-level conference, Brussels, 29 May 2012.

[64] Eric Heymann, Stefan Veter (2013), Europe's re-industrialization, the gulf between aspiration and reality, Deutsche Bank AG, DB Research, EU Monitor-European Integration, November, http://www.dbresearch.com/

correlation between industry and the services' sector (Ambroziak, 2015) by creating some networks and integrated 'networks' industry-services which by their characteristics will ensure not only maintaining and/or stimulating the current occupations but also the emergence of new occupations related most of them, but not exclusively, to the 'green' profile of the economy aimed by the Europe 2020 Strategy.

Another reasons for which employment growth is uncertain, next to the changes underwent by the industrial sectors, might result from the direct link between job polarisation – a phenomenon increasing after each crisis wave during the last thirty years in the western hemisphere, and the economic recovery lacking the (re)creation of jobs in occupations that rely heavily on routine and repetitive activities which tend to be representative for the median segment of skills and incomes (Acemoglu 1999, Autor et al. 2006, Goos and Manning 2007, Goos et al. 2009, Autor and Dorn 2012). The same phenomenon makes its effects felt also at global level, including the European Union after the next recession wave[65].

In this context, it is obvious that the innovative-integrated approaches must be oriented specifically on three main axes:

i) identifying 'critical' sectors for labour force employment on medium- and long-term;
ii) identifying the ways by which the educational and vocational-educational system might contribute better, directly and swiftly and substantially to ensuring, improving and developing the skills demanded by the labour market;
iii) reviewing the institutional frameworks at national, (macro)regional and European level for ensuring employment growth and stimulating employment as inclusive as possible.

3. Employment and the Future of Employment at European Level and in Romania

The development of European Union economies and of the global ones subjected the concepts of labour and employment to a change process that, nevertheless, cannot adjust to the swift rate imposed by the technological progress. Thus, in the last half of the 20th century and in the first decade of the 21st decades of the 21st centuries emerged various social changes, some with a critical potential (demographic and social risks, etc.) for which is pursued the identification of optimum solutions. However, there are some hindrances of objective and subjective nature, from the ones related to cost-benefits analyses that increase the appetite of enterprises and companies from the public and private sectors to maximise profits, especially by making use of automated solutions to the detriment of labour force, to the ones of the increasing degree of polarisation of occupations by dividing them into high-tech segments which involve knowledge and cognitive abilities, sophistication and higher competences, including the ones of agile learning and valorising gained knowledge in new circumstances and in low-skilled segments.

For the active working-age population in the labour market new problems emerge, especially for those in the medium-skilled level of competences and skills. Actually, this was also the segment most affected by the diminished contribution of the industrial sector in achieving economic growth as they are most frequently in the situation to face difficulties in identifying suitable jobs in the post-crisis period.

Currently, there are two essential components that contributed to changing occupations and to the emergence of new forms of employment:

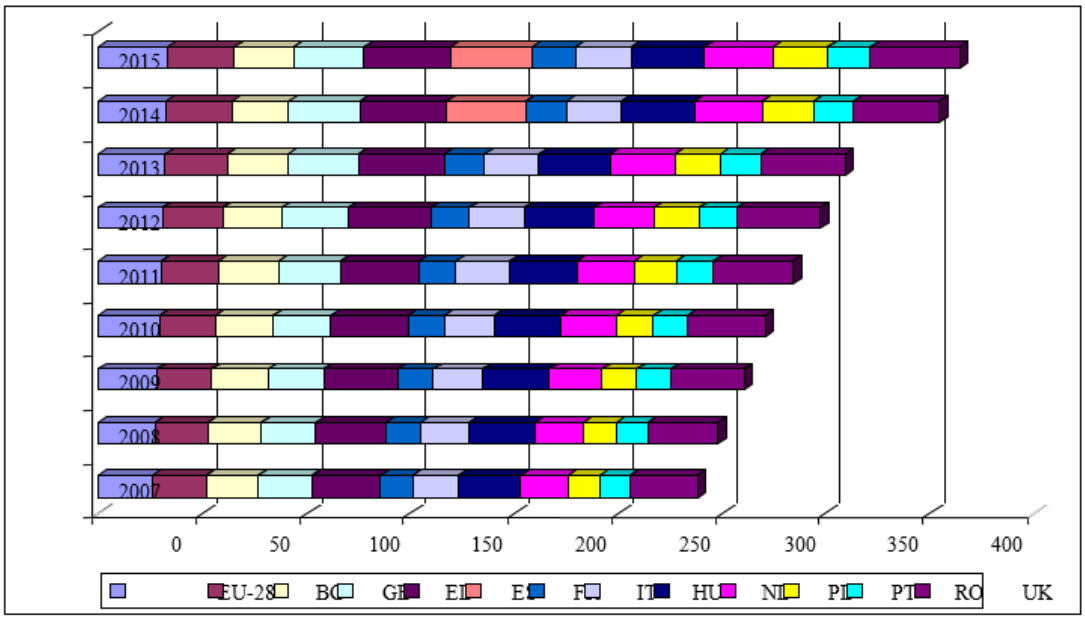
- on one hand, technological progress which by its nature might contribute both to redefining on the job requirements, implicitly triggering also changes in the relationship between income/wage and labour demand, but also contributes to increased emerging disparities especially in the post-crisis period even if it might seem that apparently it blurs, or even blurs the differences on the labour market between east and west, because of the absorption capacity of less developed countries of the outcomes which might be translated in developing high-tech industries next to the services' sector which underwent a more swifter development also in the Former Member-States of Convergence and Cohesion (FMSCC) and in the New Member-States (NMS).

[65] Henry Siu, Nir Jaimovici, Jobless recoveries and the disappearance of routine occupations, 2012, http://voxeu.org/article/jobless-recoveries-and-disappearance-routine-occupations

- On the other hand, the post-crisis period led to the disappearance of some rules regarding labour contracts, to reconsidering essential aspects related to ensuring subsistence means and the reconciliation of the work-life balance, and in attaining own objectives of professional satisfaction and success in career. Moreover it might be stated that the estimates of experts anticipate that the future no longer will be represented necessarily by working contracts with the same employer, or in the same occupation for life (a model practiced almost for the entire 20th century both in the west and in the east) but on multiple labour contracts, more frequent changes in the employer and the ability and adaptability of using in new situations, conditions and jobs the knowledge, competences and skills gained during formal and informal education and vocational-professional training processes (including on the job).

It results that the present issues of the labour market might be resumed by the terms of 'multiple-layers', uncertain and unpredictable as outcome of an evolution with higher dynamics from the model of the sixties defined for the Old Member-States by regulated working programme and hours, and a career for undetermined periods of time, even for lifetime with the same employer accompanied by well-defined social insurances (see the German "Wirtschaftswunder"), up to the present dominated by increasingly more flexible contractual working relationships, where employment was redefined by "employability" accompanied by flexibility, irregularity and still incompletely regulated, or even not regulated at all, yet (Zimmermann, 2014).

Fig.1 The weight of employed persons with ISCED educational levels 5-8 in total employment, for the period 2007-2015, (%)



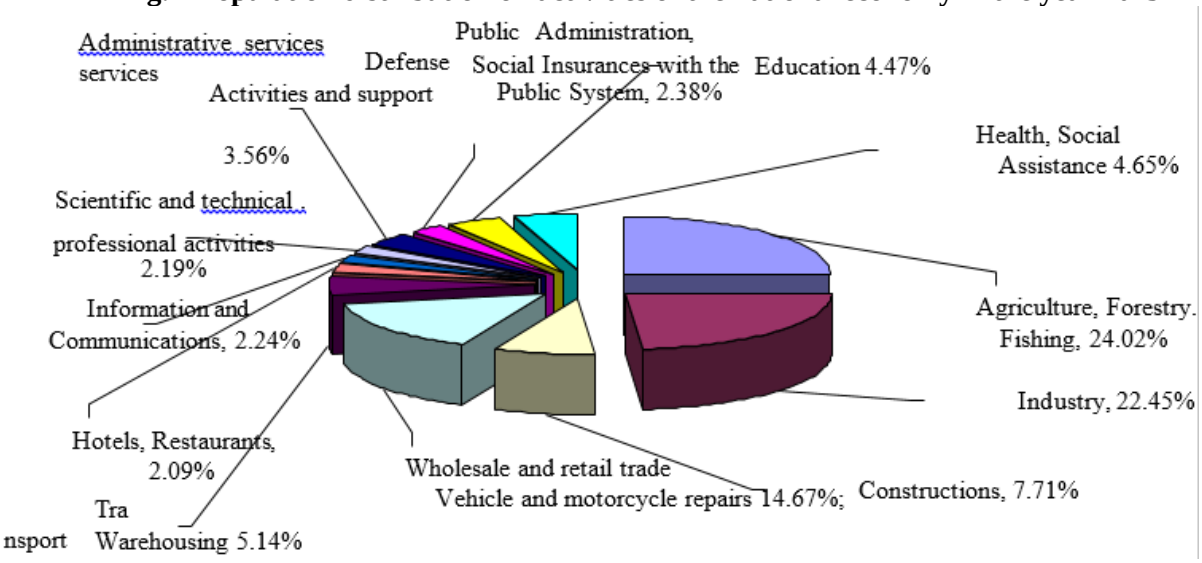
Data source: Eurostat statistics (cod online: [lfsi_educ_a])

At the same time, as can be noticed, for the whole of EU-28 that the percentage of those with tertiary education in employment increased permanently, including during the period of the financial-economic crisis, from 26.1% (UE-28) to 33.4% in 2015. In Romania the percentage of employed individuals with ISCED 5-8 educational levels was of 14.5% in the year 2007 (at the moment of accessing the European Union) and in 2015 their share increased to 20.8%, the country being surpassed both by New Member States (NMS) included in the present paper (Bulgaria, Hungary, and Poland) and by the Former Member-States of Convergence and Cohesion (Spain and Portugal). This is also a reflection of one of the national particularities both of the educational system and, especially for the period 2007-2015, of the losses due to labour migration in particular of well educated and high-skilled individuals developing their activities in domestic high-specialised and key systems, such as the medical one (Fig.1) (Eurostat statistical data).

