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Section

ARCHITECTURE, DESIGN AND URBAN STUDIES

ANCESTRAL HALLS AS A REFLECTION OF THE TRADITIONAL STRUCTURE OF CHINESE SOCIETY. A CASE OF SHANGJING

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ABSTRACT

The technological and economic development in China has led to the neglect of heritage preservation in the countryside. Furthermore, due to the language barrier, the tourists coming to China tend to limit their exploration to large metropolises and they seldom explore small rural areas. The author spent three weeks in the village of Shangjing in Jinhua prefecture of Zhejiang province, participating in the “Jinhua Homestay” project. This venture was undertaken by the local government in effort to encourage tourism in the settlements. A group of volunteers was selected from countries all over the world to work on many tasks aimed at developing the accessibility of the experience of the village life to foreign visitors. Following the stay in Shangjing, the author explored similar size settlements in Kuala Lumpur area in Malaysia and in Bangkok area in Thailand. The aim of the research carried out was to document, inventorise and systematise the knowledge about architecture of Shangjing village, and compare with the examples from the areas in Thailand and Malaysia.

The subject of this paper's interest is primarily the role of ancestral halls in the everyday life of the local society, along with the impact of their adaptation for new functions, using the case of Shangjing as an example. The buildings have a tradition that goes back more than a thousand years and they have illustrated the structure of Chinese society that lasted until the twentieth century. They are monuments of historical Chinese building styles. The research allowed the author to take a broader look on the issue of protecting unique historic villages. The Jinhua Prefecture consists of numerous settlements similar to Shangjing, therefore this research has a more universal character and could be used at developing a plan for preserving similar areas in China and in the world.

Keywords: *China, ancestral halls, ancient villages, heritage preservation, Jinhua*

INTRODUCTION

Ancestral halls, or, as often called, lineage temples, are the largest and most complex pieces of architecture one can encounter in a Chinese village. Their tradition goes back more than two thousand years and in the past decades their function as a center of local life in rural communities has been brought back. What

is more, their history is inseparably connected with the families whose descendants still inhabit the villages. That aspect of life in China is often times omitted by foreign visitors, due to the lack of opportunity to visit settlements often located hours outside of major cities.

Jinhua prefecture, formerly known as Wuzhou, consists of eight counties and is located centrally in Zhejiang province. There are 195 historical villages located in the area [5]. Back in 2015, Foreign Affairs Office of Jinhua Municipal People's Government began to invite volunteers from around the world to participate in a project that aims to give the opportunity to experience life in a traditional Chinese rural life to foreigners, having them contribute to maintaining the village's local character and protection of its historical buildings in return.

The research described in this paper was carried out in Shangjing, to review the past studies and to suggest the opportunities for the revaluation and protection of the area. The paper presents the summary and update on the status of the establishments made by the author in September of 2017 during the sixth session of "Jinhua Homestay".

MATERIALS AND METHODS

Ronald G. Knapp carried out research in China's countryside on cultural and historical geography since 1965. Professor Emeritus at the State University of New York, New Paltz, he is the author or contributing editor of more than a dozen books, including "Chinese Landscapes: The Village As Place" [3], a collection of studies by representatives of many different professions, such as anthropologists, architects, geographers, historians, a sociologist and a veterinary ecologist. They used eighteen village case studies from each province to form a survey around the characteristics of a Chinese village. [3] Amongst the researchers that worked on the scientific recognition of Jinhua prefecture specifically, the most notable name is Peter K. Bol, Carswell Professor of East Asian Languages and Civilization at Harvard University. Their work [1] made a solid foundation for the author's study. Their research is priceless in the basic scientific cognition of the area formerly known as Wuzhou. He dealt with the topic of traditional village life for many years before arriving in the Jinhua prefecture for the first time in 1998, and again in 2002, participating or independently conducting interdisciplinary research on this area. Aimed to create a visual record of buildings and to grasp as much as possible about the sociological, cultural and religious aspect of the societies and their patron lineages. Their work consisted of visiting and attempting to document and reach out to the village leaders and the elders [1]. It is worth mentioning that from the Western point of view, Chinese architecture is neglected in the studies and descriptions. The reason could be as simple as a language barrier. There exist at least two important architecture manuals, one of them from Song Dynasty, and the other from Qing Dynasty, however, they have never been translated into any Western languages [7]. Thus, any attempt to translate or theorise with the lack of

expertise in the roots of the tradition, deprives the reasoning of the very important Chinese context.

Historical villages of Jinhua do not have any scientific studies which had the main focus on the field of architecture, hence the research carried out by the author. Existing studies are incomplete, examine other aspects of the history and current state of the area, or are not of scientific nature. The research by P. K. Bol from 2002 [1], ultimately had sociological character and it had been impossible to analyse every village in detail. During the study travel to Shangjing, the author used the following research methods: local field visits (field surveys), queries and archival research (cabinet research) in archives and libraries, comparative research and analysis of available materials. In this paper, the author continues their synthetic approach to research by organizing gathered results into one overall elaboration.

THEORY

Shangjing is one of the 70 administrative villages, managed by the Tangxi Town Government in Wucheng district of Jinhua, prefecture-level city [8] and a part of its Development Zone. Founded in 1048, during the Northern Song dynasty, by Liu Qing, the first ancestor to a clan that have resided in the area for 36 generations. The descendants of Liu clan, among them Liu Yesheng, the head of the village, still inhabit the settlement to this day. Shangjing was formerly known as Fenglin, translated to “Maple Forest Village” [2]. The current name resulted from the analysis of the location and weather conditions, according to the principles of the ancient Chinese metaphysical art of fengshui (geomancy); it refers to the place being “wind and weather favourable”, also “a feng shui treasure” [2]. Explained by the geographical placement – it is bordered by two streams and Jiufeng Mountain, a provincial national park and hot springs, as well as scenic Xifen artificial lake. The layout – resembling the shape a sail – suggests that “those living in Shangjing will sail great distances through life without ever hitting rough waters” [6]. The settlement is famous for the agriculture and local customs – farming traditions, tea plantations, signature cuisine and local culture – dances and costumes. However, it is the revival of interest in ancient culture that should bring more attention to the place. P. K. Bol recalls many lineages in the villages he visited in 2002 having already finished updating their genealogies (that have mostly been burned or destroyed during the Cultural Revolution), while the other were in progress of doing that [1]. He linked the revival with the recovery of a degree of local independence [1], gained more than 40 years after the events of 1949. Traditional model of Chinese society consisted of the highest authority of the Emperor and his messengers in their local officials, however, apart from that, prominent local clans were the groups that established the rural communities. They believed in education as a means of rising social status, therefore they invested in building schools and local infrastructure and supported religious institutions; also protected their community from crime and lawlessness [1].

The ancestral halls served as a common space connected strictly to “filial piety”, a form of cult of ancestors, which is unknown to the civilizations in the West. Provided a place to put the offerings to the prior generations, along with spirit tablets of the deceased; to register one’s membership in the lineage and to worship local deities (commonly, the spirits of deceased locals). In the present day, as a result of the Cultural Revolution and the ban on building places of religious purpose, the term “ancestral hall” is not used referring to newly built structures and was replaced by “memorial hall” [1].

RESULTS

The architectural heritage of Shangjing is outstanding and consists of 20 historic large halls and 50 houses that date back to Ming and Qing dynasties. Eight of them [Tab. 1], including ancestral halls on which this paper takes focus, were named "Provincial Cultural Heritage Site" in January 2017 [10]. Earlier, in December 2016, the first phase of a project that aimed to repair and protect the buildings of Shangjing was finished. More than 20 buildings, including Liu Ancestral Hall, have been renovated [10].

Tab. 1 Summary of the Provincial Cultural Heritage Sites in Shangjing.
Source: own research, as of 30.09.2017 [information collected from local people in Shangjing].

Building name	Date of creation
Liu Ancestral Hall	1264 (first instalment, destroyed in a fire), 1505 (current, Mingzheng period, Song Dynasty)
Baishun Hall	appr. 1403 – 1324 (Yongle Period of the Ming Dynasty)
Liuji Hall	appr. 1796 - 1820 (during the rule of the Jiaqing Emperor of Qing)
Qianji Hall	Mid-Qing Dynasty Period (1800s)
The upper floor hall, 48 Xizhen Rd.	Ming Dynasty Period
Xiamen Tower (Tail Gate Tower)	Qianlong Period of the Qing Dynasty
Longyan Well	Ming Dynasty
Liu Clan Ancestral Burial Site	No later than 1786 (Qing Dynasty)

The style of the typical building in the village can be judged by the white walls, black tiles, ornate wooden cornices, high doors and lattice windows. Numerous carvings in wood, tile and stone add to the essence of traditional Wu-style architecture; it refers to the large dwelling houses in Dongyang, Yiwu, Pujiang, Pan'an, Yongkang, Wuyi, Lanxi, Wucheng District, and Jindong District [12].

Liu Ancestral Hall

The most unique ancestral building in the village and in this part of Zhejiang Province is Liu Ancestral Hall [11]. It was the first ancestral hall to be built in the Jinhua-Lanxi area. What is special is the independent inner patio structure, which lets the light enter the hall even during a rainy day. The south-oriented three-hall construction covers the area of 3000 sqm. Magnificent carved door leads into an open entrance hall, which is divided into five open rooms. According to the leader of the village, there are 222 stone pillars and 72 wooden pillars in the structure. The entrance hall, the middle hall and the dormitory are clearly separated. The first instalment of this structure was built in 1264, as approved by Southern Song Dynasty. Later destroyed by a fire and rebuilt, in order to commemorate the achievements of the ancestors in history, during the Zhengde period (1505). The Liu chieftain initiated the construction of the Liu Ancestral Hall and read the family's contribution to the court. The emperor specially built the five open rooms as to commemorate the lineage's achievements. In general, an ancestral hall in Jinhua prefecture was divided into three "open rooms". This one has a special order of the emperor to make five and at that time Jinhua only had two of that kind of ancestral halls. It is the only five-opening ancestral hall in Tangxi and the largest ancestral temple in Tangxi area. The building area is 2950 sqm. The ancestral hall is divided into the head door, the middle hall, the back hall and the nine major rooms of the east and the west. The dormitory had been destroyed, the foundation and column network are clearly distributed, and salvage restoration has been carried out according to the genealogical record [11].

Opposite to the main entrance of Liu Ancestral Hall, there is a clear water pond by the Screen Wall of Auspiciousness [Fig. 1]. Together they create a fengshui pattern. Typical instalment of Ming Dynasty period, it was supposed to protect the villagers from strong winds and evil forces and any distraction of the *qi*. Full of symbols and hidden meanings, such wall is a piece of art, poetry and good wishes. Placed on a pedestal, under a traditional top roof, the screen features a Chinese character "福" (fú) in the center, that translates into "blessing". Drawings of peaches and old men around the wall and in the corners. To the left there is a crane symbolising longevity. The deer on the right is for "禄" (lù), homophonic for wealth (due to the tonal nature of Chinese language, often times words that have different meaning but use the same syllable are used as symbols in art or poetry). The wall constitutes a wish of a long, prosperous life [11].



Fig. 1 The Screen Wall of Auspiciousness with the clear water pond. Shangjing, Jinhua prefecture, Zhejiang province, China. Source: Nitzan Iyar, September 2017.



Fig.2 The entrance to the Baishun Hall. Shangjing, Jinhua prefecture, Zhejiang province, China. Source: Nitzan Iyar, Jinhua Homestay Project, September 2017.

Baishun Hall

Baishun Hall is the biggest among the halls preserved in Shangjing village, also known as the Lower Hall. It originates from the Yongle period of Ming

Dynasty, built Liu Fushiwigong, the second of three brothers from the Fu generation of Liu clan, between 1403 and 1424. Baishuntang is a brick-like wooden beam structure, with pillars of 1.8 diameter. It is three-room wide and nine-purlin deep. Oriented south, the whole building is a brick beam-column, three-hall three-courtyard construction. There is a brick carving of "百世瞻依" (pinyin: bǎi shì zhān yī; literally: 'forefathers to be looked up for hundreds of generations') on the door [Fig. 2]. There is a small hall between the middle hall and the back hall, and small patios on both sides. The porch is equipped with a boat awning, and three beams and five beams are used under the porch. There is a movable stage and a second floor. It is a place where ancient officials and nobles would watch and play. The timber used in the middle hall is large, with a beam diameter of nearly 60 cm and a width of three and a depth of nine. In the Ming Dynasty, a beam-lifting structure had been used; five beams are used for the front and rear double-step beams, and the second top is made of brick-like wood. The woodwork in this structure shows very good skills of the carpenters. There was no need to stick the beams together and the construction lasted more than 600 years [11].

DISCUSSION

Liu Yesheng stressed that the most distinctive feature of the Liu Ancestral Hall is the structure of the double-resting mountain sill and the independent inner courtyard of the middle hall [11]. According to the experts of the Provincial Cultural Relics Bureau, such a structure is unique in the middle and west of the Zhejiang Province [11]. Up and close, the elegant door beam in the ancestral hall, the exquisitely carved wooden blocks and the beautiful and vivid carvings, are extraordinary. Despite of its importance, this ancestral hall has not avoided lootings and destruction. Kuomintang's tenth reservers stationed at the Liu Ancestral Hall. At that time, the ancestral tablets were burned except for the Taigong tablets [2]. In the Qing Dynasty, the Republic of China and in the modern times, there have been reparation efforts on the hall several times. Most recently, at the end of 2016 [13], but in 2004, under the active initiative and leadership of the older generations, the two committees of the village decided to rebuild Liu Ancestral Hall. They began the renovations with the support of the Licheng District Cultural and Sports Bureau. The restoration work lasted for two years [2].

According to the leader of the village, "after being listed as a provincial-level cultural heritage site, the repair of the relics must be carried out in strict accordance with the protection project measures, comprehensively preserve and continue the true historical information and value of cultural relics. Actions in accordance with international and domestically recognized norms will help protect the status quo and the historical, human and natural environments associated with the area" [11].

The village hosted a group of young foreign volunteers in September 2017, who worked on tasks that were aimed at boosting the tourism in the settlement

and protecting their historical monuments [6]. Since then, the village has become more popular, receiving around 50 000 visitors by February 2018. On October 28th, 2017, there was a feast for “filial piety”, held in Liu Ancestral Hall in Shangjing, to celebrate the Double Ninth Festival and a bonding activity for the local community. The banquet was held with 113 tables to serve a thousand guests, mainly the elderly and relatives of the village. They discussed family life, as well as lion dance and tai chi performances prepared for the event [4]. In the year after the homestay session in Shangjing hosted more foreign groups of students and artists [5]. It was selected among “the leisure tourism demonstration villages” of Jinhua Development Zone [9].

CONCLUSION

Concept of the connection between preserving monuments of architecture and keeping the local communities together has been present in the cultures all around the world since the ancient times. It is still visible in China, as the case of one of Jinhua’s historical villages, Shangjing, proves. The ancestral halls have long been places of cult of ancestors filial piety. As said by the head of the village, the plan for ancient villages is to build new houses that imitate the historical ones, but the main goal is to restore the old buildings to have people lead their normal lives there. It is said that in the future, the homestay would only be possible in the newly built houses, because, the settlement is firstly about the people, so the aim is to develop tourism in a way to create economic progress and improve their quality of life, without intrusion.

What the author learned is that in a Chinese historical village it is not the buildings that create communities, but there are people that create those communities over extended periods of time. Architecture is the illustration the structure of the society as well as an excuse and space for that group to maintain its existence for many generations to come. Thus, protecting and maintaining historical architecture is just a means to cultivate and sustain all levels of that community. It is the rise in tourism and local entrepreneurship that can improve the village development and preserve the society, helping the people stay in their home village without needing to migrate for economical reasons, thus, preventing the disintegration of the community.

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BEAUTY AND THE BEAST IN CONTEMPORARY ARCHITECTURE. A CRITIQUE

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ABSTRACT

The advent of AI modified our world in significant ways, up to the point of questioning our very survival, were the Intelligent Machine to gain supremacy. Architecture did not remain deaf and mute to the new technological revolution, embracing it instead and giving birth to entirely new creative tools and architectural objects. This paper is interested in exploring architectural issues that stem from the transforming and transmuting ideologies on architectural beauty and language, derived from blending human architectural creation with the computing abilities of intelligent machines, in a comparative and analytic journey starting with Pythagorean, Platonic and Neo-platonic theories, going through Baroque alterations, eighteenth century subjectivity, twentieth century architectural turning points, and ending with the alterity of contemporary algorithmic architecture. Fundamental questions will be raised and answers will be attempted, regarding the nature of architecture in relation to the human being, as well as the latter's relationship with the surrounding natural environment. Are naturally-inspired mathematical algorithms the solution for an architecture reflecting the spirit of our epoch, or are they just a dry aesthetic exercise of little consequence to architectural theory and to our cultural history?