In Romania, there are also issues that might be catalogued as "national specifics" because for the post-crisis period exist several elements contributing to considerable asymmetries and disparities on the labour market. First of all, it must be underpinned that the change in the structure of the activities of the national economy, including by diminishing the weight of industry, the increase of in the one of the services' sector, but also the display of a strong migration wave among the active age population for work abroad: hence, we may notice that even if apparently the employment trends of the population on activities of the national economy is circumscribed to the general European one, there are fields in which this fact far from representing an advantage is rather a risk (Fig.2). From this perspective, the most concerning are the employment in health – where a constant and increasing deficit of health workers with all levels of training is recorded for the years after the accession the employment in this sector being of only 4.65% - and the absence of trained personnel and with the necessary skills in the fields that are estimated as 'promising' for the future, such as the tourism industry, correlated with the excessive focus on consumption as source for stimulating economic growth, under the conditions in which consumption increase does not guarantee necessarily also the implicit generation of new jobs.

Another risk results from analysing the working age population according to the main sectors of activity, which shows that the share of employment in the scientific and technical fields regarded as main generators of innovation and innovative processes is relatively low. Hence, the lack of sustained policies in the field of research-development and innovation, the absence of constant, sustainable, sound measures, the diminished investments in encouraging this sector had as effect that the country remained in the group of 'modest innovators'.

Fig. 2 Population distribution on activities of the national economy in the year 2015



Data source: Tempo-online database – National Institute of Statistics, www.insse.ro

To these are added also significant losses of working age population especially in the aforementioned strategic fields (health, engineering, constructions, transports, etc.). According to estimates, currently are about 2.1 million Romanians working abroad, most of them in Italy (890.000), Spain (825.000) and Germany[66], a fact which is correlated with increasingly more of the young generation on entering the labour market in the absence of functional, sustained and actual cooperation between the educational systems and the representatives of employers from the public and private sector.

On the whole, from the comparative analysis of the employment rate distribution in Romania and in the member-states of the European Union, in 2012, Romania had an employment rate for persons aged between 20 and 64 years of age of 63.8%, a 4.77 pp difference against the European average, respectively 68.5%. From the countries included in the present study, the same comparable situation and

[66] Government of Romania, National Strategy for Labour Force Employment, 2014-2020.

with relatively similar percentages is noticed for Bulgaria and Poland, next to Italy, Portugal, and Hungary, while an even more difficult situation is found in Greece and Spain.

Hence, three major influences result which take a relatively disadvantageous shape regarding employment at national level: (i) the influence of the educational and vocational-professional system which still has not succeeded in readjusting to the requirements of the market after the transition disturbances of the nineties, when transition meant also the initiation of some reforms which still are not finalised within this system. The impact most difficult to absorb on the labour market was born by the young generations which faced most problems. Additionally, this contributed also to the emergence of generations that might be considered as joining the western trend of the NEETs. ii) The influence exercised by the incapacity for more rapid adjustment of the institutional systems to the changed national and European conditions on the labour market, especially with respect to the arrangements referring to labour contracts, working hours, working schedules, under the conditions in which part-time employment, fractions or other forms of partial employment become often, especially in the Old Member-States and in some Former Member-States of Convergence and Cohesion a viable option in the case of the young generation in view of the transition to more stable or full-employment. iii) The influence exercised by the persisting lacking correlations between the actions of the public sector and of the private one in undertaking joint actions for establishing the directions and opportunities of increasing employment, with specific emphasis on actions aimed at vulnerable individuals on the labour market, among which are found also the youths, next to individuals of other ethnicity, or disabled individuals and, at the opposite pole, the elderly on the labour market.

The first two global objectives have to deal with the necessary reform of institutions and institutional arrangements with impact on the labour market, which draws attention also on their relevance for the economic growth as a whole.

The last mentioned global objective underpins the importance that must be given to finalising the reform of the educational system, including here the provision of the opportunity to pursue dual educational paths, respectively by ensuring the type of continuity which allows on one hand pursuing and/or continuing studying within professional-vocational programmes or, on the other hand, by adopting measures and systems that would encourage public/private employers to contribute to the continuing vocational training of the workers. This element is essential, if we take into account that in particular the crisis period meant a drastic diminishment of the participation to continuing professional-vocational training as compared with the situation in other member-states where the same period was perceived as an opportunity for realising investments in education and vocational training, both by employers and by individuals active on the labour market interested in their own professional/career advancement.

4. Conclusions

The current evolutions, with an unprecedented dynamic on the national labour market and at the level of the European Union, are determined by the swift technological progress and the high speed of implementing in the industrial activities the most recent innovative solutions and innovations. This trend is the one characterising preponderantly the current state in which economic growth is discussed increasingly more in the context of re-launching the re-industrialisation process at EU-28(27) level, however without leaving aside the European 'decoupling' trends visible currently, at least on the political agenda, but also on the agenda of the society subjected to the risks which are not approached in an integrated and innovative manner with respect to increased polarisation, inequality, and uncertainty in the field of employment. This fact represents, to an equal extent, a risk for Romania due to the processes of 'brain drain' on the background of intense migration for work, especially of the high-skilled and educated young individuals trained for high-tech fields.

Due to these evolutions, the active population at EU-28 level is in the situation of being faced with the dilemma generated by the technological progress versus technological pressure. This situation generated by the polarisation of employment on high- and low-skilled working-age population segments, and which 'threatens' most the medium-skilled segments must be solved by adjusting and creating the necessary institutional frameworks required for encouraging active labour market policies and measures.

Regarding the labour market we distinguish between two types of processes with direct impact on the occupational structures and profiles: first, the 'macro' processes, respectively: demographic ageing, migration and technological progress/pressure. Secondly, the 'micro' trends defined by the global ones, implicitly by the European ones and which contribute, to an equal extent, if not more than the first to changing the labour market:

- the change of the bread earner model, as the weight between men and women in employment is increasingly more balanced, including here management and decision positions;
- the (worrying) consolidation of part-time working forms, or in occupations in the sphere of self-employment, or in a combination of these with other related occupations, or in occupations based on full-time contracts which cover the other half-time of effective work;
- more intense flexibility of numerous occupations and jobs, of working hours and options of realising the work-load;
- the requirement and, at the same time, necessary condition to be fulfilled will be an increased number of individuals with tertiary education or equivalent with respect to labour force;
- demographic ageing also will require to be compensated by increasing the retirement age, especially in the case with decreasing population, including here population decrease due to migration for work, a risk to which Romania is constantly exposed;
- labour demand will diminish, mainly, in the field of agriculture, industries, and constructions.

Therefore, the evolution on the labour market for the time horizon 2020, but also for the next decades will be under the sign of increased interaction between change and continuity, if the aim is to ensure sustainability of this market, as well as the superior valorisation of the human capital and resources at national and European level.

Thus, four main action fields are identified, the variables of which are determinant for the labour market: ensuring economic growth and sustainable development; continuing adjusting and adapting to structural changes by investing the necessary material, financial, infrastructural and human resources for ensuring performance at the level of the regions of development; analysing the effects of establishing a minimum wage, as well as of the unequal incomes on the evolutions of the labour market; and, especially because of the recent geopolitical and geo-economic evolutions and of the links with and of the shocks that might be received from the global and European economy.

The simple building of 'activities' and occupations' blocks' which will continue to exist, or are exposed to disappearance on medium- and long-term is not a consistent and sound approach, as long as it is not associated with some sustainable solutions of economic and social nature such as, for instance, the closer cooperation between the public and private sector, and between the educational systems and the representatives of the entrepreneurial sector at European and national level.

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PRACTICE OF INSURING AND ASSESSMENT PERFORMANCE INDICATORS AND QUALITY LEVELS IN HIGHER EDUCATION

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Abstract

It can be said that the whole issue of university management is marked by the fact that the "production" of higher education is the cultivation and valorisation of human resources, not material abundance. Learning and education are carried out in organizations and institutions based on knowledge, even producing and disseminating knowledge. In such a context it is necessary to solve the problems of the models and management systems, suitable for higher education. Choosing the right academic management courses is one of the fundamental factors in achieving its objectives. From this point of view, the possibilities are numerous given the scientific achievements, and today there are proposed many types of university management models that can be considered

Keywords: performance, university, quality, organizational management, teaching-learning-research

Introduction

The first document we submit to your attention is "The Recommendation of the Parliament and the Council on the European cooperation in quality evaluation in school education", which draws on the first disintermediate document, which establishes the clear guidelines in this area, concerning **everything that is education and professional training**. This recommendation follows a report on the quality of education in Europe, achieved by an international work group between 1997 and 1999[67].

The document, which appeared as a proposal in 2000[68], recommends that Member States support the **improvement of the quality of school education** through specific measures aimed at introducing transparent quality systems, promoting self-evaluation, the essential tool for quality assurance, developing the exchange of good practice and specific tools.

Another important document on quality is the **European Report on Quality of Lifelong Learning Indicators**, published in 2002. This report proposes a number of 15 quality indicators for lifelong learning. In contrast to the previous one, which proposed only very general guidelines to be applied to quality assurance systems, the Report proposes concrete indicators grouped into several areas (Skills, Competences and attitudes, Access and participation, Lifelong learning resources, Strategies and development), which allow a comparison of the performances of the different Member States or candidate countries. On the other hand, the Report **does not propose concrete targets or acceptable minimum levels** because of the extreme diversity of situations in the respective school systems. The next step was when it was agreed upon the five "benchmarks" (targets for the development of European education systems and training up to 2010[69] (which we do not present in the present paper).

All the following European initiatives in this field have a consistent quality assurance part.

[67]*Evaluating quality in school education. A European pilot project. Final report* (1999)

[68]*ProposalforaRecommendationoftheEuropeanParliamentandoftheCouncilonEuropean Cooperation in Quality Evaluation in School Education*(2000)

[69]*EuropeanBenchmarksinEducationandTraining:Follow-uptotheLisbonEuropeanCouncil* (2002).

Relevant and important for the implementation of quality schemes was the proposal to establish a European Qualifications Framework (EQF) [70], which insists on the link between the development of the framework and the national qualifications, on the one hand, and the procedures and systems for the management and the quality of education and training, on the other. The documentary proposes a set of **principles of quality assurance in education and training, which can be a binder for the correlation of quality systems at all its levels: PE, ITE, ECS, HE.** We will present these principles in view of the previous steps taken by the joint conference of representatives of pre-university and higher education professional education at Graz in 2006 under the auspices of the Austrian Presidency of the European Union[71]:

- Quality systems are needed to ensure public accountability and improve education and training.
- Policies and quality assurance procedures will cover all levels of education and training systems.
- Quality assurance will become an integral part of the management of education and training institutions.

Quality assurance will include regular evaluation of scheduling institutions through external monitoring / evaluation structures or agencies. External quality monitoring / evaluation quality structures and agencies will, in turn, be monitored and evaluated. Quality assurance will be multidimensional, will refer to the context , "inputs", processes and "outputs", focusing on learning outcomes.

Quality assurance systems will include the following elements:

- clear and measurable objectives and standards,
- implementation guidelines, including stakeholder involvement concerned;
- adequate resources;
- consistent assessment methods that combine self-evaluation with external evaluation;
- feedback mechanisms and improvement procedures;
- Ensuring the wide accessibility of evaluation results.

Initiatives to ensure the availability of international, national and regional competences are going to be directed in such way to ensure the coherence, synergy and analysis of the system.

Assuring the quality of a collaborative processing the entire system of education and training, involving all relevant stakeholders, both in the Member States and in Europe.

The evolution of the 2000-year-old pressures in 2006 is evident. Also, the "EQQM model" as well as the "*plan-do-check-act*" PDCA is becoming visible in the process of improving and improving quality.

In the field of higher education, on the basis of a recommendation of the European Council[72], the Education Ministers of 29 European countries signed on 19 June 1999[73], the **Bologna Declaration** which triggered the process of creating a **European Area of Higher Education (EHEA)** make European education "mature and comparable, more competitive and more attractive to its citizens and those of other continents." In the Bologna process, the issue of quality assurance plays an increasingly important role. To this end, the European Association for Quality Assurance in Higher Education (ENQA[74]) was created. LaBergen, in 2005, the ministers of education from the Bologna Declaration signatory countries adopted the **standards and guidelines[75]** for quality assurance in the EHEA and committed themselves to encouraging the development of national agencies that will assess the quality of education provided

[70] *See the Recommendation of the European Parliament and of the Council of 23 April 2008 on the establishment of the European Qualifications Framework for lifelong learning (2008/C111/01)*(2008)

[71]*Conclusions of the Conference „Quality Assurance in Higher Education andVocational Education andTraining", 11/12May, University of Graz*(2006).

[72]*COUNCIL RECOMMENDATIONof 24September 1998onEuropean cooperation in quality assurance in higher education* (1998)

[73]*The Bologna Declaration of 19June 1999*(1999)

[74]See www.enqa.eu

[75]*StandardsandGuidelinesforQualityAssuranceintheEuropeanHigherEducationArea*

by higher education institutions. It was decided to set up a European Register of Quality Assurance Agencies and to set up joint systems and procedures for the accreditation of higher education institutions based on the standards and guidelines proposed by ENQA. The Ministers for Education Conference in London, held in May 2007, specifically concerned the situation of the European Higher Education Area (EHEA) in the context of globalization. Obviously, the issue of quality assurance could not fail. Significant progress has been made in implementing the common guidelines (adopted at Bergen) in all EHEA member countries. It was decided to establish the European **Register of Quality Assurance Agencies**[76] and to initiate the registration of external evaluation agencies in this register (based on transparent and independent evaluation procedures), and its mode of operation will be evaluated externally at two years with the involvement of all stakeholders.

Programs, Standards and Procedures

If 20-30 years ago the graduate of the educational institution had at his disposal 3-5 years to adapt to the concrete conditions of the enterprise or organization where he was directed to work, today employers insist on a *quick insertion of the graduates into the labour market*. In other words, the length of accommodation of graduates becoming employed is considerably reduced by employers. This, in turn, may affect the quality of specialist training.

Currently, in Romanian education more than 80% of the quality problems are system-dependent and, consequently, it is the duty of the managers to solve them. But, as a rule, they are happy to take action after the negative events have taken place, focusing on "*extinguishing*" action rather than on "*fire prevention*". This is usually due to the fact that they are not aware of the true price of lack of quality. Once this price is perceived, it becomes clear the effectiveness of prevention and the use of appropriate methods to improve quality, from the start and on a permanent basis.

One of the greatest achievements in this area was the development in 2004 of the *Common Quality Assurance Framework (CQAF)* as a common reference framework designed to support the development and reform of VET quality at system level and VET providers, while fully respecting the responsibility and autonomy of EU Member States to develop their own quality assurance strategies.

CQAF is the European reference framework for quality assurance and development of education and training, based on the key principles of the most relevant current models. It can be considered as a cross-cutting tool to help practitioners to better understand the functioning of existing quality assurance models, to determine the areas that need to be improved and to make decisions based on quantitative and qualitative common references.

CQAF also provides for the collection and classification of *good practices* within the EU. The CQAF process was based on contributions from EU Member States as well as two important quality management models: ISO 9001: 2000 and EFQM.

Progresses estimated through the use of CQAF are related to *efficiency, transparency and mutual trust* in VET systems across the European Union.

In 2005, the European Qualifications Framework was launched on the basis of 4 common principles: *quality assurance, validation of non-formal and informal education, guidance and counseling and the promotion of key competences*. The general principles promoted by CQAF are:

1. Quality Assurance is required to ensure accountability and improvement of VET.
2. Quality Assurance policies and procedures should cover all levels of VET systems.
3. Quality assurance should be an integral part of the internal management of VET institutions.
4. Quality assurance should include the regular assessment of institutions or programs by external monitoring bodies or agencies.
5. External quality assurance monitoring bodies should also be subject to periodic analysis and evaluation.
6. Quality Assurance should include the context, inputs, process, and output dimensions, with emphasis on outcomes and learning outcomes.
7. Quality Assurance Systems should include:

[76]See http://www.eqar.eu/

- Clear and measurable standards and objectives.
- Implementation guides, including stakeholders involvement;
- Necessary resources;
- Valuable assessment methods, associating self-evaluation and external analysis;
- Feedback mechanisms and procedures for improvement;
- Evaluation of results, accessible on a large scale.