Keywords: *beauty, monstrosity, alterity, allegory, algorithmic architecture*

INTRODUCTION

In his introduction to "Monsters of Architecture", Marco Frascari gives an alternative answer to Heidegger's "building as being into the world" explanation for architecture's *raison d'être*: "just as we think architecture with our bodies, we think our bodies through architecture". [1] In a similar vein, Merleau-Ponty writes that our bodies are made from the same substance as nature, a thread weaved into the fabric of the world. Humans, their instruments, and their buildings are in a constant relationship; they are not alien prosthetics, but constitutive extensions of the human body. In looking for the most appropriate architectural answer to living in the interface between digital and physical, mesmerized by the siren call of dynamic simulations and never-ending variables and possibilities, architects seem to have lost sight of the man actor and benefactor, the human being. Is it too early to tell whether the digital will endure, as it expresses itself today in architecture, and whether the shapes and forms produced with computerized assistance will still appear as elegant and interesting in half a century or more; but it is the right time, especially considering the present climatic challenges, to wonder about the

possible consequences of this new architectural trend. This paper is interested in critically assessing the main aspects of this new architectural trend and in analyzing its possible future.

METHODOLOGY

Given the broadness of the subject and the distinctive complexity of the architectural phenomenon, which is based on the interconnectedness of human, their built environment and pervasive cultural trends, the research methodology this paper necessarily follows is a cross-disciplinary approach involving architectural, aesthetical, psychological and behavioural biology theories. The advent of the Ai technologies have risen major questions regarding the role of the creator in architecture and the fate of thinking and possibly feeling machines before even creating such cyborgs, but in the process, seem to have forgotten the central role the human being has in the production and the use of architecture. Using an interdisciplinary approach, this paper is trying to look at digital architecture from the one perspective that matter, that o the human being.

THE SEDUCTION OF FORM. WRITING ARCHITECTURE

Design software and, more recently, designing through scripting, have opened possibilities architects and students alike find alluring. Buildings are built and the world comes to see them in their respective corners of the world, as if they were the latest in artistic creation. Daily use buildings instantaneously turn into monuments. The main issue with "architecture for the sake of Form", no matter the technology used to produce it, is its sustainability. Leaving aside the alluring neo-Baroque shapes, architects ought to analyze their impact, be it climatic or even psychological. Is the search for complexity for the sake of complexity the future of architecture, or will it be subdued in order to have a chance to endure, instead of remaining an architectural "accident", a trend suspended in time with no other impact than a possibly destructive influence on our urban settings and ecological footprints?

Digital "scripting architecture", until now confined to a mostly experimental, research-oriented aspect, looks at architecture from a fundamentally different perspective than the traditional profession: the architectural object is an impermanence. The algorithmic architectural project is not a linear creative process, but a multi-layered universe of variables that can be run theoretically ad infinitum. There is no clear finality, there is only the process. Architecture turns into Process and becomes Event, different from the Postmodernist one, for what misses from the shape-shifting is the human user element: the human being and his needs is forgotten or neglected, in algorithmic architecture. *Algotechure*, as it is today, is marking a fracture and a clear departure from the traditional conception of architecture.

From a critical point of view, contemporary architecture has three salient characteristics: it disregards the human scale, rejects traditional tectonics, and brings to the foreground the detail, the ornament that now becomes the skin of the building.

One of the numerous definitions of architecture claims that it is and must be a reflection of its time, meaning of its society, culture and major events. We are used to artificially relate each architectural style to a series of seemingly relevant historical circumstances, completely ignoring that architecture is in fact not made of separate styles and eras, but that it is the result of translating into physical space of the human being's needs, and that it is the visible, concrete aspect of centuries-long cultural, scientific and technological developments. And maybe the most important aspect of the first "actor" in architecture is that human needs did not fundamentally change, throughout history, which brings another topic into the discussion about what digital architecture is and should be, namely the way human beings perceive their built environment and how it influences them. The second half of twentieth century has put subjectivity and the relativity of aesthetic taste on a pedestal, but as several psychological and physiological studies and theories have shown, the Gestalt being only one of them, aesthetic appreciation is not entirely subjective, or rather, it is "objectively subjected to the human mind".

BUILDING AESTHETICS

In the "Republic", Plato discussed the functional issue of Beauty, the relationship between it and Truth and the moral aims of the ideal state. All sublunar things were pale, mimetic representations of pure Ideas, drawing men away from the Truth. Related to Plato's perspective was Aristotle's, in that only what follows an established and static universal order can be beautiful; it was all about the reflection of the proper order of the world. The concepts of Beauty and Truth could only exist in a specific system of values, a theory Vitruvius illustrated in his "De aedificatoria". What was "Idea" for Plato becomes the divine for Augustine, who reinstates the Platonic and Pythagorean attributes of Beauty, mathematical proportions, rhythmic organization, the fittingness of parts, and adds the Divine unity of God. The characteristics of good architecture, according to Vitruvius, were *firmitas*, *utilitas* and *venustas*, alternatively translated by Palladio (1485), Wotton (1624), Morgan (1914) and Granger (1931) as *utility / commodity / durability / strength, perpetuity / firmness / convenience / utility, and beauty / delight / beauty / grace*. The idea of the Vitruvian module endured and Le Corbusier reinterpreted it, albeit in a different vein than the Classical Greek canon would have. Even for Vitruvius, the *module* was not an ideal one, but one that the architect would choose and use throughout an entire project, so that every part of the building would be in a mathematical relationship to the others, thus achieving *Order*, an idea Palladio later expressed as one definition of a building's beauty as "correspondence of the whole to all of the parts, of the parts to each other, and of those parts to the whole", a definition he derived from Alberti. Le Corbusier would then similarly use his *Modulor* to "create a comprehensive

harmony from understanding the clear mathematical paradigms from which an architect must start", the *eurhythmy* Vitruvius had defined as "beauty and fitness in the adjustment of the members".[2] The consequence of using a module in the conception and building process inherently results in Vitruvian *economy*, for modulation has the advantage of making good use of the materials and of the site, equally insuring an effective management of the works. The last to invoke a fixed and divine order of things in achieving Beauty was nineteenth-century theorist John Ruskin. The "Seven Lamps of Architecture" add a hint of functionalism to what proper architecture is: a building must manifest structural honesty, thus echoing Viollet-le-Duc's preference for Gothic architecture, based on the same structurally truthful idea. What Plato called *beautiful*, Ruskin now calls *sublime*: architecture based on natural mimesis is beautiful; architecture that springs from the expression of the mind is sublime. Ruskin defines Beauty, his fourth lamp of architecture, as the imitation of the external forms of nature. Ruskin's sixth lamp might raise interesting questions in regards to contemporary digital architecture. The sixth lamp is that of memory. Architecture must speak of its past, if it wants to endure past the present; architectural elements should have clear historical connotations.

In 1923, Mies van der Rohe declared that architecture was "the will of the age conceived in spatial terms. Living. Changing. New. Not yesterday, not tomorrow, only today can be given form. Only this architecture creates. Create form out of the nature of the task with the means of our times (...) The materials are concrete, iron, glass". [3] As one of the most influential advocates of the International Style, he made architecture in the same way he spoke about architecture: following the two postulates of (1) honesty to materials and structure, and (2) the development of form as a dependent variable of function, which was not only human, but became inclusively mechanical. Wrongly called "functionalist", the architecture that came out from the International Style kept intact two major aspects of architecture: (1) spaces fitted to enjoyable and comfortable human use; and (2) mathematical proportional ratios that made architecture objectively beautiful, in geometrical terms, just as the Bauhaus had previously predicated in five major principles: that (1) beauty was composed of the fit between function and form, as well as structural elegance, (2) that the aesthetic value of a building was dependent on the whole and of the functioning of the whole, (3) that repetition and the variation of repetition was the most important means of artistic expression, (4) that it ensured the greatest possible utility and, last but not least, echoing Ruskin, (5) that it subordinated materials and structure to utility. In visual terms, the new aesthetics was concerned with architecture as volume, regularity and the avoidance of applied decoration. Inspired by greco-roman architecture, Le Corbusier and Mies van der Rohe developed an aesthetics based on the interplay of planes and light, space bound by Euclidian geometry. Just as ancient monuments and ruins stirred emotions through their tectonics and spatial qualities, so did Modernist architecture call for the establishment of "emotional relationships by means of raw materials" under the sun, as Le Corbusier wrote. [4]

As early as 1890, subjective evaluation in architecture gained academic legitimacy, drawing from Hume and Schopenhauer's theories on the subjectivity of aesthetic judgment, and was marked by the theoretical changes at the École des Beaux Arts of Paris, after two factions argued their respective stands, one advocating for a traditional system based on teaching the essential elements of architecture, composition, reason and harmony of forms, the other, for the freedom of stylistic choice. The later won and subsequently individualism in interpretation increased, substyles proliferated and a tendency towards expressionism ensued organically. Art became the "creation of forms symbolic of human feelings". [5] In her aesthetic theory applied to architecture, Susanne Langer (1953) follows Le Corbusier into stating the two central concepts, *significant form* and *feeling*. The central problem in aesthetics, according to Langer, is to discover the reason why we are able to immediately recognize the significant forms in a work of art. She agrees with Le Corbusier into saying that architecture should reflect its users' lifestyles. Good architecture should not impose, but suggest; allow for a variety of activities, while embodying the feelings, the rhythms, the various aspects of life: "That is the image of life which is created in buildings, it is the visible semblance of an "ethnic domain", the symbol of humanity to be found in the strength and interplay of forms". [6] Langer's theory had essential implications for architecture, for it first states that the concept of architecture becomes independent from the structural and constructive aspects of building, that architecture should be designed from the inside out, with the human being and his life in mind, and lastly, it called for a redefinition of what should be essential to architecture. In between the two World Wars and in the aftermath of the last one, the world had seen itself change in dramatic ways. The turn of the century had brought a new variable into the perception of the world, speed, through the intermediary of cars and trains. But it was still a moderate one; the full force of speed's impact was to come with planes, along with a completely different perception of space. Le Corbusier didn't only introduce the machine aesthetics into his architecture; he also inserted movement, hence time but a promenade, not a fast race. Venturi will be the one to use time as element of novelty and surprise. His postmodern, highly subjective aesthetic theory will represent an extreme departure from the formal clarity of the International Style: "I am for messy vitality over obvious unity. I include the non sequitur and proclaim the duality". [7] Novelty comes from the unexpected, but such a quality, especially when overdone, or used as leitmotif, creates confusion, both visual and mental, which often leads to negative behavioural responses. Venturi wanted to contradict all the points of classical architecture, no fixed system of rules, no objective guidelines, only subjective choices, no desire to create with the idea of enduring, but with the declared intention of lasting only as long as novelty itself. As psychology's involvement in art and architecture increased, from the Gestalt theories on, several studies and experiments (Valentine, 1962, Osgood, 1957, Sewell, 1971) have revealed relevant evidence regarding human beings' responses to the built environment. The subjects' physiological responses offered indications on aesthetic preferences and interests, for instance. In regards to novelty and people's response to it, studies have shown

that, in architecture, attention to novelty has a very low life span; it is not that new and spectacular that makes spaces feel comfortable, pleasant and beautiful, but rather a low-to-medium level of complexity. Architecture should not try to imitate catwalk fashion, but rather be very elegant, very well "tailored" and enduring prêt-à-porter.

INTERFACE ARCHITECTURE

The prevailing idea cybernetics theorists have extensively written about in the eve of the twenty first century is the paradigmatic change. What is truly new and different, in the digital era, the obsessive presence of information and electronic ubiquitous media excepted? At an individual level, there are new tensions and contradictions between real and virtual, only to realize the truth of sociologist Steve Woolgar, "the more virtual, the more real"; at an architectural level, despite the persistent seduction of digital images, architecture remains, by definition, grounded in the physical environment, with the consequences that entails. [8] In its lucid moments in between looking to create the Venturian surprise effect and the spectacular, the digitally-inclined architect realizes that, by the simple fact of living in this era, his mission is to explore the liquid limits that seemingly separate and link the physical and the virtual, electronic world, in order to respond to the needs of people living in the interface. Historian Mario Carpo famously wrote that "computers per se do not impose shapes, nor do they articulate aesthetic preferences", but what they do is to increase the array of possibilities. [9] Stylistically, it has been suggested that digital creative freedom would lead to neo-baroque shapes, in line with the characteristics of the original style, meaning dynamism and geometric deformation. Major European cities, London in particular, are on the verge of becoming architectural zoo gardens, with their increasing collection of office-buildings-instantaneously-turned-monument, the new Monsters and Mythological Beasts of Architecture.

From the first blobs, to the sleek present-day projects, the salient issue in digital architecture has been scale. As psychological and behavioral biology studies and theories (Piaget, Robert Sapolsky) indicate, the human being, while reacting to some compositional aspects, like symmetry, from the youngest age, develops his objective spatial preferences in stages, during childhood, so the quest for compositional order and scale in one's environment is something that happens naturally, in the sense that it is based on evolutionary grounds: it relates to spatial orientation. This quest for spatial orientation is evident in art and architecture throughout history, and springs from the human mind's (meaning all faculties of senses and reasoning) innate ability to evaluate space, its length, width, depth, its smooth, rough, rectangular or curvilinear qualities. As the observer perceives its environment through its lenses, it is logical that the human sees the world reflected through his own dimensions, which is one of the meanings of the Vitruvian Man. But projects like Hydra Pier by Asymptote in the Netherlands, or Zaha Hadid's BMW Center in Leipzig, with their unconventional geometry, their dynamic shapes and unclear scale, offer no anthropomorphic connotations; they might as well be recently landed UFOs.

The advent of computers in design gave the illusion of potential structural and tectonic developments, given the simulation freedom and easiness to turn technical simulations into detailed construction plans. The new tools promised a continual and integrated designing and building process that would result in a high degree of coherence between the architectural conception and the structural decisions, one that would benefit from the possibility of systematically varying a whole series of parameters. A new and exciting field of exploration seemed to open to the designer, marked by the possibility to explore a multiplicity of results in order to find the best solution to marry form and structure, the creative and the technical aspects of architecture. Yet, the heralded evolution that turned to devolution in several landmark achievements testify to a striking dissociation between form and tectonics, Toyo Ito's Sendai Multimedia Centre (2001) being one such case. The conceptual thesis behind the project was the representation of a fluid, liquid medium, where knowledge floated like large algae. Partly faithful to the initial idea, its massive steel structure rather connotes a maritime project. Similar disjunctions are present in the Yokohama Terminal, the soft ripples of the digital simulations turning into much stiffer and unpoetical physical realizations, or in Zaha Hadid's Phaeno Center, where the concrete skin contradicts the structural relevance of the metallic frames. The most accurate illustration of the tectonic crisis of digital architecture remains Frank Gehry's CATIA-enabled architecture, for the spectacular shapes disregard any kind of structural constraints. The conclusion is that digital tools offer formalist freedom without restricting it to optimal technical solutions, while architects do not search, through the numerous variables and iterations, for the best possible match between the two, but seem to manifest a taste for randomness and for the accidental, a preference explained by the appetite certain theorists of architecture like Neil Leach, David Turbull or Jesse Reiser have for the Voronoi diagrams, claiming they are the portal to a completely new and revolutionary tectonics, when in fact we are mostly witnessing a hollow emancipation between the structural laws and an increasing confusion between the structural and non-structural registers. Fortunately, the high costs of such economically-inefficient structural complexities prevent such buildings from becoming the norm. In the current climatic context, the main architectural concern should not be formalism, but sustainability, the ecological footprint, the dynamic energetic performances, and such a logic is radically different from the one the above mentioned buildings sprang from, in the sense that sustainable architecture needs to take into account and become integrated in its environment, instead of remaining narcissistically confined to its aesthetically-formalist games and its inherent structural problems. Without needing to return to traditional structural rules that would restrict the freedom of forms, computers have the ability to turn the codes of natural growth into scripting languages and bring to the architect's attention and as a source of inspiration the microscopic worlds of biology and ecology. So far, architectural projects that used the algorithmic language, be it genetic algorithms, shape grammars, L-systems or morphosis, have remained at an experimental and educational level, mainly due to their alterity. After the tectonics and scale crisis, algorithmic alterity might create another set of issues, starting with spatial

confusion - the danger of mimesis - and a new fracture between architecture and memory, which also includes identity. Historically, architecture used anthropomorphism, the analogies with the human body, to integrate in its tectonics the harmonious relationship between time, marked by the stages of life, memory, history, and to create the sense of *place* in Norberg Schulz's understanding. The threat of another amnesic architectural state might be the strongest argument for urging digital architecture to reinvent its tectonic approach. Yet some of the main theorists and digital architects like Markos Novak and Kostas Terzidis push for an architecture that is completely devoid of any traditional connotations, a fluid medium in which "relations, fields, superior dimensions and, ultimately, the curvature of space itself" are manipulated, an *algotechture* whose main characteristic is alterity, a clear paradigmatic shift. [10]

Projects like Herzog & de Meuron's Pekin Stadium, or OMA's new Djeddah international airport see structure emerge to the surface of the building and become ornament. Tectonics is replaced by an ornament that is very different from the traditional definition. Ornament is no longer localized, nor is it used to highlight and embellish an architectural element: ornament sprawls on the surface of the buildings and *becomes* building. Such a perspective on synthesizing shape, structure and decoration into one, especially when the ornamentation has symbolic connotations, is very interesting.