CQAF contains:

- a model that allows for the planning, implementation, evaluation and analysis of quality management systems of comparable levels;
- a methodology for assessing and analyzing systems, paying attention to self-evaluation combined with external monitoring; the methodology can be seen as a complementary horizontal step, which should be considered both in each of the stages of the model and in the quality management system as a whole;
- a monitoring system that is determined at national or regional level;
- a measuring instrument, represented by a set of indicators to allow monitoring and evaluation of the different quality management systems existing at national level in the EU.

This model has a set of characteristics that contribute to the development of the quality of vocational training in a number of different areas, namely:

- gives an overview of the different approaches to existing quality;
- identifies a small number of common criteria in European countries in terms of quality promotion;
- the common European criteria are in line with the main components of other quality management models, in particular the EFQM model and the ISO 9001: 2000 model;
- it only mentions the provisions that are considered crucial to quality promotion programs and does not indicate how the system or providers should work;
- seek to cover the essential aspects of all existing practices;
- can be used both at national VET systems and in providers;
- can ensure the promotion of quality development in vocational training.

All these aspects, cumulated, can turn the reference model into a valuable tool for promoting and developing the quality of vocational training, both at the level of the EU Member States and the other European countries.

Another obstacle is that, as a general rule, very few EU Member States *use the same quality assessment system and the same criteria* as regards the national system as well as the quality management systems of training providers.

At the **planning stage** the organization's policies, procedures, objectives and resources are established as a consequence of the organization's VISION, MISSION, VALUES, OBJECTIVES, POLICIES and STRATEGY.

The **implementation stage** involves the operationalization of the processes identified, described and related through the process map and process identification sheets, with the main purpose of developing and providing specific VET activities. All these processes must be related to the organization's policies and quality assurance requirements.

It is particularly important that, at this stage, educational and support processes must be carried out in line with *Good Practices*, identified mainly through *Benchmarking* techniques.

The evaluation consists of measuring the effectiveness of VET by specific **instruments** - analysis, audit, self-evaluation, external evaluation, measurement of stakeholders' satisfaction by VET participants (employers, community, supplier staff).

In general, the evaluation process consists of two stages, namely data collection and data processing and discussion of the results obtained, in correlation with the proposed objectives. In analyzing the results obtained, all stakeholders in the quality of VET should be involved. The evaluation must be systemic and should cover all areas of the VET process by segmenting the relevant activities. It is also extremely important for these results to show sustainability and positive comparability with other similar organizations.

Practices and benchmarks for performance appraisal

In the European education area, the issue of quality standards in education is currently in full dynamic. Education ministers from the EU Member States have entrusted the ENQA (*European Network for Quality Assurance*) with the task of developing **harmonized standards and procedures specific to education** so that all educational institutions in this area can adopt a **common reference** that facilitates both inter-comparability of institutions' performances and ensuring the *free movement of people* in the community space.

A hierarchy of possible practices and references to assess the performance of educational institutions in the European space, according to the level of these performances ("minimal", "standard" and "excellent") is presented in Figure 1.

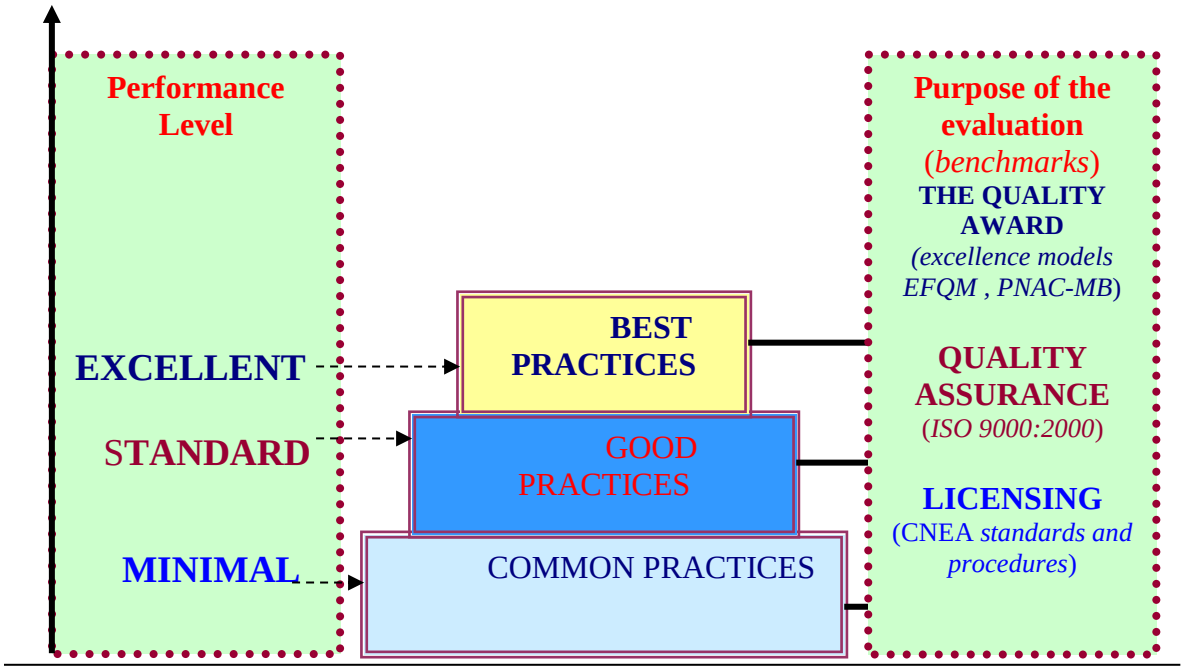

Figure 1. Possible practices and benchmarks for performance evaluation
(source: Nelu Cârneanu et al, *Mangementul calităţii în organizaţia şcolară*, Ed. Universităţii din Piteşti, 2009, p. 41)

Common practices assume a minimum level of performance of educational institutions and consist of multi-criteria evaluation and authorization / accreditation of study programs. The periodic accreditation system determines whether a study program can be initiated under acceptable conditions in a particular educational institution or whether it should be wound up due to deterioration in the conditions for its development.

Good practice implies that, in the continuation of accreditation, to improve the performance of the educational institution, a quality management system should be designed and implemented, preferably in line with the requirements of a quality management standard with a wide international recognition. This QMS, in order to be credible outside the university, must also be certified by a **third party accredited certification body.**

Best practice implies the selection of those **"good practices"** which have led to higher performance - those that have the highest efficiency and effectiveness, able to determine the excellence of the educational institution that adopts them.

There are already three important "excellence models" - similar to the standards - that meet the criteria for awarding quality awards in Japan, the US and Europe.

In EU Member States, so-called **"good practice codes"** have been developed - in a number of areas of activity, including in education institutions - and numerous **benchmarking** actions are organized on a regular basis, aiming to know and study "best practices".

The Quality Management System model, according to ISO 9001: 2000, presented in the figure below, is mainly based on customer satisfaction and continuous improvement, using as input elements the customer's requirements and having as output elements the products / services that satisfy the same customers.

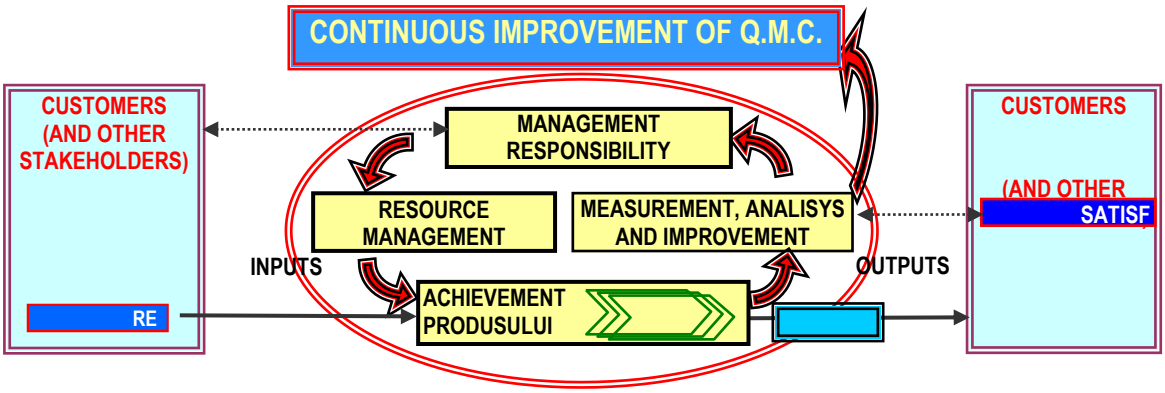

Figure 2. ISO 9001: 2000 model (as an example of a "virtuous circle")
(source: Nelu Cârneanu et al, *Mangementul calităţii în organizaţia şcolară*, Ed. Universităţii din Piteşti, 2009, p. 42)

The elements that add value for customers are:

a. Quality management system

a.1 General requirements: The institution creates, documents, implements, maintains and improves a quality management system (QMS). The processes necessary for the operation of the institution and the QMS are identified, described, implemented and continuously improved, including the appropriate criteria / indicators and methods for measuring / monitoring their performance. The necessary resources are provided.

a.2 Documentation requirements: The QMS documentation includes: the quality policy and objectives of the institution, a quality manual, QMS procedures and the main processes of the institution (education, research-consulting, internal-external communication), documents required by the institution to ensure the effectiveness of the planning, operation and control of its processes, as well as the records required to demonstrate the effective functioning of the institution and the QMS. The scope of the QMS documentation, the form and the support environment are decided by the institution. Procedures are in place to keep documents (drafting, issuing, approving, updating, distributing, accessing) and recordings.

b. The responsibility of the management of the institution

b.1 Responsible Involvement in Quality Promotion: The institution's leadership is responsibly involved in supporting, promoting and continuously improving the QMS through: communicating within the institution the importance of QMS and meeting stakeholder requirements, setting policy and quality objectives , conducting management analyzes and allocating the necessary resources.

b.2 Customer Guidance: The management of the institution ensures that the requirements of the client and stakeholders are determined and met.

b.3 Quality policy: The management of the institution shall establish and update, where necessary, the quality policy. It must be appropriate to the declared mission of the institution, contain a commitment to meet the requirements and continuously improve the effectiveness of the QMS, and provide an appropriate framework for setting the quality objectives. It must be known, understood and applied throughout the institution.

b.4 Planning: The management of the institution ensures that the quality objectives are set for the relevant functions and levels, that there is a plan to implement, maintain and improve the QMS.

b.5 Responsibility, authority and communication: The management of the institution ensures that responsibilities and authority are defined, communicated and function within the institution, that adequate communication processes exist and function so that all staff are aware of the extent to which the quality objectives have been achieved . The management appoints a QMS representative.

b.6 Management analysis: The management of the facility analyzes, at planned intervals, the QMS operation and the processes considered relevant. Records of analyzes conducted by management should be maintained. The input elements of the analysis are information on: audit results, customer *feedback*, process performance and product compliance, corrective and preventive action status, tracking actions from previous analyzes, changes that could influence QMS, and recommendations for improvement. Output elements of the analysis include resource requirements, decisions and actions to improve the effectiveness of QMSs, relevant processes and products of the institution.

c. Resource management

c.1 Resource Assurance: The institution determines and provides the necessary resources for the continuous implementation and improvement of the QMS, the relevant processes and the products of the institution.

c.2 Human Resources: The personnel involved in the relevant processes of the institution must be competent in terms of studies, training, skills and experience. The institution identifies training needs for staff, plans and performs regular training in appropriate areas. Training records should be maintained.

c.3 Infrastructure: The institution identifies, makes available and maintains the infrastructure (buildings, workspaces and associated utilities, equipment, software and support services) required to produce its products under appropriate conditions.

c.4 Work environment: The institution determines and maintains the work environment required to achieve compliance with requirements.

d. Product making

d.1 Product Product Planning: The institution plans and develops product manufacturing processes in accordance with requirements and consistent with other QMS processes. In the planning of product manufacturing, the institution determines, as appropriate: quality objectives, product requirements, the need to establish new processes and allocate resources.

d.2 Stakeholder Relationship Processes: The institution identifies and updates stakeholder requirements (through appropriate communication channels) regarding products, legal requirements and regulation, and examines whether it has the capacity to meet them. Requirements may refer to: the skills and aptitudes of graduates, the results and the impact of the research and direct assistance provided to organizations in the economic and social environment. Records of analysis results should be maintained.

d.3 Project management: In the case of the educational institution, the design refers to: study programs (the package of competences and abilities assumed, the curriculum, the analytical program specifications and the intermediate stages, the ways of examining and testing them, etc. .), research projects, assistance-consulting projects.

The institution identifies the stages of the design process as well as the modalities of analysis, verification and validation appropriate to each stage. It determines the responsibilities and authority for this process and controls the interfaces between the different groups involved.

Periodic review of project progress is required, verification at relevant moments of the ability of the results to meet the requirements, internal and external validation of the final design result. In the case of study programs, internal validation is done through graduation exams, and external through feedback from employers and graduates. In the case of research, consultancy-assistance projects, internal validation is carried out by testing (where possible) the results and the external ones by the impact generated in the economic and social environment.

d.4 Partnerships and External Entry Control: The institution ensures by appropriate means that admitted pupils / students / students meet the necessary conditions for quality teaching and learning. In this respect, the criteria, methods and procedures for assessing future admissions should be defined.

d.5 Managing product development processes: Achieving products (educational, research and advisory services) must take place under the conditions of maintaining processes, information flows, physical resources used (laboratories, equipments, facilities etc.), methods and tools used to monitor, evaluate and measure products.

d.*6 Control of measurement and monitoring methods and instruments*: The institution shall identify the monitoring and measurements to be carried out during product manufacturing, related methods and, where appropriate, the appropriate measurement equipment and instruments, including questionnaires.

In the case of measurement-monitoring methods (student examinations, evaluation of the partial or final results of the research, etc.), the issue of their periodic analysis and updating is compared, as well as their comparison with those considered as reference at national or European level.

e. Measurement, analysis and improvement

e.1 General: The institution identifies and plans appropriate methods, implements the necessary monitoring, measurement, analysis and improvement processes to demonstrate the compliance of its products, the effectiveness of the relevant processes and QMSs.

e.2 Monitoring and measurement: The institution identifies and applies appropriate methods to monitor stakeholder perception of meeting their requirements. Direct questioning of research, assistance, consultants, employers, graduates and learners about the competence acquired through education and their own employees on the work environment can be ways of determining the degree of satisfaction of stakeholders.

The educational institution shall ensure that an annual audit or internal evaluation program is developed and implemented in accordance with an appropriate procedure so that the QMS status can be identified, detected nonconformities and identified opportunities for improvement. Reporting of internal audits and their outcomes, as well as monitoring of actions to eliminate detected nonconformities and their causes, is required.

e.3 Control of Non-Compliant Products and Processes: Non-conformities found following process and product monitoring will be dealt with by appropriate procedures, including: ways to avoid continuing the process in the same form (changing the curriculum, the curriculum, analytical course, course owner) or use of the non-compliant product (trainees without proper training, inadequate research contracts); recording nonconformities and keeping a record of them; initiating corrective actions.

e.4 Data Analysis: The institution identifies, collects and analyzes data (resulting from measurement and monitoring activities or other relevant sources) needed to demonstrate the suitability and effectiveness of the QMS and to assess the opportunities to continually improve the effectiveness of the QMS.

e.5 Improvement: The institution shall ensure that a framework and mechanisms are in place to continuously improve the effectiveness of QMS and relevant processes through the use of quality policy, quality objectives, audit results, data analysis, corrective and preventive actions and analysis by management

Conclusion

The concrete results of the implementation of legislation and the methodology / procedures for quality assurance and assessment, as well as the functioning of the institutions that guide the quality management system at national level lead us to a series of conclusions. A first conclusion concerns the pursuit and application of some unanimously recognized principles of quality of education.

The Romanian Agency for Quality Assurance in Higher Education (ARACIS) aims to apply the recommendations and tools elaborated at the EHEA and ENQA level, without which ARACIS activity, on the one hand, and the evaluation of the Romanian higher education institutions, on the other hand, can not be integrated into the European educational space.

Even though self-evaluation is fundamental and many of the principles are common, the ARACIS Guidelines do not provide any explicit reference to quality models applied in other areas (including those promoted by ISO and EFQM). As a result, focus on the client is less obvious - for example, "peer review" has a much larger share than the student's views on teacher evaluation. Similarly, there is no reference to the "quality circle" or to another methodologically recognized model (obviously outside the one promoted by ENQA)

At the procedural level, it can be seen that the presented systems are presented, allotted to the decision-making de-valuation based on evidences. All judgments must be made (at least at the level of intent and regulations) based on evidence. On the other hand, however, a sufficiently high level of standardization has not been reached, so that any doubt about the conformity of the assessment judgment with reality disappears. In addition, the lack of statistical data and the lack of agreement on a fundamental set of indicators only amplify the relativity of value judgments at this stage.

Another important direction of evolution is the involvement of beneficiaries in the understanding and application of quality systems. Consultation of pupils, students, parents and, moreover, employers have become common practices throughout the education system. The feed-back

received from these beneficiaries remains to be used to review the principles, procedures and tools for quality assurance and assessment and, implicitly, for continuous improvement.

With regard to external evaluation, important steps have been taken to ensure the independence and transparency of procedures and, in particular, the results of the evaluation. All external evaluation reports for ARACIS are developed by independent evaluators (acting according to their own ethical code) and are public, including access to appeals procedures. This is less obvious in the monitoring / validation system of self-assessment reports, since, on the one hand, the monitoring reports are not public and, on the other hand, the staff involved in the monitoring / validation visit of the self-evaluation results is recruited locally.