While parametric and algorithmic design is an open-ended process that doesn't necessarily produce stable forms, there are examples of already built projects, like the Waterloo International Terminal, that testify to the conceptual and development advantages parametric design can bring. The best use for parametricism is in modeling complex - and rational - geometrical structures.

The "dynamic modeling" in performance-based design focuses less on aesthetics, and uses digital technologies of quantitative and qualitative performance-based simulations. In this case, form generation is based on performative design strategies. From Franken's BWM Pavilion in Frankfurt, to the ZED by Future Systems (1995), it can be argued that such buildings might be considered as marvels of engineering, rather than of architecture, the same being said for Foster and Partners GLA Headquarters in London (2002), its final shape being the consequence of energetic performance and acoustic optimization calculations. Performative architecture has the merit of being the expression of the new ecological consciousness to build sustainable buildings.

CONCLUSION

Confronted with architectural shapes that do not easily conform to traditional functional and aesthetic criteria due to their novelty, forms that are inseparable from a continuum of alternatives obtained through deformation or variation, contemporary architects are faced with the difficulties of determining the most appropriate solutions. The traditional architectural form depended upon an implicit belief in an optimum way and in a set of fundamental rules. The computer shook this conviction by plunging the architects into a fluid realm populated by

dynamic entities whose movement might never stop. There is nothing farther away from the formalism of digital architecture, than platonic idealism. There is probably an essential difference between the baroque conception of Form and the digital one. While the Baroque inherited and kept alive the Renaissance belief in the principles of order and proportion that were supposed to confer architecture a metaphysical perfection, digital architecture is dully keeping its distances from perfection or plenitude, and anthropomorphism.

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CAN REVITALIZED POST-INDUSTRIAL HERITAGE ALLOW GENIUS LOCI TO LIVE ON/EXIST?

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ABSTRACT

One of the most difficult problems of modern cities are degraded areas and post-industrial objects. In order to revive them and restore to the society, revitalization efforts focusing on repurposing them are undertaken. This type of projects have their specificity observed in no other adaptations of historic buildings. They take different forms and sizes to gain back the lost post-industrial heritage for human - its creator. Many of them thanks to successful transformation become a symbol of cities, gaining an aura of uniqueness and prestige - the Genius Loci. Such a particular type of technology heritage is industrial tower - a symbol of passing technology - left in the space of cities as a substantial witness of the past. By dominating over its surroundings it attracts attention not only by its vertical massing, but often primarily by its unique form. It may not always have architectural values of outstanding qualities, yet only a combination of creative transformation and the aura of the place make us feel its uniqueness. This study has carried out an observation of the phenomenon, the purpose of which is to check whether adapted post-industrial heritage such as technical towers can provide benefits to the community living around it, creating uniqueness and value of the place.

Keywords: *post-industrial architecture, revitalisation, Genius Loci of the place*

INTRODUCTION

Tower, as an archetypal symbol of domination and literally towering over the surroundings, makes not only an important element of landscape composition, but a reference point in space. It is an important element of identification of the place, to which nearer and farther sections of the city buildings refer. From a sociological point of view, it reflects a certain stability that gives a sense of anchoring and security, and for which it would be hard to find an equivalent alternative. For the emotional level of man, the tower as a strong feature plays a significant role of the element of identity, often symbolic, without which the defined space in the aesthetic and social dimension would not allow proper interaction and dialogue anymore. However, apart from making a creative factor, it can also be a depreciating element of space, a particularly common feature for post-industrial buildings.

Since the dawn of time in man-made landscapes, there exist unique places perceived through spiritual genius, mysteriously enriching with an undefined “soul” - the Genius Loci. It is a testimony of something important, significant, sometimes perfect, yet at the same time intangible. Difficult to identify, it allows places to endure through generations; places that become materially, spiritually and culturally valid for the communities, becoming their central point of reference. Elusive empirically, it gives a sense of the deep value of things. Its existence evokes a lofty state of experience in the recipient and a sense of togetherness of entire communities. It becomes for them power for continuance. It is an undefined binder for a community, which despite being a patchwork of individualities, still can feel in a similar way. Perhaps it is a peculiar, unique phenomenon of erganthropy - meeting in a “thing”, its creator and recipient at the same time, because by creating various objects, man embeds elements of his own personality in them, which the viewer reads in elation [1].

Social and environmental factors in revitalization of post-industrial architecture

Currently, due to social, environmental and investment pressure, it is increasingly possible to revive dead historical tissue of former industrial facilities. In the revitalization process it is extremely important to trigger all social initiatives and listen carefully to the social aspect of the problem. It is important to get involved the widest possible range of all social environments in order to ensure maximum positive investment reception in the future. Consultations among residents allow for a broader understanding of the importance of these changes and their significance for the city. Public discussion on the subject of revitalization somehow naturally brings up matters, which the average user of space does not identify with on a daily basis. That is why, as part of the adaptation of post-industrial facilities, it is extremely important to open up to a wider social consensus. It gives better adaptation solutions, which are not perceived as imposed by local authorities or investors, but developed in the course of public discourse.

Cities wanting to counteract further degradation of this type of objects and the restoration of valuable land to their residents, create a comprehensive revitalization program, hoping for their social and economic development. From undertaking success the point of view, it is particularly important to connect the private interest with the public one. Ideally, the private investment in the building coincides with the intentions and needs arising from local government policy. If it is a public investment, it should get broad acceptance of the society. It makes the basis for the subsequent common understanding and sense of uniqueness of implementation among all users. The purpose of the task is also crucial for its perception. One of the reasons for taking steps towards adaptations is the desire to improve the external image of the city. It's easier when the object(s) can have an aesthetic value or make an element of heritage, as it increases their chances of

preserving and adapting to new functions. Worse, when the object is not visually attractive and there is no historical background for its protection.

Therefore, the indispensable element for creating a valuable architecture of such objects is deep awareness of the site and its environment in the creator of the transformation - the designer. His sensitivity to the beauty of the post-industrial architecture hidden for most viewers will be the prevailing value. It takes a lot of creative courage, aesthetic sophistication and openness to the "different" to see the unique potential of such an object, most often in the marginal state in terms of technical wear. Obviously, even in post-industrial architecture there will be more outstanding works, as shown in some examples later in the study, still, in most cases, these objects have no greater aesthetic value. It is only the synergy and combination of the existing historical tissue with the modern architectural detail solution that ultimately evokes the sublime feelings of the viewer.

Of course, such adaptations end up with different results, which will not always have the spiritual qualities of *Genius Loci*. Nowadays, the choice of possibilities and materials can often "kill" the delicate balance between historical tissue and modern filling. The ability to sense and give them both the subtle uniqueness is a recipe for ensuring the success of revitalization in the aesthetic and architectural areas, with suitable, well logically thought function - including the social and economical. All the three of them when appear simultaneously, can create outstanding places, yet do not constitute a guarantee of something indescribable, amazing, what the mass audience will not pass by indifferently. The condition for the occurrence of the spirit of a place in post-industrial buildings is, therefore, to capture at least a few properties - the features of the material and non-material elements of space in undefined, suitable mutual proportions.

Thus, a number of questions arise: can the transformed, post-industrial heritage convey and leave a lasting impression, not only aesthetic, but also spiritual, which attracts with its uniqueness and mysticism? Does it hold a peculiar "power of emanation" as A. M. Szymanski writes in his article on rediscovering meanings in urban space [2]. Does post-industrial architecture help in creating unique places, which can fit in with the identity of the place, and how does it do it? Another question should also be asked: does a large community fascinated by the place decide of its *Genius Loci* or, is this just a subjective, individualized feeling of a specific person to whom it speaks?

Selected examples of revitalized industrial towers. Adaptations for other functions.

Bolko Loft in Bytom, Poland

(revitalization author: Medusa Group, Przemo Łukasik - own house)



Photo 1 (source: Culture)



Photo2 (source: Inżynierbudownictwa)

It is the first in Poland, recognized as a loft, adaptation of a post-industrial object for housing purposes. It was created in the years of 2002-03 in Bytom, in a building of a former lamp factory of Orzeł Biały, unused from the 1990s, after the mine was closed. A single-storey rectangular building, erected at the height of 8.5 m above the ground and placed on reinforced concrete pillars, has become a nearly 200m² house of the well-known architect Przemo Łukasik. Thus, a post-industrial area, previously uninhabitable, got inhabited. In the competition “Poland. Icons of architecture”, Bolko Loft was chosen as one of the twenty most interesting projects in Poland after the political transformation. Standing in the centre of the former Bolko mine shaft it blends into a typical Silesian industrial landscape with distant shafts, garages, apartments and blocks of flats, with a Silesian Uprisers Mound. An external, open staircase leads to the inside. The interior is an open, 100-meter day space, separated from the night zone by a glass partition. “Renovation has one fundamental goal - to leave as much as possible, not get rid of traces of history. - We wanted to commune with what the object once was. We left concrete ceilings and metal structures. The floors finishes are made in industrial technology of trowel concrete, in the bedrooms there is an industrial parquet, brick walls, all installations are visible “[3]. High severity of the interior, thanks to the characteristic choice of materials: walls with no tiles in the bathrooms, a cast floor with epoxy resin finish; it has been softened with furniture iconic pieces, what has given the interiors a harmonious, dignified unity. Bolko Loft has become one of the most important post-industrial projects in Poland, a residence shown in many foreign magazines, as well as eagerly visited by foreign guests. Its “rawness” in a way reflects the environment, in which he is located and complements it in a “dignified” way. In spite of having a different function, the object sustains the industrial soul of this place. As its owners assure, it is not for sale, guests do not disturb them and they live there happily, which proves its uniqueness [4].

Water tower in Płock, Poland

(revitalization authors: architect Marta Siodlak and architect Piotr Szymczak)



Photo 3 (source: Płock.Wyborcza)



Photo 4 (source: Geovia)

A five-storey, neo-Gothic, octagonal red brick building at J. Dąbrowski Square was restored and modernized in the years of 2011-13 at the initiative of its owner - the Wodociągi Płockie sp. o.o. Company. The construction of the water tower in Płock, guaranteeing the city constant water supply, began in 1894. The tank located on the top floor, had a capacity of seven thousand buckets, while the pump and filter station were at the foot of the Vistula river embankment. Currently, the Płock tower is the easternmost monument of the Old Town. In the early 1960s, after several decades of use, it ceased to fulfil its original function as an element of water supply system of the city, and the reservoir was dismantled. Later on, an art gallery was established there, which in the minds of the inhabitants contributed to the creation of a specific creative spirit of the place, but at the end of the twentieth century the building was closed again. After the revitalization at the beginning of the 21st century, the tower received a glazed observation deck at the top, from which visitors can admire the panoramic view of the city and the Vistula valley. Renovation works consisted in renewing the façade, replacing wooden ceilings and staircase, and on adding an external utility terrace of light steel structure with a modern fountain on the first floor. During the works, minor renovation of the square around the object was carried out including planting some greenery, and making new pavements and backlights [5]. Currently, there is a restaurant, while intimate performances and concerts referring to the artistic past of the place are foreseen. The facility is a popular meeting place for the citizens of Płock. Making a unique witness of the past in this part of the old town, it provides uniqueness of its immediate surroundings.

Reservoir in Ciechanów, Poland

(design: architect Jerzy M. Bogusławski, structural engineering: Jerzy Wiblik)

(revitalization authors: architect Jerzy Ebing in cooperation with: Mikołaj Groniecki, Maciej Kwiatkowski)



Photo 5 (source: Town Hall of Ciechanów)
Architektura)



Photo 6 (source:

Similarly as in Płock, the object originally functioned as a part of water supply infrastructure - an equalizing reservoir. It was designed in 1972 by Biuro Projektowo-Badawcze Budownictwa Miastoprojekt, was built in 1976 by the Mostostal Company, and held this function until the end of the 1980s. The steel tank hung at 22m in the shape of a “torus” is supported by a turret hyperboloid tower of 11.25 m diameter and an upper of 17.7 m diameter made of 32 pairs of steel pipes anchored into reinforced concrete foundation. Vertical circulation was provided by steel footplates inside the structure. The author of the project, stressing it was a “materialized mathematics” in that time made an innovative discovery, because thanks to this form, he managed to significantly increase the size of the reservoir, keeping a small difference in the height of the water column [6]. Over the next years, the building was running into ruin, still receiving in 2013 an award of the 5th place in the ranking of the most unusual towers in the world from The World Geography portal. Finally, as part of discussions concerning its rescue, it was decided to transform it into a science centre - the TORUS Science Park - a centre popularizing exact sciences: mathematics, physics, technology and architecture. A building connected to the underground part under the tower was erected around the tower on a circular plan. Altogether exhibition, educational, lecture and workshop halls as well as administrative and technical facilities have been located in the interiors of the building. The revitalized tower received new plating, while the supporting structure was maintained and cleaned. Around the building was created a small park with a fountain, a restaurant as an extension of

the green roof of the building, where concrete alleys with slopes were designed as a Pump track and Skate park, in the summer used by children to ride bicycles and skateboards, and in the winter as sledding track with a slide on the square under the tower. In addition, the tower itself received effective illumination.

This is another example of a positive reference to the post-industrial value, whose “Genius Loci” in this case is inscribed in a perfect, mathematical form of a solid. This is evidenced by the fact of adopting from the very beginning in the adaptive design of the tower construction and the symbolism embedded in it as the “spiritus movens” of the entire undertaking.

CONCLUSION

The presented towers - a symbol of strength - are the proof how valuable and rich material can often be found in the post-industrial architecture of technical industrial facilities, in the common consciousness worthless and often doomed to non-existence. The emanation of their form implies the desire to get closer, communing with the object, providing sublimity of experience and satisfaction of staying in the space of their impact. Even though Norberg - Schulz questions the possibility of a scientific analysis of the phenomenon of Genius Loci attempting at the same time to separate its constituent elements as characteristic values of the surroundings - multidimensional space - it can be stated - yes, a revitalized post-industrial form may have Genius Loci [7]. It can create them as an exceptional place, attracting with its spiritism **provided suitable interaction with the surroundings, history and positive, creative action of a human being are achieved** in the place of its existence. Although the loss of original functions by industrial facilities undermines the legitimacy of their existence in the contemporary urban space, the above and other examples of successful adaptations to new functions corresponding to the needs of the modern city may confirm the preservation of post-industrial heritage and its new creation. Integration of the historic post-industrial heritage, contemporary architecture, and conscious and creative human action, releases unique energy that fills the surroundings with incomprehensible, giving it sense for further lasting. However, “the spirit of a place is both a valuable and impermanent phenomenon. It is subject to changes, sometimes it ceases to exist. In order to save it and rescue, make it helpful [...] it must first be recognized and understood”[8].