The importance attached to self-evaluation is another point shared by the three systems analyzed. Internal evaluation / self-evaluation reports are the lasses of any external evaluation or demonstrating judgment. They also support ongoing improvement processes.

Lastly, a final conclusion on the results of the evaluations carried out reveals that the best practice of those examined is the European orientation on the implementation of the European-agreed recommendations, instruments and indicators.

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PARTICULARITIES AND ISSUES OF YOUTHS' LABOUR MARKET

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Abstract

In the current conjecture, increasing the employment degree of labour force and diminishing the unemployment phenomena are the priority objectives of the economic policy in all countries. They can be achieved by means of balancing the demand and supply for labour on the labour market. Thus, the issue of youths employment has turned at the beginning of the 21st century increasingly more present on the national and global agendas for development.

The paper presents a brief analysis of labour force demand and supply among youths in Romania and other EU member-states.

Key words: youths, youths labour force demand, unemployment, employment

JEL Classification: E24, J13, J23, J82

Introduction

During the last years, the world economy entered into a slight economic growth increase that remains under the sign of uncertainty and risks. The global economic growth is still much behind the values recorded in the pre-crisis period and much too slow for solving the issues generated on labour market. These trends have intensified the vulnerabilities existing on labour market, making much harder the efforts to bring unemployment and underemployment of labour force at levels at least similar to those before the crisis in the majority of countries.

The employed population on the European labour market is to its majority adult, the representativeness of youths being of fewer than 35% out of total employed population in the period 2007-2015. Thus, the number of youths employed on the labour market diminished by approximately 7.5 millions, which means that the employment rate decreased in this period by 4.2 pp. An important factor for the diminishment of the employment rate among youths with ages between 15 and 29 years is represented by the recent economic crisis.

In the year 2015, unemployment among youths was very high (20.4%). In this context, attaining the objective of the Europe 2020 Strategy regarding the employment of labour force (75% for the population with ages between 20 and 64 years) requires the adoption/improvement of measures for increasing the insertion degree of youths on labour market.

The issue of youths' inclusion on labour market was always present on the political agendas, but only in the last two decades, it reached particular significance. For the period 2010-2018 the European directions of action in the field of youth were reunited in the strategic paper "EU Strategy for Youth – Investing and Empowering – A renewed open method of coordination to address youth challenges and opportunities", which aims to the policies related to youths from Europe regarding education, labour force employment, social inclusion, civic involvement, entrepreneurship, etc.

The unemployment rate among youths is twice as high as compared with the rate for total active population. The decrease in the numbers of permanent jobs during the crisis affected disproportionately the youths, as they are overrepresented in the category of temporary contracts. Even though temporary contracts often represent the first step towards more stable employment forms, these are also identified as potential generators of segmented labour force markets, or of cyclic unemployment as the youths

benefit in these forms of employment of less training on the job, lower remuneration levels, and less favourable perspectives with respect to employment and long-term career. At the same time, the difficulties on the labour market, existing also before the economic recession, intensified during the period of crisis and post-crisis, and had a negative impact on youths with ages between 25 and 29 years with higher education who have more difficulties in finding a job adequate to their training.

1. Contents of young labour force demand and supply

The challenge of labour force employment with respect to youths has its own dimensions and is present in countries all over the world, irrespective of their socio-economic development stage. The high number of youths entering on the labour force markets each year, the lack of employment opportunities and, in particular, the poor economies and the post-conflict countries, along with the low quality of education and vocational training without adequate correlations with the labour market are but few of the factors generating pressures on the youths' labour market.

At world level are currently about 1.2 billion youths (with ages between 15 and 24 years), on an increase of over 17 pp against the year 1995. They represent 24.7% out of the working age population of the world and about 87% from them live in developing economies (UN statistics, 2014)[77].

In Romania, in Q4 2015, the resident young population was of 3615.507 thousand individuals, from whom 2210.016 thousand individuals had ages between 15 and 24 years, and 1405,491 thousand individuals ages between 25 and 29 years. The population structure on each age segment is synthetically presented in Table 1.

Table no. 1 Young population structure from Romania, in Q4 2015

(Thousand persons)

Young resident population					
15-24 years ***2210.016***			25-29 years ***1405.491***		
Active population ***648.860***		Inactive population ***1512.193***	Active population ***1125.029***		Inactive population ***282.018***
Employed population ***507.385***	Unemployed ***141.475***		Employed population ***1011.112***	Unemployed ***113,908***	

Data source: TEMPO-online databank of the National Institute of Statistics, author's own calculations

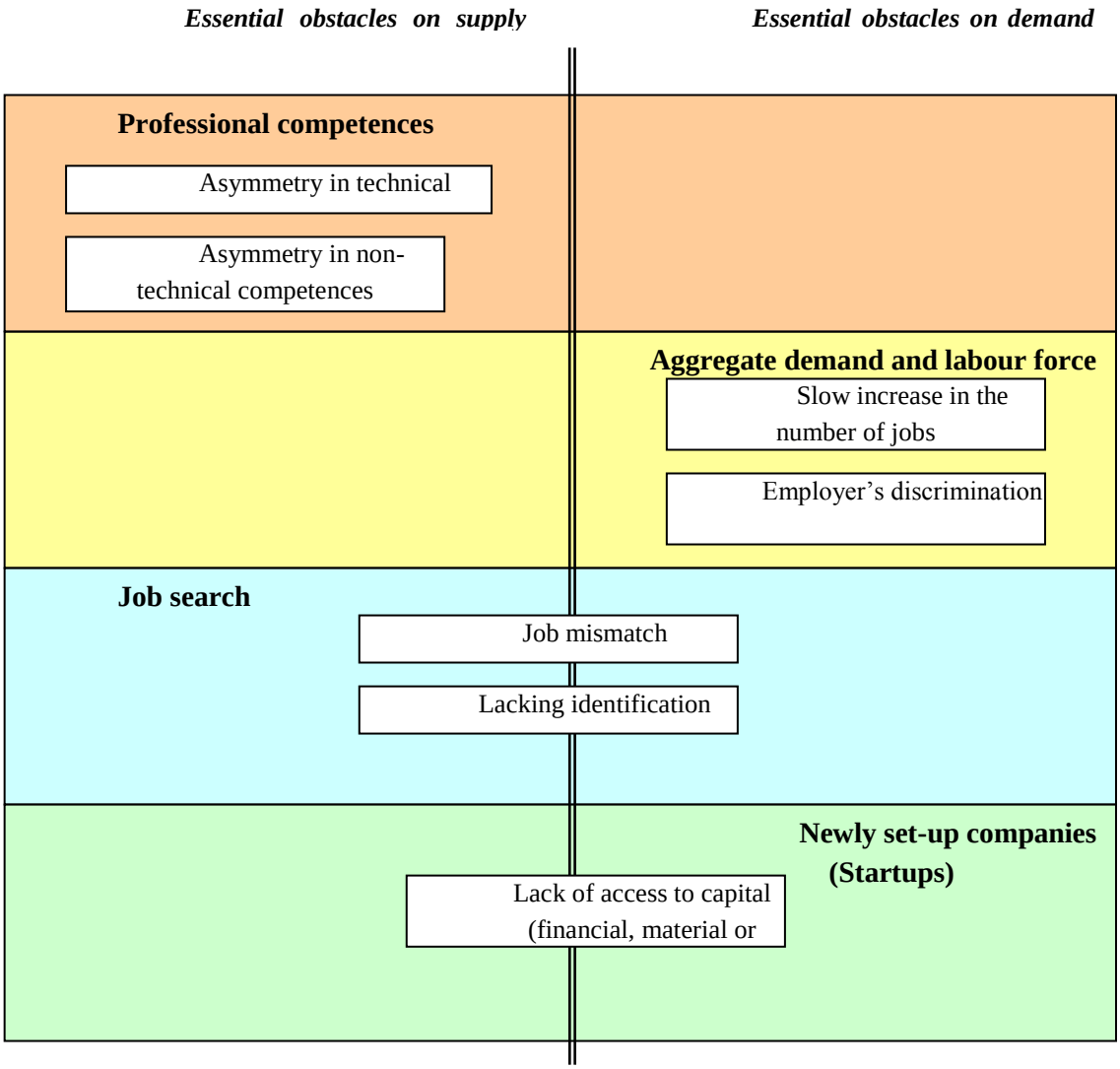
The low insertion of youths on the labour market is due to some factors, from among which we mention the following: i) the transition from school to labour is more difficult in countries where the dominant transition model is "study first and then job" (OECD, 2010)[78], as opposed to those where study and activity on labour market are combined (for instance, working stages in various companies, apprenticeships on the job, internships, seasonal activities or job fractions, etc.) in Austria, Denmark, Germany and the Netherlands. ii) specific obstacles on entry, oftentimes resulting from the lack of experience; iii) the higher risk of losing the job during economic decline; iv) "the dependency path": entering unemployment at a younger age, increases the probability of subsequent unemployment.