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HISTORICAL AND ARCHITECTURAL PATTERN OF TOWN-PLANNING OF EARLY MEDIEVAL ABKHAZIA

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ABSTRACT

The author's thesis that city spatial culture always expresses the "highest" ideals of this or that ethnos is the basis for a research. And there time, it is real modeling of reality, that is transformation of the environment, modeling of the second human nature, space of its civilized existence and social development. In its feature - in city spatial culture two above-stated aspects of culture are at the same time created and broadcast in spatial forms and symbolical images: "high" and "low". "High" aspects in spatial culture are most expressed in the system of resettlement, structure of the settlement, sacral objects. City-forming creativity is Wednesday of the most difficult interaction "high" and "low" in spatial culture. The dwelling at the same time is also representation, symbolical and a trope of the social status of its inhabitants, on the one hand, and, the real daily environment of human dwelling, with another. In article historical stages of transformation of the most significant fortresses of Abkhazia – Anakopiya and Sebastopolis to city settlements, transformation processes are considered spatial culture as material and spatial expression of the dominating ideological and world outlook installations of ethnos in general. The picture of stage-by-stage formation of the city from antique fortress to a medieval outpost is recreated, the level of "high" fortification art in the territory of Abkhazia is revealed, some strengthening are more precisely dated. The picture of the medieval town is complemented with his economic life, stages of development of various crafts, somehow: potter's, blacksmithing, weaving. On the example of glazed ceramics the art skill of the people, on material, a way of preparation is shown, to an ornament close ties which existed at that time between Abkhazia and other medieval states are tracked.

Keywords: *Medieval town-planning, system of the settlements*

INTRODUCTION

The topography of the Abkhazian (Abasgian) settlement in the period of Late Antiquity and the Early Middle Ages is represented by a multitude of fortresses, fortified settlements, settlements located in the Black Sea area, in the foothills and mountain gorges. The location of settlements depended on several factors,

connected with the particularities of spatial expression of the traditional culture of the Abkhazians. These factors include: the natural landscape environment, the system of foreign policy relations and the patronymic structure of the society.

The natural landscape environment in the worldview of the Abasgians of the period of late Antiquity and the early Middle Ages was a sacred space in which there existed a system of natural “sacred places”: caves, forests, mountains, groves, trees, water sources. Most of these sacred elements were located on natural elevations and over time formed the structure of landscape-visual connections of the Abasgian territory, as well as a system of selective routes. Sacral symbolization of the natural landscape environment regulated the degree of anthropogenic impact and influenced the territorial and spatial location of the settlements, determining their place in the system of “sacred places” and setting the main paths of movement in the form of trails and mountain roads.

MATERIAL AND METHODOLOGY

During the period of close contact of the Abkhazians with the Roman-Byzantine cultural world, at the early stage, the fortresses of Sebastopolis, Pitunt, and Anakopia were formed, which later became cities. The ancient state formations of the Sanigs, the Apsilae, and the Abkhazians were formed in the II c. in this territory under the Roman protectorate; it contributed to a greater concentration of the vertical of power, which was the basis for the formation of new fortified points in the depths of the mountain gorges, outside the Roman garrisons, but under the influence of the ancient and Byzantine construction technique. These include the fortresses in Achipse (in the basin of the Mzymta river), Khashupse, Anakopia, Tsibilum. The buildings of Sebastopolis and Pitunt possessed “classic” defensive functions (towers pushed forward beyond walls, buttresses, complex gate devices). Monumental residential, household buildings and Christian churches built with the use of lime mortars were located on their territory. Arches, domes and vaults with the use of bricks and roof tiles were used in construction. For the decoration of buildings they used hewn limestone, marble, mosaic.

In the era of Justinian, in the second quarter of the 6 century, in the West Caucasus region, a system of fortifications was created - “klisur”, constituting the internal “Caucasian Limes”, which included Gerzeul, Tsibil, Tsakhar, Shapky and others. Far in the mountains they widely applied roman and byzantine methods of construction: combined masonry, brick-stone, masonry of roughly processed limestone blocks, masonry of the processed limestone with rubbing joints with mortar. Monumental multi-storey towers (round, quadrangular, pentahedral) overlapped with low domes, three centered arcs, supplied with catapults and other throwing machines. Behind the double walls, framed by battlements, are the guard stations and ladders, barracks, baths with three rooms (cold, warm, hot), reservoirs, wineries, civil and temple buildings. Fortresses had water pipes (Tsibilium). The rapprochement of the power elites of the Byzantine Empire with

the representatives of local government entities led to the transfer of knowledge in the field of crafts, architecture and construction to local soil. Unfortunately, the civil structures of the early period, which arose outside the walls, were practically not preserved, and those that did not undergo destruction were, as a rule, rebuilt in the late medieval period. The presence of large garrisons in the territory of Abkhazia created the prerequisites for the emergence of settlements of merchants and artisans near the fortresses. These settlements later formed the structure of the first Abkhazian cities of the early Middle Ages. In the early medieval Sebastopolis, one can speak of a fairly rapid block development of the territory adjacent to the walls from the north (from the south it faces the sea). The excavations revealed stone foundations of residential buildings, wells, narrow streets. In such suburbs formed polyethnic population of artisans and merchants. Due to the early Christianization of Abkhazia, already in the beginning of the 6 c. as settlements grow, Christian buildings appear outside the fortress walls. A striking example of this is Pitunt, outside whose walls 3 Christian churches of the 5-6 c. were revealed. In the mountainous areas of historical Abkhazia, there were Christian churches in the 6 c. They were built mainly inside fortresses and have a monumental stone wall, which may indicate that they were given a defensive function, along with a sacral (Tsebelda, Hashupse, Gerzeul, Caps, etc.). They were located in the geographic center of the fortresses, on the dominant sites. The church architecture of Abkhazia of this period bears the impact of the various territories of Byzantium from Constantinople to Antioch. The revitalization of the transit trade between Byzantium and China from the second half of the 6 c. contributed to the formation of a new type of settlement, close to the urban (hillfort) On the way from the coastal points of Abkhazia to the Marukh and Klukhor passes, more than a dozen such settlements were formed; they specialized in the provision of various services to trade caravans - from protective to residential. Along with the physical protection of individuals and their property, shelter, food, horses and guides were provided at every point along the way. The materials of the burial grounds located along the caravan routes mark the higher degree of welfare of the inhabitants of these sites. Along with a large number of weapons, they contain jewelry and imported items from the manufacturing centers of Byzantium, Iran, Eastern Europe, Central Asia and China. The appearance of Christian centers far from the fortifications marks the situation of the formation of a new type of urban settlement for mountainous Abkhazia. The development of the Christian sacred topography associated with the ancient places of worship can be seen in the example of the village of Ankhuva from the beginning of the VII c. The lack of study of the chronology of Christian buildings in the mountainous areas of historical Abkhazia does not allow us to make reasoned parallels at this stage. But we are confident that a similar picture may emerge for other historical centers of both Abasgia and neighboring territories. The location of the three identified Christian objects of the 6-7 c. in Ankhuva testifies to the formation of a system of densely populated settlements in natural dominants, in picturesque places, near clean sources of water — settlements, united by sacral topography.

In 8-10 c. the processes of reclamation the space acquire a new impulse associated with the expulsion of the Arabs and the formation of the Abkhazian kingdom [1]. At this stage, the Abkhazian school of Christian architecture, having a number of distinctive features, is formed. According to written sources, administrative and church reforms were taking place on the territory of the kingdom. There were new major Christian centers, the boundaries of which, it must be supposed, coincided with the administrative ones. These centers, as a rule, were formed along large roads, the boundaries between several settlements were delineated by natural boundaries (rivers and mountain ranges). An example of such a center is a well-preserved complex of the 9-11 c. In the village of Lykhny, which includes a palace, built on a vast meadow and a cross-domed temple. Notable is the Bzyb complex (8 c.), located on the way from Pitiund to the mountain passes. A cross-domed temple, a number of military and residential towers, the remains of a dense stone civilian building were built behind a monumental fence on the dominant height. We can assume that here they located the episcopacy and vicariate, which controlled the movement cargo along the trade route. We can consider the formation of the first capital of the Abkhaz early medieval kingdom, Anakopia as an example of an early medieval city. The status of Anakopia predetermined a high concentration of fortification objects. The defensive lines of Anakopia were formed in 7 stages, of which the second line of defense, built by the Byzantines in the second half of the 6 c., the coastal defensive line, built in the middle of the 9 c. by the Abkhazian kings, and a long wall of the 11-12 c. worth highlighting. Thus, during its heyday, Anakopia was a fortress city, located mainly in the flood plain between two rivers: Psyrdzkha and Mysra, surrounded by fortification objects from three sides. The internal space was equipped for 2 ship tie ups, the port and customs services, markets, and the episcopal center were located nearby. Inside the spaces separated by walls, the foundations of numerous stone buildings remained, indicating the presence of garrisons and buildings for the local nobility. Outside the fortress walls, the dwellings have not preserved, however, according to the topography of the area, it can be assumed that there was a dense development concentrated on convenient places along the internal communication lines. In Anakopia, outside the defensive lines, they built the first cross-domed church of the Abkhazian school of Christian architecture which spread throughout the 9-10 c. on the territory of the kingdom. (Loo, Merry, Pitsunda, Alahadzy, Bzyb, Lykhny, Msyghua, Psyrdzha, Mokva, the temple in Severniy Zelenchuk, etc.). Modern researchers [2] revealed that Anakopia also formed its own school of fortification and civil architecture. In 8-9 c. here appeared a new type of rectangular towers with rounded outer corners (defensive and residential). At the beginning of the 10 c. the pre-gate tower of the 2nd defense line was reconstructed; 3 floors were added to it, 2 of which are overlapped by arches of the original construction [3]. The age of architectural objects of this period on the territory of Anakopia and their quality, the absence of lags in architectural trends indicate that Abkhazia of this period was one of the most important states of the Byzantine Ecumene, and its elite was in close contact with the empire. Anakopia of this period, as the capital city of Byzantine Christian culture, influenced the architecture of adjacent territories. Based on a comparison

of the architecture and construction technique of the objects of Anakopia and the neighboring fortified settlements, we can differentiate the imperial order and the provincial Abkhazian architecture. The ordering customers of the latter, most likely the local elite, sought to follow the capital fortification and construction rules. In this sense, the "capital" architecture of Anakopia influenced the minor objects of the neighboring territories. Such objects include numerous temples and temple complexes on the territory of mountainous Abkhazia, small fortresses (Kaldakhvara, Hasantaba, Uazaba, Mushba, Abgarhuk, Rechabaa, etc.). The appearance of these objects indicates the formation of close diverse relationships within the Abkhazian kingdom. Forts arose on the routes leading from the large coastal centers of the Abkhazian kingdom to the "Abkhazian" foothill road connecting the kingdom territories in the latitudinal direction. The Abkhazian piedmont road intersected with the transit pass road in many places and the local roads led to it. On the more strategically important sites (at water crossings, at the entrances to the gorges) large fortresses arose, similar in type to the classical ones; on a small distance from them there were smaller fortresses which controlled travelers' safety and, if needed, shelter and protection inside their walls. We can assume that the merchants paid the fare in the large fortresses of the Abkhazian road (part of the Great Silk Way), where the governors lived. The creation of a caste of warriors, secular and religious nobility, merchants within the Abkhaz society became the main reason for the differentiation of the nature of the settlements, departure from the traditional rural communities in the direction of deepening social differentiation. Archeologists revealed that by the X century in different types of the landscape, formed local settlements of craftsmen. The most studied are the settlements of potters who created their products close to the sources of raw materials (Othara, Arsaul, Atara, etc.). Following a similar principle, formed settlements of metallurgists producing blacksmith iron from iron ball. In the territory of Abkhazia, in many places outcrops of iron ore (up to 11 m.) [4] and smelting furnaces were discovered. In the context of the growing urban population, the production of grain crops and meat is of particular importance. Despite the existence of extensive network of public and royal roads, as well as strongholds and fortifications on these roads, the basis of whose economy was payment for the service, handicraft settlements, which in some cases united in large settlements, developed together with trade. Despite the above said the rural community ("aqita"), which was the "foundation of the foundations" of economic life, remains the basic unit of the social structure of Abkhazia in the early Middle Ages. By the X century in the traditional culture of the Abkhazians had formed a particular kind of radial-route model of the development of the space of ethnic groups. Such a model most fully corresponded, firstly, to the increasing role of the rental economy, associated with the maintenance of international trade routes, and secondly, to the management of two types of producing economy: distant cattle breeding and terraced land use; thirdly, it was the most effective from the point of view of the protection of settlements and the settling system as a whole.

This model reflects the context of the formation of social relations from the patronymic system to a centralized state. Considering the patronymic structure of various peoples of the North Caucasus and the Caucasus at different stages of its formation, it should be noted that the process of its development could lead to the formation of either a monocentric or polycentric society. The determining factor in this territory was the natural landscape environment, as well as the geographical location of Abkhazia. On the one hand, it was located on the Black Sea coast, through which people realized the communication link between the internal parts of the country, topographically cut by rough rivers and impassable ravines, as well as international trade connecting the peoples of different continents living in the Mediterranean basin. On the other hand, it was a part of the Main Caucasus Range, which was covered with snow and impassable during a significant part of the year, but was used for stable international trade relations with the peoples of the Caucasus and Asia for several months a year. By the heyday cattle breeding had become the main producing industry of the Abkhazian kingdom. Two different landscapes, the Black Sea region and the mountains, became objects of spatial modeling of the route-radial settling structure and identified two types of settling: Black Sea region one and upland one. A common feature of both types was, firstly, a clearly delineated and legally fixed territory of living; secondly, the presence of two types of settlements: permanent and seasonal. The permanent settlements of both types include fortresses (outposts and forts), rural settlements, fortified settlements, craftsmen's settlements, ancient settlements associated with administrative and religious authority. Seasonal settlements are formed near winter and summer pastures and are typical of the distant pasturing system.

RESULTS

The main settlements of the upland type were located, first of all, in the gorges, with the growth of the population, small villages were created, both inside the gorges of the initial settling and in the new adjacent territories. An important component of the upland type of settlement during the Middle Ages was the system of sacred places: Christian temples, protected groves, mountain passes and trees. The basis of defense works of the upland settling system was the natural and landscape factor characterized by: 1) the location of villages in remote mountainous areas; 2) the creation of particular fortification complexes of natural-artificial type at the entrance to the main gorges; 3) favorable, from the point of view of defense, location of the main villages within the gorges; 4) the creation of a settlement structure, organically associated with the mountainous terrain, which increased the efficiency of the fortification qualities of residential development; 5) the presence of mountaineering association the population from the main villages to safe shelters and seasonal encampments. The main type of traditional upland settlement had the following structure-forming components: a walled space or tower, water sources; sacred place; place of assembly. The following mountain settlements of historical Abkhazia completely possessed these signs: Mdavei, Akhchipsy, Pskhu, Dal. The system of settling of the upland type was even more rigidly associated with a specific territory of its spreading than the system of settling of the Black Sea region type. Therefore, the

diversity of local features of the mountain landscape served as the most important factor in the formation of the spatial structure of the upland type of the settling system. The social and demographic basis of the upland type of settlement was a community. Initially, a community was a patriarchal-clan commune, connected by a certain single territory of its dwelling. Patriarchal-clan communes eventually became territorial communes, i.e. a group of families on the basis of the common area of settling [5]. Each community consisted of several monogenic, and subsequently, polygenic villages, which occupied a territory that had clearly defined spatial boundaries. The gorges and mountain valleys were the territories where such communities settled. The system of settling of the upland type as well as the system of settling of the Black Sea region type consisted of the main and seasonal settlements. The main settlements were situated, first of all, in gorges, with the growth of population they created new villages both within the gorges of the initial settling, and in new adjacent territories. Seasonal settlements (sites) - summer and winter sheds for sheep and premises for shepherds - were also mostly permanent, since seasonal cattle grazing areas - summer and winter pastures - were permanent and assigned to certain main settlements. Seasonal settlements of the upland type ensured management of the main producing economy of the Abkhazians: distant sheep breeding, and were divided into settlements, of both seasonal and year-round use. All these settlements were connected with the main settlements by a well-developed system of mountain trails. Trails and mountain roads are a kind of spatial framework that ensured the territorial and social integrity and consistency of the upland type of settling. A characteristic feature of the upland type of settling was the organic connection of all its components with the landscape and the formation of the structure of the settling itself, taking into account the natural landscape features. One of the important components of the mountainous type of settling was the system of "sacred places" - sacred forests, caves, mountains, groves, trees. This system was a kind of ecological framework of the territory - an effective means of preserving and protecting ecosystems from the negative effects of anthropogenic influence. The ideological attitudes of the Abkhazian culture received spatial expression, consolidation and development in an effective and environmentally friendly system of nature management and the system of settling interrelated with it. Mountain roads of international importance (mainly the branches of the Great Silk Way), via a system of passes, connected the communities of Abkhazia with the coast, as well as with the communities of Alanya, the Nakh people who inhabited the valleys of the Dzherakhovsky Gorge in the east; in addition to this, there were trails that provided links to the mountainous regions of the Central Caucasus. These roads were used for trading purposes, for seasonal transfer of large quantities of livestock. They were landscaped, had a system of special landmarks on dangerous areas. Mountain trails of internal significance (the second category) carried out communication between groups of villages within one community, and their main purpose was to provide economic relations. These paths were also landscaped and maintained in good condition by efforts of the community. Mountain trails of local importance provided a seasonal run on pastures, used for hunting. They were shorter, but less landscaped and less convenient.

The main settlements of the Black Sea type of settling, as a rule, arose as fortification points of the Romans and Byzantines, were trading points on the territory of Abkhazia. These should include Sebastopolis, Pitiunt, Mamay-Kala, Godlik [6]. Sources report that in the 6 c. Justinian I built a big city with streets and public buildings in the fortress of Sebastopolis after the departure of the Persians [7]. The economic interests of the world powers contributed to the development of cross-border routes through the territory of historic Abkhazia via transit routes [7]. With their direct participation in strategically important places on transboundary routes, additional outposts were built to mark the route model of space exploration. These include the fortresses of Achipse, Khashupse, Gerzeul, Tsebelda, Bukolos [8]. These objects, along with the Black Sea coast ones, played a similar role in the formation of the spatial framework. They build numerous roads (radial network) leading to and from these fortresses, passing through the most convenient sections and connecting nearby settlements with each other. The specialization and differentiation of the latter was deepening, international trade was becoming a driving force for the development of all sectors of the economy. Industrial, craft and commercial settlements that occurred near the outposts were fitting into the radial model. In the 8 c. due to the formation of the political body of the Abkhazian kingdom, the importance of the piedmont Abkhazian road comes to the fore. On this route, a new system of upland fortifications, settlements serving them and major settlements were formed. Anakopia turns into a large city, the center of the Anakopian episcopacy, protected by fortifications from three sides. Its economic well-being is ensured by maritime trade through two ports. The pass way through the North Caucasian passes of Sanchar and Himsaiz also leads here. The transfer of the capital of the Abkhazian kingdom to Kutais required additional efforts to improve the route and ensure its safety. The importance of western cross-border access routes was increasing. They were marked with the fortresses of Achipse and Pslukh, Bzyb and Pskhuv located on the way through the passes of Pseshkho and Sanchar, respectively. A new stage in the formation of the space reclamation scheme leads to the development of the radial model. Paths and mountain roads become a kind of spatial framework that ensures the territorial, social and economic integrity of the population of the Abkhazian kingdom.

CONCLUSION

In the process of the Abkhazian ethnogenesis, a peculiar radial-route model of space reclamation corresponding to the new historical and landscape conditions of the development of the space was formed. Its first major centers which formed the radial connections are marked by coastal fortresses-cities: Sebastopolis, the main trading port of Abasgia, Pitiunt-the main religious center of the Abkhazian kingdom, Anakopia - the first capital of the Abkhazian kingdom. The points of the second-level radial connections were natural and artificial sacral objects. The third-level radial connections were determined by the contacts between the patronymic communities. Route connections were predetermined by the territorial and geographical location of Abasgia - the passage of the Great Silk Way through its territory, the arrival of Roman and Byzantine garrisons on its territory, and the

formation of the kingdom of Abkhazia in the territory of the Western Transcaucasia in the 8 c., which had established close contacts with Byzantium by the end of the 9 c. The radial-route model can be considered as one of the essential manifestations of the traditional Abkhazian culture, it was of vital importance in the development of the settlement system and the urban development of the Abkhazian territories. Another determining factor of traditional settling was the landscape, landscape characteristics of the space development of the Abkhaz ethnic group. Two territories different in terms of landscape, the Black Sea and the mountains, became objects of spatial modeling of the radial-route structures of the Abasgian settling.

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INTERDISCIPLINARY APPROACHES TO CITYSPACE: FROM THE POSTMODERN TO THE GLOBAL CITY

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ABSTRACT

Cityspace has been the topic of urban and cultural studies for at least two decades and has opened a variety of ways to approach the city, from historical and cultural perspectives to socio-geographical, economic, religious, literary, postmodernist, post-colonial and, more recently, geo-critical ones. The article looks at the European and American city from the 1970s to the present through the lenses offered by the theoretical approaches by Edward Soja, David Harvey, Michel Foucault, Frederick Jameson, Bertrand Westphal, Manuel Castells, among others, while highlighting the specific characteristics of cityspace and citizenship, the use and misuse of living and imagined spaces in the period mentioned above. The shift from the modern city to the postmodern metropolis and global megalopolis has entailed essential changes in the views on cityspace both from the architectural perspective and from the city dweller's perception of space in the city. How these changes have affected our lives and what the city of the future will look like are two core questions this article attempts to answer.

Keywords: *postmodernism, postmetropolis, megalopolis, global city, network society*

INTRODUCTION

Cityspace is a term coined by the cultural geographer and urban theorist, Eduard Soja, in 2000 and refers to the urban space from three perspectives, out of which the third is described as complete, encompassing all possible aspects of the city. In his approach to the city, Soja, the founder of the Los Angeles School of urban studies, identifies three kinds of cityspace *Firstspace*, which he describes as the real, material city, *Secondspace*, the imagined city, and *Thirdspace*, a combination of the former two, described as “a simultaneously real-and-imagined, actual-and-virtual” lived space of the city, “a locus of structured individual and collective experience”. [1] While the first two kinds of cityspace offer, according to him, an incomplete perspective on space in the city, Thirdspace offers a more complex, exploratory view which allows the critic to look at the city from historical, economic, cultural, human geographic, social and fictional perspectives. [1] Edward Soja's acceptance of the fictional, literary approach to the city, and the inclusion of this approach in the meaning of the Thirdspace concept has brought him the criticism of the Chicago School of Urbanism, whose representatives (Manuel Castells, David Harvey, Henri Lefebvre) were mainly looking at the economic and social dimensions of urban life, at the expense of the

“real-and-imagined, actual-and-virtual” lived-in space of the city [1], which Soja features in his analysis of the postmodern metropolis, offering Los Angeles as a case study.

The distinction between the two schools of thought in the field of urbanism lies in the contrast between a modernist approach to the city, based on social Darwinist struggles for urban space (e.g. Harvey’s theory of “social justice” in the city) supported by the Chicago School and a postmodernist, postfordist vision advanced by the Los Angeles School. The latter relies on the postmodernist concepts of heterotopic and hyperreal space (Jean Baudrillard, Michel Foucault, Frederic Jameson) on Jacques Derrida’s poststructuralist philosophy, on Mike Davis’s analysis of social class and power and on Edward Soja’s cross-disciplinary vision and deep insightful views on exploring the city and the lives of its inhabitants. One of the weak points of Soja’s theory, according to the Chicago School critics lies in the fact that Soja applies it to Los Angeles, California, considered to be the paradigmatic postmodern American postmetropolis, whereas other postindustrial metropolis may not fit so well into his theory.

The aim of this article is to offer a reading of the city through time with a focus on the period between the latter half of the twentieth century and the present and with a view to highlighting both schools’ approach to the city. My intention is to draw attention to a number of aspects that are recognizable nowadays in a postmetropolis, irrespective of its geographical position, to distinguish between the modern, postmodern/ist city (or postmetropolis) and the way it is perceived by its dwellers and to look at the world/global city (or megalopolis) as its latest stage and its possible cultural representations. What will the city of our future look like?

FROM THE MODERN TO THE POSTMODERN CITY

The modern city, usually referring to the industrial metropolis from the nineteenth century to the 1950’s and ’60s comes with two important characters: the crowd and the stroller, the *flâneur*. Either tarred by industrialism, poverty and the existence of the slums or shaken by revolutionary upheavals whose target was to overthrow the monarchical or foreign governments, the cities witnessed, in the nineteenth century, the birth of the crowd, who became the city’s collective character. It is the crowd, the popular classes, and their entry into political life that became characteristic of the modern city for the tremendous role that they played in history. Besides the crowd, with its representative, the leveled “crowd-man,” excellently described by Le Bon [2], there is another type of city dweller that appears at the turn of the twentieth century: the street-stroller, the *flâneur*, whose specific activity was to observe the city and distinguish between the eternal and the transitory and who is fascinated by, and awed at, the colors and smells of the growing metropolis. This attitude leads to a number of things that are represented by the literature and the arts of the time: one, the focus on the dwellers and the

way in which they perceive the city through the senses. In this case, the lived city offers as many perceptions of the city as the number of its city-dwellers. Two, the shift from viewing the city as a centripetal entity (meaning that life in the city is controlled from central institutions that function as a central force) to looking at the city as centrifugal (meaning that the central institutions have lost their grip on the city and that the center multiplies according to various cultural and symbolic correspondences of space and time which the dweller creates in his/her mind.) Experiencing the city through the senses creates a plural, imaginary, subjective image of the city unique to each inhabitant. Therefore, each individual offers a distinct urban imaginary, a mental or a sensory map of the city which renders cityspace highly subjective. An example to this effect is the mapping of Dublin by Joyce in *Ulysses* (1922). Although Joyce claimed that, if by any chance, Dublin disappeared from the face of the earth, it could be completely remade following his maps in the novel, the truth is that it could not. The geographical sites, the major buildings and the institutions are perceived through the senses of the three major characters, offering distinct, even opposite views on the same lived or imaginary space. Subjectivity is so intense that the recreation of the city according to the characters' perceptions would lead to the creation of a multiple city on juxtaposed layers of individual perception.

This shift from looking at the city as an objective reality to the subjective conception of reality is highly enriched after WW II by the postmodernist vision of reality. Thus, contrary to looking at reality as the amount of facts and events surrounding us, a view of utter importance to nineteenth-century realism and idea of progress, or identifying reality with subjective consciousness, postmodernism vouches a complete disbelief in representing reality altogether, irrespective of its being mirrored by the mind (Rorty), by an institution (Foucault) or by language (Derrida). According to postmodernist theory, reality cannot be singular, but plural, manifesting itself through highly subjective perceptions, while meaning cannot be fixed, clear, but fluid, plural, and very much elusive. Therefore, the notion of reality becomes inclusive, encompassing the heterotopic and the hyperreal. This obviously alludes to Michel Foucault's description of "heterotopia" [3] and Jean Baudrillard's definition of "hyperreality" [4]. By including the "heterotopia" and "hyperreality" concepts in discussing urban space, postmodernist theory envisages the city as structures in relation or as multiple signs (Baudrillard) in which diachronic systems (including space and time) are replaced with synchronic ones. The city becomes thus a state of mind, a vortex or a maze, controlled by institutions and systems of power, but impossible to manage by the individual.

A highly revealing example to this effect is Frederic Jameson's inclusion, and description of, The Bonaventure Hotel (Los Angeles) in his seminal essay: *Postmodernism, or, the Cultural Logic of Late Capitalism* (1991) [5]. He compares The Bonaventure with the Pompidou-Beaubourg Center in Paris and the Eaton Center (Toronto), from the similar way in which these three buildings (all finished in the 1970s by different architects) envisage space as a complete

world in itself, creating a miniature city for people to move in and congregate. As he states in his essay:

I believe that, with a certain number of other characteristic postmodern buildings, such as the Beaubourg in Paris or the Eaton Centre in Toronto, the Bonaventure aspires to being a total space, a complete world, a kind of miniature city; to this new total space, meanwhile, corresponds a new collective practice, a new mode in which individuals move and congregate, something like the practice of a new and historically original kind of hypercrowd. [5]

Such buildings offer a completely different experience of space: they discourage independent mobility, obliging the visitors used with the strolling through the place to give themselves up to “transportation machines” or to be surprised at unexpected entries into the building and unimagined positions of ordinary places such as shops, bars and registration desks. This also challenges the concept of the crowd and alienates the stroller.

In his particular reading of the city, Manuel Castells launches the idea according to which the capitalist-industrialists took control over the production of space and turned the city into a container of capitalist inscriptions, which created an “urban ideology” [6] or a “myth of urban culture” [6], which he is opposing. On the other hand, David Harvey’s formulations look at the urban changes in the 1950s through the 1970s, officially described as “urban renewal” or urban planning. In his view, these renewals actually meant the forced removal of the poor people or of ethnic communities from certain areas, mainly downtown, to create space for financial or governmental buildings or more elegant residential areas, a re-enactment of the urban planning by Wren and Hausmann in the previous centuries. However, while in the western cities, this forced removal was effected by both economy and population distribution politics, in Bucharest, for example, the erasing of a whole district for the building of the megastructure called People’s House in the 1980s is an example that falls in the category which Harvey calls the “redistribution of injustice” and which Soja describes Harvey’s formulation as a shift from “liberal to socialist formulation” views. [7]

Grounding his theory on Jameson, on Manuel Castells, David Harvey and Henri Lefebvre, Edward Soja offers a reading of the city through equally strong, Marxist economic and social lenses. Soja’s approach to cityspace is crucial in his attempt to discuss the postindustrial, highly technologized city as a symbiosis of constructive and destructive energies living together (“synekism”) or as a hybrid space including both wild and inhabited areas, also productive of opposing energies [1]. Soja has an economic, cultural and human-geographic approach to the city, which he supports with urban policies and figures. He offers a geographer’s view on cityspace which we find translated into fiction in the postmodernist writers’ reading of the city.

MEGALOPOLIS, OR THE GLOBAL CITY

The rise of globalization has brought about a different perspective on the city, which is measured and analyzed according to its “world-cityness,” namely according to its place in the hierarchy of the largest cities in the world as Jayne and Ward claim in their introduction to *Urban Theory (New Critical Perspectives)* [8]). Whether they are labeled alpha, beta and gamma world cities [9], global, sub-global and regional cities [10], ‘mega’ city-regions or, simply, ‘city-regions’ [11], the analysis of the world/global city reveals a few aspects that have manifested themselves in the postindustrial society and should, therefore, be taken into account. These aspects refer, on the one hand, to an agglomeration of population in a few megalopolises (cities with over 5 million inhabitants), the presence of multinational institutions, tourism and culture industry and, on the other hand, to the air and rail connectivity to the world. In this way, the global ‘mega’ cities (like New York, London, Tokyo, Shanghai) have turned into “spatial nodes” with specific economic, political and cultural characteristics which assured their success in the globalizing world [8].

Manuel Castells’s (2004, 2006) theory of the network society has inspired the urbanist scholars in describing the global mega-cities as spatial nodes. According to Castells and a few more analysts of the digital world, the network society functions like any network, meaning that it has no center, only nodes that serve the network in terms of varying relevance [12]. Any network has been assigned goals and rules of performance, which makes networks cooperate or compete with each other through the inclusion or exclusion of ‘nodes’ and the operational programming of ‘switches’ that regulate the network. Since the core activities that shape and control human life everywhere on the planet are organized in these global networks [12], it is obvious that the urban areas, in which there is an agglomeration of nodes as well as of people, function according to the structure and rules of the networks. In analyzing the power in the social networks, Castells considers that it is dependent on its programmed goals. Thus, for instance, as he claims, “in global capitalism, the global financial market has the last word and the IMF is the authoritative interpreter for ordinary mortals” [12]. The IMF’s verdict, therefore, affects both a certain society and the urban areas in which the people live. As a consequence, cities can grow or decline, the countryside can develop or dilute according to economic interests and financial gains.

Historically, networks have always existed and formed the pattern of life on the planet both geographically and in terms of communication. However, while in the past the networks functioned as an extension of power that was concentrated at the top (state, religious institutions, army, etc.) in the present, the networks lack the vertical organization due to their global structure. Therefore, they both have helped the forming of the global cities and support their existence. Most recent urban theories (from 2010 to the present) have attempted to develop a balanced understanding of the urban territory, with a special focus on the connectivity between the urban spaces (Jayne and Ward, 2017 [8]). In other words, urban

theories, as diverse as they are, try to make sense of the urban world from cross- and inter-disciplinary angles overlapping geography with economy and culture, but also with consumption, technology, feminism, travel and, obviously, with sociology. In this respect, Castells's theory of the network society both supports and explains the existence of the global city. The network society, which operates in a global "space of flows" (Castells 2004, 2006), leads to regional concentrations which develop an informational global economy and cultural industries (music, TV, film, computer games, literature, design, learning materials), based on, and dependent upon, the latest communication technology, media and digitalization [13].