Synthetically the main challenges of youths insertion on the labour market are presented in Figure 1.

[77] *The World Population Situation in 2014. A Concise Report*, Department of Economic and Social Affairs Population Division ST/ESA/SER.A/354, United Nations, 2014

[78] *Off to a good start? Jobs for youth*, (2010), Paris, OECD, www.oecd.org

Figure 1 Key-challenges on the labour force market for youths



Source: Hughes D., Borbély-Pecze T.B., (2012): *Youth Unemployment: Crisis in Our Midst. The role of lifelong guidance policies in addressing labour supply and demand*. The European Lifelong Guidance Policy Network (ELGPN), Printed by Kariteam, Finland, p.5

Demand on youths' labour market

Solving the issue of unemployment and underemployment among youths requires both increasing the employment of paid labour force in the formal economy, and the improvement of labour force employment quality in the informal economy (for instance, productivity, labour conditions, etc.).

Job creation is dependent also on economic growth, which in its turn is influenced by investments, but also by the international context. A stable macroeconomic environment which stimulates investments both private and public leads to economic growth and, thus, the conditions are given for creating new formal jobs for all age segments of the working age population, implicitly for youths.

On medium- and long-term, the sectoral policies can promote the creation of jobs, but only on the condition that these are well conceived and targeted to sectors with high growth potential regarding labour force employment (for instance, in sectors like tourism, catering, information and communication technology, basic and social services, health, agriculture, environmental management, but also in developing sectors).

Moreover, labour force employment among youths can be directly influenced by the public sector by means of public expenditures. Thus, investments in infrastructure or constructions can create employment opportunities in sectors dominated by youths.

However, the private sector is the main engine of economic growth and job creation. Entrepreneurship is the driving force for initiating business ideas, mobilising human, financial, and material resources for setting up and expanding enterprises and job generation.

The economic potential of youths can be put to good use by means of entrepreneurial activities. Supporting youths by means of entrepreneurship may be maximised based on programmes and strategies that would diminish the barriers in business initiatives. Young entrepreneurs are faced with particular challenges due to their lacking experience, to difficulties in accessing business networks, and information sources. Additionally, youths have less knowledge, and experience regarding regulations in the field of business, the corresponding legal and institutional framework, all these leading to their discouragement in beginning a career in business and at the same time increases the risk of failure in business. The empirical evidence shows that educating youths in the field of entrepreneurship and in fostering their confidence in assuming calculated risks leads to an increased probability of entrepreneurship being adopted as a career option.

Young entrepreneur women are faced with additional hindrances either because of cultural specific traditions, or because of their role in family and society, all these proving that they are more susceptible to be found in the informal economy and less probable to be entrepreneurs employing others.

The higher volatility and the lack of working experience of youths are strong reasons leading to their modest employment by entrepreneurs. Wage subventions and/or tax diminishment on wages for enterprises employing young workers without experience seem to be the best options for counteracting these concerns of employers and, as result, lead to an increase in the demand for young workers.

According to Eurostat statistics, in EU-28, in 2015 there were 2.723 million individuals between 15 and 29 years of age who developed independent activities. This means that only 6.5% from the young population of Europe opted for the activity of self-employed. The Eurostat data reveal very significant differences between Member-States regarding the weight of youths who opted for this type of activity. Thus, in the year 2015, in countries like Greece and Italy, 16.1% and respectively 15.7% from the youths opted for this type of activity, followed by Czech R., Poland, Romania and Slovakia (with values between 8.7% and 11.0%). In Austria, Denmark, Germany, and Luxembourg, the weight of the youths who opted to work as self-employed is under 3.5% from total.

The correlation coefficient between the NEET rate and the weight of youths aged 15 to 29 years of age, biased towards an activity as self-employed (59.67% in 2015), indicates that the labour force markets where high numbers of youths are not employed, nor in education, or vocational training (Italy, Greece, Romania, Slovakia and Spain) are also most susceptible to have high numbers of youths opting for activities as self-employed[79]. In turn, in member-states with slow economic growth, labour market insertion is more problematic, and activities as self-employed seem more attractive to several youths who attempt to find their own path on the labour market.

The linear correlation as well as the Spearman and Kendall correlation coefficients (45%, respectively 36%) indicate that the link between the NEET rate and the weight of those opting for activities as self-employed is a more complex analysis that must be performed in the specific context for each country. Young entrepreneurs can decide to set up an enterprise based on various reasons, from which we mention the wish for 'independence' and the one of 'working for themselves'[80]. Surveys performed by various international bodies highlight that a small percentage of young entrepreneurs are 'pushed' into entrepreneurship because they cannot find another job, respectively option ('necessity entrepreneurs'). Researches performed by Global Entrepreneurship Monitor (GEM) and by Youth Business International (YBI) (2013) indicate that at EU-28 level only 17% from the young entrepreneurs

[79] *Policy brief on youth entrepreneurship: Entrepreneurial activities in Europe*, OECD (2012), www.oecd.org

[80] *Generation Entrepreneur? The state of global youth entrepreneurship*, (2013), Global Entrepreneurship Monitor (GEM) and Youth Businnes Internatioanleand (YBI), www.youthbusiness.org

belong to this category due to necessity, against 23% of the adult entrepreneurs (with ages between 35 and 64 years of age).

The available data indicate that in the European Union entrepreneurs created 67% from all jobs in 2012. In China[81], entrepreneurs created 75% from total jobs in the same period, while in the United States[82] start-ups and companies with less than 5 years of existence, in 2010, represented almost the entire net growth in jobs for the last 30 years. In Romania, SMEs contribute by 66% in total number of employees from private companies[83].

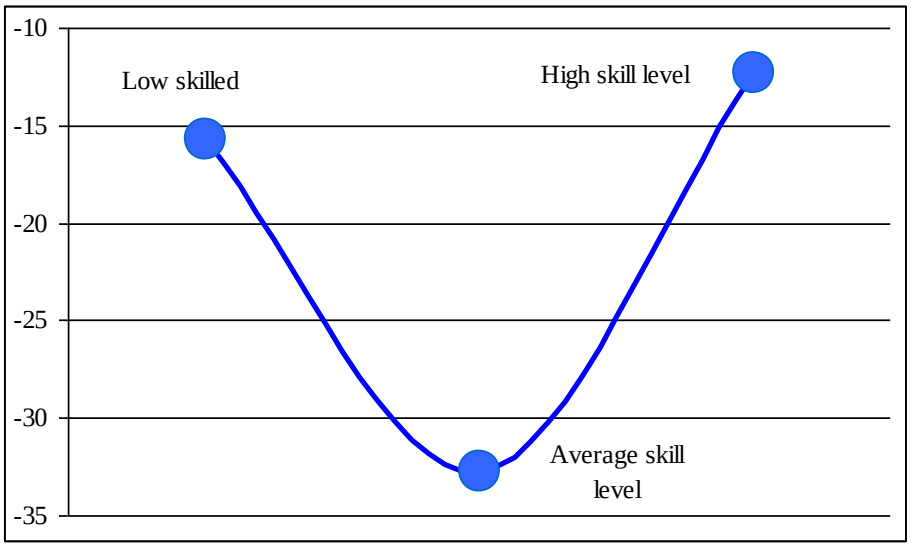
Useful information in analysing the demand for labour force can be obtained by the technique of "polarising jobs".

In the year 2003, authors Levy and Murnane[84] initiated a new trend in the economic literature regarding labour force market under the conditions in which they noticed that labour demand in USA was polarised from the viewpoint of wages (these increased strongly for low paid jobs, and for very well-paid jobs, while decreasing for average paid ones). According to the authors, the polarisation phenomena of jobs allowed for explaining the rapid inequality growth in incomes for USA as of the end of the years seventy.

In general, the specialised literature referring to labour demand takes into account two types of competences: inferior (elementary occupations) and superior (managers, professionals, technicians). By adding a new category of medium skills, for instance machine and industrial operators, a better analysis can be made about the polarisation of employment on the labour market. In the three clusters of labour demand are comprised the nine categories of basic occupations enumerated by the international standard classification of occupations (ISCO).

By making use of the jobs' polarisation technique, for young individuals with ages between 15 and 24 years for the period 2007-2014 in the EU-28, it is noticed that the demand for low-skilled workers and high-skilled workers decreased, on average, by 13%, and the one for mid-skilled workers diminished by 33% (Figure 2).