From a postcolonial perspective, any labeling or hierarchy of the global cities reflects the western geographical imagination; therefore the study of the city and cityspace should not be reduced to case studies discussed according to western capitalist criteria (Said, 1978, Spivak, 1993). On the contrary, the (former) colonized cities reveal specific aspects, a mixture of the local and the foreign, that do not fit into any of the categories mentioned above, but should be taken into consideration in a more detailed analysis of cityspace. The postcolonial approach to the city questions the traditional Marxist view and highlights the relationship between power and knowledge (Foucault, 1979) in hidden and overt ways, focusing on a large range of institutions that relate to health, crime, 'deviance,' sexuality, networks of power. Actually, Foucault's theory, which has generally influenced the shaping of poststructuralist methods that uncover hidden power relations, could be applied to the analysis of any city. Moreover, if the city is looked upon as a text or as discourse, Deleuze and Guattari's (1987) poststructuralist theory, underpinning the confrontation between human and non-human actors in political and social struggles, could also be applied.

Drawing on Castells's theory, especially on his description of the space of flows in the network society, John Rennie Short (2006) examines specific flows in the contemporary global urban network, such as airlines and connectivity to the world. In this sense, he describes London as the hub of global airline flows, Los Angeles as a Pacific Rim world city, Amsterdam as a European world city and Miami as the global city of Latin America and the Caribbean [14]. Additionally, he introduces two major aspects in the labeling and description of the global city: the distribution of advanced producer services (accountancy, advertizing, banking, law, management consultancy), which operate in and through 'offices' (the "metaphor" of the postindustrial city) and the presence of migration flows [14]. These aspects lead to a "polarized city" in terms of income and life-style, generally consisting of two categories of people: the office goers during the day and the office cleaners during the night.

It is obvious that neither the postmetropolis nor the megalopolis (or the global city) look anything like the modern industrial city whose transformation into the postindustrial city of today started after WW II. Moreover, the uneven development of economic, political and cultural globalization is constantly

creating new forms of social and spatial organization. Therefore, the world city should be researched in the process of “becoming”, rather than on the status of “being” global [14]. The dynamics of “becoming” reveals another important aspect of globalizing the ‘city’. Being one simple element in regional economic agglomerations, the city becomes a node in the circulation patterns of the network flows. The development of various zones in the city, especially at the peripheral area, the creation of new cheaper sites, to which jobs and services move, turn the ‘city’ into an urban region.

In the cultural and literary fields, the recent views on culture and society, human geography and literary criticism have given birth to geocriticism, a theory that connects “human spaces” with mimetic arts and reveals “through, and in, texts, the image, and cultural interactions related to them” [15]. In other words, Bertrand Westphal, the creator of geo-criticism, proposes a geo-cultural way of reading spaces, whether real, imaginary or both, which builds on transgressivity (with its deterritorialization and reterritorialization components), on referentiality and on imagology [15]. What he does is to propose an analysis of literary and cultural texts envisaging cityspace as a mobile territory with an ephemeral demarcation, constantly subjected to both de- and re-territorialization forces. In this way, Westphal connects geography to literary studies and creates an interdisciplinary approach to real, imagined and lived-in space.

CONCLUSION

Irrespective of the way we look at the city as a postindustrial metropolis, as a global city or as a global city-region, the paradigmatic shifts from modernity to postmodernity have deeply affected the perception of the city first by decentralizing the stable structure of the industrial city and, then, by adding a global dimension to the city that has reduced its national importance and has increased its regional one. The changes in the paradigm have impacted the city-dwellers in their perspective on, and perception of, cityspace. Returning to Soja’s *Thirdspace* concept [1], it definitely encompasses the various ways of living and imagining the city, as real and virtual reality, as a living space for distinct groups, or communities, or for individuals. Foucault’s concept of heterotopia, Baudrillard’s definition of hyperreality, Jameson’s description of postmodern ruptures and disorientation in urban culture, as well as Soja’s “synekism” [1] have produced, under the power-knowledge pair that governs our world, spatial strategies of connection and growth, but also of dispossession, difference, and authority that apply to any city whether postmetropolis or megalopolis. Whatever space in the city we may occupy, we live in areas of conflicting geographical imaginations, constantly chartered by postcolonial (re)mappings and postmodern urban representations.

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NEW DATA ON CHRONOLOGY OF MEDIEVAL ARCHITECTURAL OBJECTS OF NORTHERN PROVINCES OF THE BYZANTINE OYKUMENA

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ABSTRACT

The article shows the first results of the systematization of all the accumulated scientific data about the medieval architectural legacy of the North Black Sea region, the West Caucasus, the North Caucasus, Abkhazia, understanding of the background of creating schools of architecture in the context of adjacent territories. We provide the information about on-site inspections of 58 samples, including those performed using the methods of 3D-scanning, we introduce into scientific use and perform the attribution of new and little-studied architectural objects. Also we provide the results of the testing and the descriptors of a new method of dating the objects of architectural legacy on the basis of comparison of the data of architectural analysis, historic and architectural data and the results of chemical and X-ray phase analysis of whitewash relating to the designated region; we provide the defining the regional peculiarities, professional principles and constructive methods of building technique. .

Keywords: *Middle ages, x-ray method, Data chronology, Caucasus, Abkhazia*

INTRODUCTION

From March of 2019 to June of 2019 we collected the samples from 58 most famous architectural objects of the region (Georgia, Abkhazia, Chechnya, South Ossetia, Sochi) and in June of 2019 we studied the samples applying the method of X-ray phase analysis. We conducted the research using another machine DRON-7. Shooting conditions: the method of shooting 2Θ is Θ , an interval – 20-50 °; a step – 0.05 hail; tension – 40 kV; current – 15 mA. Cracks: a crack horizontal (tube), mm – 10, a crack vertical (tube), mm – 1, Soler's crack – 2.5 °, a crack vertical (detector), mm – 0.25, a crack horizontal, adjustable (detector), mm – 10, an exposition – 1 second, the speed of rotation of a sample – 1 rps. At the exit of a tube the mirror of parallel and beam geometry (gives the chance of shooting in small corners) is established, side effect of use of a mirror is decrease in intensity of primary x-ray bunch. 4 samples had been earlier aged-dated using the machine ARLX TRA with slot width 2–4–1–0,5. The conditions

of the shooting using diffractometer ARLX'TRA: interval – 5–65°; speed: 5–6 gradians/min; voltage– 40 kilowatt; current – 30 mill amperes, were redated on the new machine to maintain the experimental integrity [1].

As the basis of the experiment we used the ability of whitewash to gain crystallinity with time, to be more precise the crystallization of calcite. In simplified form – micro crystallites of calcite become bigger and grows the degree of their structural perfection. The relative age was estimated using the number of peaks (intensity) of the main diffraction maximum of calcite – 3,03Å, i.e. the higher the intensity is the older is the sample. The main peak of calcite (CaCO_3) 3,03Å is the distance between atoms of calcium and oxygen, angstrom - Å is 10^{-10} metres in an ideal crystal. This natural process is well-known in mineralogy, materiology and technology of silicates. Thus, it can be said that the higher the crystallinity intensity of calcite is, which is determined using the X-ray structural method, the higher the age of the material itself is under certain accepted assumptions about which we will speak below. The new machine has a different resolution and, accordingly, a lower degree of accuracy in counting the number of peaks of calcite, and therefore the values obtained using it became one order less, for example, instead of 3000 - 300. In both cases the line-up of increase of the age according to the growth of intensity of peaks of calcite was made relatively, basing on the values, gained through examinations of fiducial (exactly ag-dated) samples and on the known natural laws of crystallization of limestone. The age-datings of the 4 samples and fiducial samples, obtained during the research made with the new machine, were the same [2].

MATERIAL AND METHODOLOGY

Description of the procedure for the selection of mortars: first, a visual inspection of the monument is carried out, its purpose is the identification of repairs, alterations, as well as especially significant structural elements of the monument. Since most of the ancient monuments used nowadays have been rebuilt many times, it was decided to take samples under the existing daylight surface. Where there were unplugged pits near the monument, or trenches, or the ground was washed off and the basement or the foundation was exposed—samples were taken from these sites. According to the results of the analysis, it was discovered that on the old foundations of some buildings, after a certain long time, new objects were erected. In this connection, there is a need for additional research of the mortars from other parts of the building. The next criterion was the dating of significant structural and architectural elements, which aimed at architectural transformation. For example, we took for analysis a mortar from the collapsed dome of tower No. 3 from the fortress of Tsibili. The analysis showed the end of the X century, from which it follows that during this period the tower was restored, but it does not deny the time of its construction in VI century. For the purity of the experiment, it is necessary to make analyzes of the mortars from the base of this tower, as a result of which, obviously, 2 construction stages at this object will be revealed. Many researches thought that temples with straight

outside apsis could appear in the territory of Abkhazia after the XI century; they thought that this tendency was cultural influence from the east. To clarify this idea, we took the mortars from many temples, including those in Tsebeldam Marmalabaa, Ankhua, Mussera. The new information disproves the theory, according to which the temples were the result of east-Georgian influence. A still open question is the question of the background of creation of temples of this type, which fit into the period between the VI and the X centuries, in the territory of Abkhazia. Also, in order to study the transformations in the fortification architecture of Abkhazia, mortars were taken near the gate devices of the fortresses. In the fortress of Bzyb the gates were built at the end of the 8 century, and the objects located outside the walls belonged to the period from the 6 to the 14 centuries. To develop a more accurate chronology, mortars from other fortification elements of a given fortress should be studied, and the chronology of the construction stages of this complex should be compiled based on the results. The Kaldachvara fortress located opposite Bzyb one across the Bzyb river has similar space-planning solutions. We received the following datings (Table 1):

Table 1

№ №	Location, name object	Place of selection of the sample	Note	Intensity of the main peak of Calcite	Standard Dating, c.	Dating on intensity of the main peak calcite, c.
	Georgia					
1	Udjarma	temple		305	7 Chubinashvili [3]	The End of 7
2	Udjarma, fortress	wall		346	7 Chubinashvili [3]	The End of 6
3	Machi, fortress	gate		376	7-8 Chubinashvili [3]	The Middle 6
4	Kortshely	temple	Took mortar from the old base in excavation of an apse. Perhaps, was built on the bases of earlier object	474	-	The Middle 5
5	Tsalendjikha	temple	Took mortar from the old base in excavation of an apse. Perhaps, was built on the bases of earlier object	331	-	The Middle 8

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6	Nina-Tsminda	temple	reference point	447	6 Chubinashvili [3]	The end 5
7	Samtavisi	temple		449	the beginning 6 Chubinashvili [3]	The end 5
8	fortress Chakvindji	gate		472	6-10 Chubinashvili [3]	the middle 5
9	Atskuri, fortress	tower		278	9-11 Chubinashvili [3]	The middle 8
	South Osetia					
10	Dzagina, fortress	tower		188	10-11 Dzattiatty	The middle 10
11	Disey	temple		365	8-10 Dzattiatty	The middle 6
	Chechnya					
12	Khoy	the hall with the arches		347	13 Ilyasov	The middle 6
13	Motsaroy	column in tower centre		50	17 Ilyasov	The middle 18
14	Khaybahoy	tower		191	13 Ilyasov	The end 10
15	Tertie	tower		133	14-15 Ilyasov	The middle 15
	Abkhazia					
16	Anacopia, fortress	tower gate	It is dated other device earlier 570-580	370	6 Argun [6], 7 Trapsh, Anchabadze.	the middle 6
17	Anacopia, fortress	repair of a wall at gate 2 lines of defense	It is dated other device earlier 1030-1050	159	11 Trapsh	the middle 11
18	Anacopia, fortress	Gate tower , 2 period	It is dated other device earlier 910-930	196	10 Argun[6], 10-13 Trapsh, Lekvinadze	The middle 10
19	Ankhua, Akuacha	temple	It is dated other device earlier 680-690	336	11-15 Voronov [4]	The middle 7
20	Gerzeul, fortress	temple		355	8-10 Voronov [4]	The middle 6
21	Gerzeul, fortress	tower		368	6-8 Voronov, 10 Bgazhba [4]	The beginning 6
22	Tsibil, fortress	tower with arch , mortar		241	6 Khrushkova [7], Voronov[4]	The middle 9

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		from dome.				
23	Tsibil, fortress	temple with direct external apse		307	6 Khrushkova [7], Voronov	The end 7
24	Tsibil	temple on neighboring hill		316	13 Khrushkova [7], Voronov [4]	The end 7
25	Ankhua, fortress	Georgy temple		402	-	The beginning 6
26	Ankhua, Akuyu fortress	temple		342	-	The beginning 7
27	Ankhua, Bji lva fortress	temple		260	11 Shervashidze, Pachulia	The beginning 9
28	Bzyb, fortress	Cross-dome temple		254	9-10 Rcheulishvili [8] Khrushkova [7], Pishchulina	The beginning 9
29	Bzyb, fortress	Destroyed temple	Argun, Pishchulina in 2019 is revealed and measured	362	-	The middle 6
30	Bzyb, fortress	gate		269	8-10 Voronov [4]	The end 8
31	Bzyb, fortress	East tower		106	-	The end 14
32	Mokva	temple	reference point	184	964 Cartlis Tshovreba	The end 10
33	Dranda	temple	perhaps repair	283	6 Khrushkova [7], Voronov[4]	The beginning 8
34	Tsandrypsh	temple	reference point	382	6 Khrushkova [7]	The beginning 6
35	Lykhny	The ladder remains on choruses , to the left of the western antechurch of the krestovo kupolny temple.	on the place of early church it was constructed cross-dome, mortar was taken from an early object.	282	10-11 Rcheulishvili [8] , Khrushkova [7]	The beginning 8
36	Lykhny	palace	Obviously, took mortar from the base of	442	10-11 Khrushkova[7] B.	The middle 5

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			earlier object			
37	Bambora	temple		326	7-10 Vinogradov [5], Khrushkova [7], Voronov [4]	The end 7
38	Mussera	Temple Ambara		371	10-13 Vinogradov [5], Khrushkova[7], Voronov[4]	The beginning 6
39	Anacopia, fortress	Simon Kananit temple, altar	Mortar is taken from external facing, perhaps repair	183	9-10 Rcheulishvili [8] Khrushkova[7], Voronov[4]	The end 10
40	Anacopia, fortress	Simon Kananit temple, antechurch		259	9-10 Vinogradov [5], Pishchulina	The beginning 9
41	Gagra, fortress Aba-Ata	temple	Solution is taken from external facing, perhaps repair	79	8 Khrushkova [7], Voronov[4]	The end 15
42	Lykhny, Aba-Anta fortress	temple		248	7-10, Shervashidze, Khrushkova [7], Voronov[4]	The end 8
43	Verkhnya Eshera, fortress Yazabaa	tower		166	8-10 Voronov[4]	The middle 11
44	Kaldakhvara fortress	wall	Solution is taken from external facing, perhaps repair	107	8-10 Voronov[4]	The end 14
45	Narchkhoy, fortress	tower		190	11-15 Voronov[4]	The beginning 10
46	Tkvarchel region, Lashkendar	Temple, main part		303	11-15 Voronov[4]	The beginning 8
47	Tkvarchel region, Lashkendar	Temple, dog hall		126	11-15 Voronov[4]	The middle 14
48	Atara, Kodor fortress	tower		190	11-15 Voronov[4]	The middle 10
49	Adjubja, Marmal-Abaa	temple		192	11-15 Voronov[4]	The middle 10
50	Abgarkhuk, Mushba fortress	tower		217	8-10 Voronov[4]	The beginning 10
51	Anacopia fortress	Sea tower		238	10-12 Pachulia, 13-15 Voronov[4]	The middle 9

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52	Alakhadzy, fortress	temple 1		208	10 Khrushkova[7]	The beginning 10
53	Sukhum, fortress Sebastopolis	tower		261	6 Bgazhba, Voronov [4]	The beginning 9
Sochi region						
54	Monastyr	temple		238	9, Sitnikova [9]	The middle 9
55	Khosta fortress	tower		317	8-10 Voronov [4]	The end 7
56	Achipse fortress	Tower 2		534	7-13, Voronov [4], Vasilinenko	The end 4
57	Achipse fortress	Tower 1		145	7-13 Voronov[4], Vasilinenko	The middle 13
58	Mamayka, fortress	fortress		528	4-5 Voronov[4], Lekvinadze	The end 4

One of the urgent problems of modern history of architecture, archeology is to determine the age of architectural monuments. This allows us to more accurately determine to which architectural school belongs this or that monument, correct the data of our sources, helps in carrying out restoration work, the selection of building materials and products, etc.

CONCLUSION

The research method proposed by the authors made it possible to supplement and clarify the data of historiography and architectural studies concerning the age of architectural monuments - and in most of them there are no building inscriptions and evidence from written sources on the monuments. For individual objects it was possible to determine the historical stages of construction. The data obtained for a number of objects, radically change the generally accepted dating and require further clarification: for example, dating the Bzyb temple and the temple of Simon Kananit back to the beginning of the 11 century raise questions. However, such dating is possible, because changes in the liturgy, which led to the appearance of cross-domed churches, occurred in Byzantium at the end of the 8 century. At the same time, the first temples of the type “inscribed cross” appear there. Such early construction of cross-domed churches in the Christian centers of Abkhazia confirms the status of this state in the Byzantine Ecumene and the close connection of the Abkhaz elite with Constantinople, as a result of which style lags did not occur in Abkhazia during this period. In some cases, the obtained data may be fundamental in the dating of objects. Of course, for the widespread introduction of the proposed method, the work of many specialists and the accumulation of a large database of individual historical stages and regions is required. And even the first results can be of great scientific value, applicable to the dating of the cultural layers. Further accumulation of data on ancient building mortars will also reveal the evolution of construction equipment, clarify the dates of many unexplored monuments, and identify trends in various architectural schools in chronological order.

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RACIALIZING AND CRIMINALIZING SPACE: THE LOS ANGELES CASE

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ABSTRACT

The article addresses the issues of locating and relocating Chinese, Mexican and Japanese immigrants in Los Angeles in the early twentieth century. Based on the concepts of “geographical imaginations” (Derek Gregory), “spatial constraints” and “spatial control” (Goldberg) and health control (Molina), the removal and relocation of Chinese, Mexican and Japanese communities were acts that were apparently meant to solve sanitation problems, but revealed, in fact, a deeply racial attitude of the colonizer against the colonized. The administration acts of (forcefully) moving the communities according to the local policies of urban development and planning are discussed with a focus on the way in which the “aliens” were represented in the mainstream media (especially in *Los Angeles Times*) and became a target for racialization and criminalization as the reason for removal. The duplicitous discourse of the newspaper articles about these specific categories of immigrants is also analyzed.

Keywords: *Chinese, Mexican, Japanese immigrants, urban planning, urban removal*

INTRODUCTION

In his *Geographical Imaginations* (1994), Derek Gregory describes cultural landscapes in terms of both textuality and spatiality. The former term, textuality, draws on the reading of space as text, as a cultural representation, in which meanings are embodied, inscribed, and re-inscribed [1]. In addition, textuality could also be extended to readings of landscapes, in which architecture is interpreted as “archetexture” [1]. Gregory obviously acknowledges the influence which Peter Eisenman, Frederick Jameson, Francois Lyotard, and Clifford Geertz had on his own approach to space and landscape as well as on the connection he created between human geography, cultural studies and cultural anthropology. The last concept, cultural anthropology (based on Clifford Geertz’s theory) brought forward the importance of textualization in reading space and landscape, while Foucault’s concept of heterotopia produced a better understanding of what Gregory calls postmodern “spatialities” [1]. By joining Foucault’s heterotopia with Jameson’s description of postmodern ruptures and disorientation in urban culture, Gregory distinguishes a number of spatial strategies among which he mentions the importance of the power-knowledge pair in creating strategies of dispossession, difference, and authority. All this leads to the existence of a cartographic anxiety in a world of conflicting geographical imaginations that

includes both postcolonial (re)mappings and postmodern urban representations. The latest views in urban studies have focused on the creation of illusionary spaces, of geographic imaginations and cartographic deceptions. In this line of thought, one element of great importance for the understanding of space in both the metropolis and post-metropolis stages of the city consists in the strategies of dispossession and difference which have led to the creation of racialized and criminalized urban spaces. Seen as the effect of a racializing process in urban areas, racialized spaces have produced, and still produce, imaginary geographies of race.

Lefebvre's crediting space as a "social product" and as a "means of control and hence domination" [2] has opened the way to examine how space and place operate with marginalized, subaltern groups. Thus, through "spatial constraints" and "spatial control" [3], ethnic groups and marginalized people are monitored and disciplined. This creates racial spaces for ethnic groups (Mexicans, Asian-Americans, African-Americans) and secure (or controlled) spaces, for other categories of people, such as the poor and the homeless, which can easily become criminalized neighborhoods. Another possible way by means of which space may be racialized is through public health policies and discourses. In her study *Fit to Be Citizens?* (2006), for example, Natalia Molina analyses the stereotypical images that the Asians and Mexicans acquired as regards their relation to health matters: the fertile Mexican woman, the dirty Mexican man, the wily Asian vendor, the germ-spreading Chinese. [4] The stock portraits were produced by the white Anglo-Americans and stuck not only on the people belonging to the other races, but also on the space they occupied, which was described as filthy or perilous. Dispossession and removal have often been caused, besides racial ideology, by the will to sanitize the territory on which certain "unhealthy" communities were living.

The article will focus on various representations of Asian and Mexican immigrants to Los Angeles in the period between the 1880s and the 1930s by the major periodical, *The Los Angeles Times*, with a view to revealing how space was racialized and criminalized for the non-white immigrant, whom the press called "alien", compared to the white Anglos. The examples provided concern the Chinese, the Mexicans and the Japanese.

THE UNADAPTABLE "YELLOW RACE"

A number of the *Los Angeles Times* issues in the 1880s published short passages about Chinese immigrants' misrule and complete inadaptability, which provoked a huge animosity against the "yellow race" and led, in 1882, to the Exclusion immigration act that barred Chinese to come to the United States. While the act was under debate, the stories about the Chinese in the local mainstream press, like the *Los Angeles Times*, referred to their misconduct and the alarming possibility of bad behavior escalation. One piece of news the Angelenos could read in February 4, 1882, for example, was about a Chinese man's rude behavior

towards a white American woman. The Chinese was a “washman,” an occupation this ethnic group was known for in Los Angeles at the time. He probably brought the laundry to the lady’s home who may not have paid him as much as she should, when the altercation started:

It has become a common thing in this town for Chinese washmen to insult ladies at their houses. It was only a few days ago that one of the rascals went so far as to go to a certain house in this city and strike a woman, and when her husband lambasted him, he has the heathen cheek to go and have the man arrested for battery. But yesterday, one of the scoundrels got so bold and impudent as to go up to a lady and ask her for money when she did not owe him a cent. It is a pity that some man was not at hand with a ten-pound club to beat an ounce of American manners into his miserable carcass. [5]

The short piece of news dating February 4, 1882 precedes the promulgation of the Exclusion Act by the Congress, which was in May, the same year. The tone of the story and the choice of words reveal the anonymous author’s feelings towards the Chinese, his considering the protagonist’s behavior, not an exception, but the rule for this ethnic group. Words like “rascal”, “scoundrel”, “heathen cheek”, “miserable carcass” in such a short paragraph belong to a vocabulary that is clearly meant to distinguish the civilized and God-loving white Americans from the uncivilized aliens. Though written and published in 1882, the author preserves the word “heathen,” a term that had been used conjoined with “Chinese” in written documents since the 1860s. [6]

Later that year, the “Letter to the Editor” rubric of the *Los Angeles Times* publishes a concerned address to the editor and, by extension, to the general public, regarding the “filth and stench” of the Chinatown streets, located in the central part of Los Angeles which strikingly contrasted to the streets occupied by the white population:

The first thing a stranger does upon entering a town is to look at the health of its people. If a person is looking for a home he is more anxious to learn if there is a perfect system of drainage. He looks about to find the source of water, and if plentiful and pure. No town can be healthy with impure water [...] How long can Los Angeles remain even as healthy as now, with China town with all its filth and stench under the nostrils.

I’ve travelled much and can safely say, Los Angeles has the dirtiest streets of any town of its size I have ever seen. [7]

The letter is signed “Visitor”, which is a rather vague name for such an incriminating impression of the city. Whether it was fabricated or it was a genuine letter is, perhaps, less important compared to the expected effects which the letter envisaged. The solution to the problem should have been the building, by the municipality, of a sewage system in the area called Chinatown. It is notoriously

known that the sewage system ended in the plaza, a space shared by the white Americans and the Mexicans at the time. The blame for living in such dreadful conditions was laid solely on the Chinese residents and not on the non-existent drain pipes and almost inexistent health-care system. Moreover, the Chinese were allowed to own their own house, but not the land underneath. They could not have built any sewage system by themselves. Since the future of the city was at stake, urgent action was necessary and that was the cleansing of the area of its inhabitants.

The discourse of unhygienic people and disease carriers strongly opposes the discourse of California as the land of sunshine, disease cure and economic boosterism that was promoted in the *Los Angeles Times* by Harrison Otis and Charles Lummis in the 1880s and 1890s. Advertisements describing the climate, the products of the developing farms, the orchards of oranges and avocados, the curing effects of the Californian air covered most of the pages of the daily paper. While the official discourse boosted California as an Edenic realm and invited immigrants, the Chinese residents fought with insanity and disease.

Despite the provisions of the Exclusion Act of 1882, Chinatown grew in the following decades and opened various businesses including gambling halls and prostitution houses owned by both Chinese and white Americans, the latter being the only ones who had the authority to develop and control transactions. In spite of joint patronage, it was the Chinese who were blamed for seducing the whites to visit the brothels. The occupants of the 'white' space became victims of the criminalized 'yellow' space. The *Los Angeles Times* editorial of February 5, 1886, for instance, describes Chinatown as the place with "long, dark and narrow halls, bare of every touch of civilization," "where humanity stands on a level that is scarcely human; where filth, and disease, and vice wallow together". This reveals a "degradation lower, if possible, than reached of old by the native races of this coast" [8]. The article is a document that states not only the extremely marginalized position of the Chinese, but also the unbelievable sub-hierarchizing of the Chinese as even lower than the native Indians, considered at the time to be less than human. The space the Chinese occupied was so intensely racialized and criminalized that, a year and a half later, a fire destroyed most of Chinatown. The perpetrator, if any, has never been discovered, nor was the origin of the fire, but the consequence of the tragedy was the removal of the Chinese to a new area. The racializing and criminalizing processes went with them to the newly relocated space.

When it was established as a town, most of the social, economic and cultural life of Los Angeles took place in the Plaza, the central area of the emerging city. Towards the turn of the twentieth century, because of the "filth and stench" of Chinatown and following the arrival of more and more of Japanese and Mexican immigrants, the white Americans left the Plaza and went southwesterly, creating a white zone, detached from the ethnic spaces, in and around nowadays Pershing

Square. In this way, the racial boundaries moved, as did the segregation of the multi-ethnic areas occupied by the other immigrant populations.

THE “YELLOW PERIL”

The major effect of the Exclusion Act of 1882, which concerned the Chinese, was the rise in number of the Japanese who flowed to Southern California. While the Chinese were labeled as ‘bad’ and barred the entry to the States, the Japanese were the ‘good’ guys and welcomed by the white Americans. The editorial of the *Los Angeles Times* of January 15, 1903 describes the incoming of the “little brown men” as being doubled, “while death, deportation and voluntary departure for the Flowery Kingdom, have depleted the number of Chinese to a low point.” The article claims that the arrival of the Japs “in hordes” to Southern California, changed the “racial complexion of Los Angeles,” especially as most of the newcomers found employment in households among the white people. Therefore, “a neatly robed Jap now answers the bell and performs kitchen work.” [9] Socially, the Japanese were, like the Chinese, inferior to the white race and treated as such.

The Japanese were initially favored to the Chinese and described as “cleaner in their habits and more satisfactory in every respect” [9]. It is important to notice that the Asian immigrants were firstly judged by hygiene and health and not by other standards and that comparison was made between any Asian resident and the Chinese in terms of cleanliness. However, the Japanese had their own flaws: they were choosy in finding employment because they wanted a higher salary than the ordinary servants and they requested all their afternoons free. [9] In creating their own space, the Japanese seemed to be more organized than the Chinese: they needed the free afternoons to study and get degrees. Moreover, they were good farmers, they enjoyed autocracy, and resisted the white population’s manipulation techniques much better.

The racializing process of Los Angeles continued in the first and second decades of the twentieth century. With the Chinese held in check, the local government imposed a similar form of exclusion act, called the Gentleman’s Agreement, on the Japanese in 1906. According to this agreement, the unskilled Japanese workers were excluded for immigration, though their women and children were accepted, which drastically reduced the flow of immigrants. Moreover, the Japanese were not allowed to own land, another component of the racial rhetoric of keeping California ‘white’ [10]. In spite of the immigration restrictions, the Japanese community continued to grow until it became a “menace” considered to lead to the end of the white race in California. Under the title, “The Jap Menace in California,” the editorial article published on July 25, 1920, introduces the theme of the Japanese peril both as a nation with a high birth rate and as a nation with a well-known capacity of inadaptability to other cultures. [11] Grounding his article on the report issued by the State Board of Control for the Federal Government in 1920, the reporter analyzes the negative effects that

the domination of the “yellow hordes” may have on the white Americans, while inducing the fear that, unless some action is taken, the “yellow peril” will have devastating consequences:

That California’s uneasiness in regard to the encroachments of the Japanese is based upon the social non-assimilability of the Orientals, their apparent determination to violate the so-called gentlemen’s agreement between the two countries by false classification of immigrants, and by the high birth rate established by those who have settled here is apparent from a review of the report. That the federal government takes cognizance of the seriousness of the situation is evidenced by the hearings held in various parts of California during the past week by the Congressional Committee on Immigration. It is hoped that the results of these hearings will be recommendations to Congress for *legislation curbing the invasion of the American soil* by the Japanese. (italics mine) [11]

The article blames Japan for continuously violating the Gentlemen’s agreement by offering an inadequate, wrong classification of the immigrants to the American officials, while the American government is described as an innocent victim of the Japanese ruse. This is actually an example of how the white Americans constructed ‘yellowness’ and its peril and how, through discourse, space was racialized and criminalized. The fear of space invasion was so strong, the menace so real that the author of the article introduces, in its second part, the question: “Is California of the future to be white or yellow?” [11]. To the white majority, the answer was obvious; therefore, immediate action was required to save ‘whiteness’ from perishing. The action was to “curb the invasion of the American soil” through law. [11]

THE “BROWN PERIL”

Another problem arising in the 1920s, which required both attention and action was the Mexican immigration. Soon after the arrival of Mexicans in large numbers, they got the label of “brown peril”, replacing, for a while the threat of the “yellow peril” on the white population. The very poor conditions in which they lived were cause for disease spreading which caused further marginalization and segregation. The Depression years affected the Mexicans to a large extent. Since their jobs were cut first, the rate of unemployment among the ethnic population grew. Moreover, the general view held by the white officials was that they were Mexican-Indians and, therefore, inferior to the Spanish settlers. The term “alien” that had been attached to the Chinese came to be used in reference to the Mexicans too. ‘Race’ and ‘alien’ became synonymous with ‘Mexican’ to the exclusion of any other racialized group. [12] Under such circumstances, fearing a higher unemployment rate among the Mexicans, due to Depression, and in the absence of a civil welfare and health system, the white Americans decided to take action and deport the Mexicans back to their country in 1931. They targeted especially the blue-color workers after they finished work at the railroad, where they toiled together with the Chinese. Though officially only the undocumented

Mexicans should have been deported, in fact, a large number of American citizens of Mexican descent had to go. [13]

Paradoxically, 1931 was the year in which the Angelenos celebrated 150 years since the founding of the city. In September 1931, they organized a huge Fiesta in which almost one million people participated and which featured, through parades and short acting scenes, the founding families of Los Angeles, who had actually been Mexican-Indian, as well as the first white pioneers. While the whole town, including the Chinese and Japanese communities, celebrated the 150 year-anniversary, the Mexicans, most of whom had completed the railroad work, were sent back to their home country by thousands. A short notice in the *Los Angeles Times*, dating March 8, 1932 and entitled “Repatriates of Mexico to Leave for Home Today,” describes the situation:

The Mexican people being sent home are indigents who have been under the care of the County Welfare Department. All the citizens of Mexico are going back voluntarily. A County Welfare Department officer will accompany each train and remain with the repatriates until they reach their destination. More than 6000 of the Mexican citizens have been sent back by the county authorities. [13]

The documents of the time actually record that a very small number of the deported Mexicans were under Welfare Care, most of them not benefitting from any social charity. Moreover, the “voluntary” return has also been strongly questioned, as it seems to have been induced as a better alternative to the economic situation in the States. The exact number of the expatriates is not known (the official average number is 1,000,000), but the critical part of the problem was “the trauma and the havoc that the repatriation movement created in the Mexican-American community”. [14] This was due the fact that the families caught in the repatriation process did not understand what was happening to them, why they were singled out and why repatriation did not affect other ethnic groups as well. Moreover, adaptation to Mexico was harder than expected and re-adaptation to, and reconciliation with, America and the American life when the expatriates returned to California was not easy either. The trauma lasted with the indigenous population for decades. It was in 2005 that California State Senator Joseph Dunn addressed the Californians an open letter in which he denounced the Californian policy in the 1930s of deporting the Mexicans against their will within the program called “repatriation,” “a fictitious word that created the illusion of returning to one’s homeland. In reality the deportees arrived in a country that was foreign to them, since most of them had been born in the California, where they did not understand the culture and were treated like outcasts.” [15]

Against this background, the Fiesta celebrating 150 years since the birth of Los Angeles was organized. One of the major goals of the Fiesta, if we look at all the preparations which had been carefully made for weeks before the actual event, was to strengthen the “tradition” of the white Americans in the city and to re-create a past rooted in the history of the Spanish “riders” who settled in California,

and not in the history of Mexico. The whole scenario of the Fiesta, the articles describing the founding and rise of Los Angeles, the orchestration of the celebratory moments and the skillful, yet very discriminatory, involvement of the other ethnic communities and races (Chinese and Japanese) were meant to seal forever the European tradition of Los Angeles at the expense of the Mexican contribution.