Figure 2. Jobs' polarisation for youths in the age group 15-24 years, in EU-28, in the period 2008-2014



Data source: Eurostat statistics, (online data code: [lfsa_egais]), author's processings

[81] Ministry of Commerce from China, english.mofcom.gov.cn

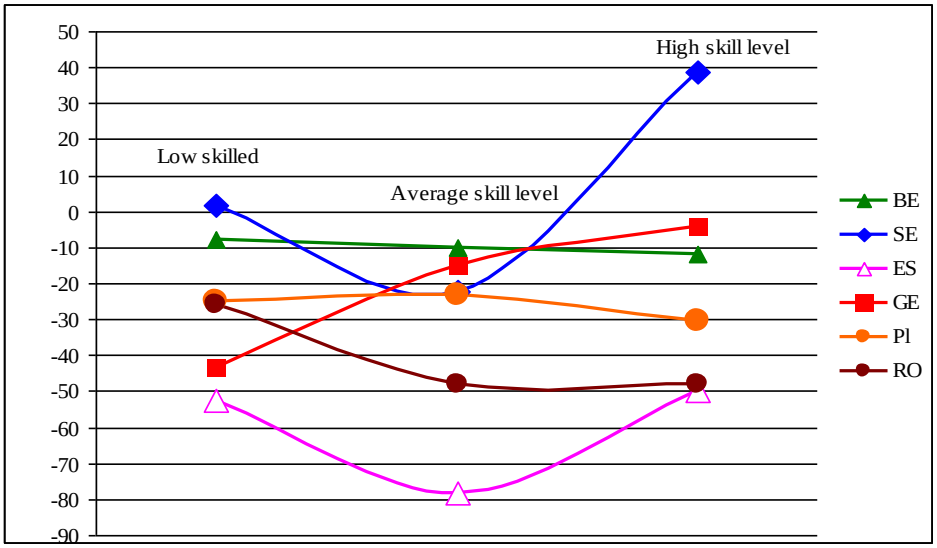
[82] D Stangler and P Kedrosky, *Neutralism and Entrepreneurship: The Structural Dynamics of Startups, Young Firms, and Job Creation* (Ewing Marion Kauffman Foundation, 2010), p. 13

[83] *Barometrul antreprenoriatului românesc* 2015, http://www.eyromania.ro

[84] F. Levy, R.J. Murnane, (2003), *The skill content of recent technological change: An empirical exploration*, in: Quarterly Journal of Economics, Vol. 118, No. 4, p. 1279-1333.

The analysis of the labour force demand curve for youths highlights that not in all member-states took place a polarisation of jobs during the analysed period (Figure 3). Thus, a slight job polarisation was recorded in Spain where the demand was lower for low-skilled workers and for the high-skilled ones (by about 50%), while the demand for mid-skilled workers diminished drastically (by 78%). In Sweden, it may be considered that the labour market registered a certain job polarisation, that is, for the analysed period takes place under the conditions of economic crisis a slight increase for low-skilled personnel (by 1.75%) and an increase by 38% for the high-skilled one, while for the personnel with mid-skills a diminishment was registered by 22.3% (Figure 3).

Figure 3. Job polarisation for youths in the age segment 15-24 years, in some EU-28 member-states for the period 2008-2014



Data source: Eurostat statistics, (online data code: [lfsa_egais]), author's own processing

The development of demand on the Romanian youths labour force market for the period 2008-2014 is atypical, high diminishments being recorded for the segment of youths with mid- and high-skills (Figure 3).

The factors explaining various forms of change in labour demand on the youths labour force market are various and differ from one country to another. The technological evolution is regarded as one of the common factors. The relationship between labour force demand and innovation is conditioned increasingly more by skill-biased technological change (SBTC) and by the task-biased technological change (TBTC). As result, technological progress tends to increase the demand for skilled labour force and diminishes the demand for less-skilled introducing changes in the systems of the labour market, including here the wide-scale implementation of automations and robotics for some manufacturing processes that, right up to the time before the crisis, were realised based on human labour force with mid-skill training.

Another factor of influence for youths' labour force demand, under the conditions of globalisation, is also the externalisation sometimes accompanied by reallocation, as well as the increased externalisation capacity with/without relocation of these jobs. In his paper, Blinder[85] maintains that labour migration in USA and rich countries, in general, against the one in poorer countries tends to become a phenomenon comparable with the industrial revolution.

[85] Blinder A.S., *How Many U.S. Jobs Might Be Offshorable*?, CEPS Working Paper No. 142, Princeton University March 2007,

Young labour force supply

From the viewpoint of young labour force supply, a well-developed educational and vocational training system (for instance, 'the dual system' which combines education based on schooling with training on the job and apprenticeship) and closer cooperation between this system and the private sector can facilitate a smoother transition from school to work.

Very often, the educational system does not provide matching labour force for the needs on the domestic market. This asymmetry may generate a long-term process of obtaining a job according to expectations on the domestic market. In this context, job opportunities for youths are frequently limited either by the informal economy (leading to frustration), or by the decision to migrate (for instance, 'higher education unemployed').

Currently, most (if not all) EU-28 countries undergo a process of generalising secondary education and the attention of decision factors switched to tertiary education, under the conditions in which the expansion of higher education is a key objective at European level: for instance, the Europe 2020 Strategy recommends that at least 40% of individuals with ages between 30 and 34 years of age should be graduates of higher education. Consequently, it may be said that skills upgrading or, otherwise, the increases registered in the complexity of the same type of characteristic skills generated within all advanced economies of the 20th century are extended to generalising higher education of the 21st century. Trow[86] considered already in 1973 that there are three clusters of young participating to tertiary education: elites (reserved to a low number of individuals), mass (over 15% of the young population is included in this education segment), and generalised when the participation increases to over 50%.

The data supplied by international statistics indicate that with respect to this classification, in the year 2014 all EU-28 countries attained and even surpassed the 15% objective, thus expanding mass higher education, and in countries like Ireland, Lithuania, and Cyprus even the generalisation level was exceeded (52.2% in Ireland, 52.5% in Cyprus and 53.3% in Lithuania).

During the economic-financial crisis, the number of youths who pursued the tertiary education courses increased substantially, this also due to the decrease in the number of jobs. The only exception is Ireland where a diminishment by 1.2 pp was registered in the numbers of youths in tertiary education. In Romania, the number of youths on this educational segment increased by 3.3 pp, while the level of secondary education recorded a decrease by 4 pp.

. Another issue of young labour supply is the one of young individuals employed in the informal economy. Even if they gain skills required on labour market in this type of activity, still, very often these are not officially acknowledged which leads to encountering difficulties when young individuals attempt accessing better jobs.

Moreover, very often, young individuals do not have information about the professions demanded on the labour market, or do not know where to search for a job. Special career guidance, information, and young employment services can facilitate their entry on the labour market and avoiding the mismatch between the young labour force demand and supply.

Conclusions

Young individuals were in particular most affected by the recent economic-financial crisis, their employment perspectives diminished and the unemployment rate reached alarmingly high shares. At world level, in 2014, the employment rate among young individuals was 2.5% remaining about 4.7 percentage points below the level of the one before the crisis. In the period 2008 – 2014, the employment rate among youth within the EU-28 decreased by almost five percentage points (from 37.3% to 32.4%).

In the year 2014, at world level, the unemployment rate among youths reached 13.2% being almost three times higher than the unemployment rate among adults. In the same year, on the labour

[86] Trow M., (1973), *Problems in the Transition from Elite to Mass Higher Education*, Carnegie Commission on Higher Education, Berkeley

market were employed about 37.1 million young individuals less than in 2007, under the conditions in which the world's young population decreased by only 8.1 million individuals in the same period.

During the recent recession, unemployment affected all young individuals, irrespective of their training level. Even if there is wide consensus regarding a higher insertion degree of highly trained young individuals on the labour market against those with inferior training levels, still, in some countries, in the current crisis this consensus seems to be disproved. Unemployment among youths increased dramatically even among graduates of higher education while the perspectives of employment on the labour force market were diminished considerably. Probably, this is yet another expression of the fact that currently economic transitions exceeded the transitions born by other sectors (for instance, educational systems) and, to a certain extent, the social capacity of adjustment to changes imposed by economic rules.

The economic potential of youths can be put to good use by entrepreneurship activities, but the high volatility and the lacking work experience of youths are the main reasons for their reluctant employment by entrepreneurs.

The use of jobs' polarisation technique for the young individuals in the age group 15 to 24 years allowed for highlighting that the demand for low-skilled workers and for the high-skilled ones decreased in the period 2007-2014 in EU-28 on average by 13%, and for mid-skilled workers the demand diminished by 33%. Moreover, based on the analysis of the labour force demand curve it was underpinned that not in all member-states a job polarisation occurred in the analysed period.

As result of the decreasing supply of jobs in the economic-financial crisis period, the number of youths who pursued tertiary education increased substantially.

From the viewpoint of young labour force supply, a well-developed educational and vocational training system (for instance, the 'dual system' which combines education based on schooling with training on the job and apprenticeship) and closer cooperation between this system and the private sector can facilitate a smooth transition from school to work.

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