CONCLUSION

Until, perhaps, the last quarter of the twentieth century, Los Angeles was an outpost of white supremacy in the region. The racializing process in the first three decades of the twentieth century in Los Angeles was very intense because the local boosters had created a myth of the city that appealed very much to the white population; the non-white peoples who, charmed by the myth, came to Los Angeles to find a new and better life (as advertised) were accepted only as providers of cheap, invisible labor. Whenever workers were needed, immigrants were invited to come, while during the recession periods they were usually criminalized and forced to leave. Although Los Angeles had a large number of immigrant populations, the policy of zoning, mainly through housing development and the practices of restrictions created a segregated city growing into racialized spaces, moving and repositioning boundaries according to the social and economic development of the area.

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THE PECULIARITIES OF THE ARCHITECTURE OF OUTPOSTS OF THE WEST-CAUCASIAN BRANCH OF THE GREAT SILK WAY

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ABSTRACT

The article shows the results of the research of the regional system of territorial and spatial carcasses of the given group of monuments in the context of universals of medieval fortification architecture, traditional natural resource use and the sacral aspect; the research was conducted on the basis of historical and theoretical underpinning of the models of interaction of universal and traditional cultures in the fortification architecture of the region and its territorial subjects as a reflection of blends in the world view of the population and cultural identity.

We revealed the peculiarities of intercultural influence of the biggest objects-outposts of fortification architecture, elements of the defensive carcass of the Great silk way, situated along its main branches (the fortresses of Tsebelda and Khumara), which were earlier centers of fortification culture, on the architecture of the fortresses of the adjacent regions.

The fortification architecture of the mentioned fortresses is viewed as a system of original architectonic models, bright examples of universal fortification culture in the context of archetypic layers of ethno cultural consciousness, centers of spreading of the Byzantine culture and creation of blended variants of fortification architecture in the region.

Keywords: *Middle ages, fortification architecture, Great silk way, Northern Caucasus, Abkhazia*

INTRODUCTION

Archaeologists Y. N. Voronov and V. A. Kuznetsov studied the problems of revealing and locating the West-Caucasian branch of the Great silk way. The background for the creation of the West-Caucasian branch of the Great silk way is: first, the creation of the Khazar Khaganate and the inclusion of the North Caucasus into its territory; second, the creation of friendly relations between the Khazar Khanate and the Byzantine Empire to join forces in the fight against Sasanian Iran, third, the creation of friendly relations between the Byzantine

Empire and Alania to join forces against Khazaria [14]. The primal cause why one of the main branches led through the North Caucasus was the desire of tradesmen to leave out Sasanian Iran, which tried to establish total control over the world trade and introduce high taxes [12]. Due to this they resumed contacts through the passages of the North Caucasus, situated within the sphere of the Byzantine influence. It should be noted that the crossing routes were formed much earlier: Strabo mentions that in Dioscuria representatives of many nations gathered for trade and used the help of 70 interpreters. In Roman times, through the Roman fortresses on the Abkhaz coast, mainly salt and slave trade was carried out, there were crossing routes, as is evidenced by materials from Tsebeldino necropolises.

For the central and eastern Caucasus, it is important to note the direct participation of Iran in the construction of two important branches of the Darin and Derbent routes. According to written sources, in the first half VI century Byzantium subsidized the construction of these fortifications, bearing in mind the general fortification system against a possible invasion of barbarian hordes from the north. However, realizing the vulnerability of such a policy, Justinian I ceases the payment of subsidies, and sends its own military contingents to West Transcaucasia, having in mind the organization of its own delivery of goods from China and Central Asia. The fortification and spatial carcass of the West-Caucasian branch of the great silk way was formed since the VI century in the territory of the West Transcaucasia. The establishment of the status quo by the results of the Iranian-Byzantine war of the 6th century, when West Transcaucasia was divided into zones of influence, served to highlight the path from Sebastopolis (Byzantine fortress), through Tsibilium (Byzantine fortress in the mountainous part of Abkhazia), then through Klukhor and the Marukh passes to the Northern slopes in Alanya. The territory beyond the Likh ridge, also the mountain Svaneti remained in the zone of influence of Iran, in connection with which further formation of fortification objects of Derbent and Dara took place. In general, the formation of the frame occurred in the direction from the southern slopes to the northern slopes, as evidenced by the chronology of the objects studied in the territory of Abkhazia and Alanya. Voronov revealed a dozen fortresses in the valley of the rivers Machara, Kodor and its upper tributaries, which were also stopping points for trade caravans. The direct participation of the Byzantine emperors in the formation of a fortification carcass on the Abkhazian part of the Silk Road demonstrates the special significance of this project for the Byzantine Empire. Synchronously at that time, fortified settlements were formed on the territory of Alanya, which, in principle, had a similar function. The need for fortifying the arrangement of cross-border roads resulted from the need for physical protection of caravans and their cargoes, in context of the possibility of deep raids to plunder both forces subordinate to the main players (Byzantium and Iran), and regional groups opposed to those who received benefits from trade. Security and stability in the Caucasian section of the caravan route were to be provided by: firstly, the large military bases of the Byzantines and the Khazars, secondly, an extensive network of small forts, which were located at a distance of

a day march. As a rule, this position was controlled by local power elites who received their share of the transit of goods.

MATERIAL AND METHODOLOGY

Fortification carcass was for medon strategically important parts of roads in rocky landscape with the usage of classic rules of fortification architecture. Certain attention was paid to the location of springs of water and water delivery.

In addition to the classical fortifications, which controlled the exits of the trade routes to the passes and to the foothill valleys, there appeared fortresses at the forks of the trade routes; fortified settlements evenly distributed throughout the trade roads. Recent authorial field studies of the Gerzeul fortress allowed to convincingly linking it with the Abkhaz branch of the Silk Road. The location of the object itself was not chosen by chance. It is separated from Sebastopolis at a distance of the day's transition, located on a high elongated ridge, access to which is possible via a narrow terraced road. The ridge was enclosed by walls inscribed in the existing relief. The walls were reinforced by two towers, which were pushed beyond the walls, which were also walk-throughs. Inside the fortress, we revealed a baptismal, cruciform in plan, similar to the baptismal in Derbent fortress, above which a Christian three-nave temple was built. Space-planning decisions of church construction, as well as fortresses speak in favor of the construction of this object by the Byzantines in the 6th century. This assumption has been confirmed by the method of research of the lime solution. Voronov's assumption about the function of the Gerzeul fortress as a stronghold of the caravan route received due clarification. It should be noted that in the southern part of the West Caucasus, the presence of church buildings in outposts is obligatory. On the stretch before Gerzeul the road goes along the gorge of the r. Kelasur. Then the path followed through the Gerzeul fortress, located on the top of the ridge between the two left tributaries of the r. Bolshaya Machary [6] at the exit from the Pakhtsirsky gorge to the system of fortifications of the Tsebelda highland (Fortresses V.Yuryevka, Shapky). [10] Passing them, the road led to the main center of the Byzantines in Apsilii - the fortress Tsibilium, which is located on two cliffs, connected by an isthmus, facing the gorge Kodor. [8] The defensive structures in the form of fortress walls are located on the continental side: on the west side the length of the walls is 60 m, on the north - 350 m, on the east - 50 m. On the south side of the fortress there is a cliff of about 400 m length. In the immediate vicinity of the fortress remained fragments of the ancient road, which was the main route from the Black Sea coast to the passes of the Greater Caucasus Mountains.

From 1977 to 1985 expeditions of the Abkhaz Institute YALI n.a. D.I. Gulia and the Abkhaz State Museum under the direction of Y.N. Voronov carried out archaeological studies of the West part of the fortress as a result of which two parallel defensive walls were discovered - the main and proteychism, peribolos, three towers, two rooms - a guard behind the tower No. 1 and a dwelling behind the tower No. 2, a corridor over a cliff, several entrance openings, remains of stone

staircases, temple complex, storage, two-story residential building, stairs, fragments of water supply and other objects. [8] A characteristic feature of the fortress is the presence of a system of double walls: the main and protehism. The main wall 2.4-2.6 m thick had a battle trail. The thickness of the protechism is 2.6 m. The space between the walls, called peribolos, ranges from 5.5 to 14.5 m. A similar system of double walls was typical of early Byzantine fortifications of the 6th century, known in Chersoneses, Constantinople and other cities of the Byzantine Empire. [8]

Approaches to the wall were guarded by the towers. Tower number 1 is located on the edge of a cliff; its significant part is pushed out outside the walls of the fortress. On the west side, the tower is wedge-shaped, finding an early Byzantine analogy. In the former territory of the Byzantine Empire, there are about a hundred of such towers, the closest of which existed in Eski-Kermen. [7]. From this tower the entrance to the peribolos was controlled. Tower No. 2 was attached to the main wall; on external measurement it has a square base of 9.5x9.5 m. The interior of the tower is 3.16x5.5 m. The tower had the function of a catapult. Tower number 3 attached to the main wall has a rectangular base with corner supports in the form of pillars. The internal dimensions of the tower are 6.85x6.6 m. [8] all the towers of the fortress are lined without ligation with the fortress wall, which correspond to the most important principle of Byzantine military architecture. [8]

Tsibilium occupied a central position in the Apsilia fortification system. The Byzantine military garrison was repeatedly located on its territory. This fortress and other similar fortifications of Apsilia (there are more than a dozen), which locked all the gorge passages leading from the North Caucasus to the Byzantine Sebastopolis, were built simultaneously in a short period of time that began in the Justinian period in the second quarter of the 6th century. [7] Y.N. Voronov connects the examined part of the tower with the early Byzantine fortification architecture of the 6th century. [8] "Full compliance of all the features of the Tsibilium fortress with the canons of Byzantine fortification makes you see in its builders Byzantine engineers and workers, including Apsilian builders who have received the necessary training in Byzantium." [9]

Beyond the Tsibilium, the path continued along the Kodori Gorge. Here fortresses were located on the way (Pal, Uchkur, Zima, Azhara). Stepping over the Klukhorsky Pass, the Misimian Way led further through the territory of Alanya. The road went through the snowfield Klukhor lake and descended along the river Honachhira in the gorge of the river Teberda. Having reached the interfluvium of the Kuban and Teberda, the Misimian path goes into the foothill valley. In this place on the border of mountains and foothills is located Humara fortress. According to V.A. Kuznetsova Humarinsky fortress acquired a value similar to the fortress of Tsibilium in Abkhazia. [14]

Thus on the examined part of the Great silk way we can single out two main outposts: Tsibilium, which controlled the exit to the Klukhorskiy pass and the fortress of Khumara, which controlled the exit to the valley in front of the mountains.

Khumarinskaya fortress which controlled the exit to the valley in front of the mountain is situated on the right bank of the Kuban, 11 km. to the north of the city of Karachaevsk over the village of Khumara, on an elevated plateau Kalej, carved with deep gorges: Inal from the north and Shugara from the south.

During 1974-1987 archaeological research in the Khumarinskaya fortress was conducted by the expedition of the research institute of history, philology and economics of Karachay-Cherkessia headed by H. H. Bidzhiev. As a result, sections of a large defensive wall in the southern, eastern and northern parts of the settlement, fragments of towers, a square in terms of fire sanctuary, the main gate, a gate-passage, residential and farm buildings were investigated, and a detailed topographical plan of the settlement was made. Fragments of ceramics dating back to the II-VII and VIII-X centuries were found on the territory of the fortress. [5]

The planning structure of the Khumarian ancient settlement has a three-part division: a citadel, a fortress, a settlement. The settlement was located on the side of the Sugar hollow, east of the ancient road leading to the site of ancient settlement. From the west and south it is surrounded by a mound. [13] The area of the citadel, the fortress and the settlement is 40 hectares. [5] The overall dimensions within the fortress contour of the walls are 840x480 m., The length of the fortress walls is more than 2100 m. [11] The fortifications of the settlement are represented by walls, towers, buildings of the citadel and earthen moats.

On the Khumarinsky site of ancient settlement, as well as in the fortress Tsibilium, a system of double walls was applied: the main and the protehism. Double walls are located from the north and from the south of the citadel and have a space between them, the peribolos. A gateway was found in the front wall. The main part of the settlement - the fortress was surrounded on the perimeter by a stone wall, fortified with 17 towers. [13] The wall ran along the most abrupt edge of the spur. The configuration of the fortress wall has many kinks repeating the outlines of the relief. By assumption H.H. Bidzhiev the wall was completed with a toothed parapet, was provided with numerous loopholes and was whitewashed on both sides. [5] One of the design features of the wall is the presence of drainage channels, which are through holes of 0.2-0.25 m wide, 0.3-0.45 m high in the lower row of masonry, formed by two parallel rows of masonry and covered with plates of the second row masonry. Another constructive feature of the fortress walls of Khumara, as well as in the fortress Tsibilium, is the presence of the battle trail on the inside, built due to the fact that the base of the walls was wider than the top. [4]

The thickness of the walls of the fortress is 3.50 m; 3,80m; 5.10 m. [5] The walls are composed of well-processed large squares of sandstone with the observance of the "header and stretcher" alternation without blockage and without foundation. At the same time there is a limited use of lime mortar. The mortar was used for laying stone blocks on steep sections of the fortress (eastern part of the citadel, the main gate) and was used only to coat the seams of the armored blocks. H.H. Bidzhiev noted that in the territory of Karachay-Cherkessia, in the construction of fortifications, the use of lime mortar as a binder material is extremely rare. Of the many monuments of the region, its use was recorded on the Khumarinsky settlement, on the walls of the citadel of the Inzhurgatinsky settlement, the towers of the Adiyukha settlement, the Khurzuk tower. Other defenses of the region are folded without mortar, using dry technique. [5] The towers have a rectangular base. The sizes of all the towers are different. We give the dimensions of the four towers investigated by H.H. Bidzhiev: 11.10x7.75 m; 10.70 x 9 m; 10x9 m, 11x10 m. These towers were built in a dressing with fortress walls, which testifies to their one-time construction. The citadel of the Khumarian ancient settlement was located in the northeastern part of it on a hill, it was severely destroyed. [1] According to V.V. Bidzhiev, it was a monumental multi-tiered tower, surrounded by a courtyard and surrounded by a fortress wall around the perimeter. [5] Researchers are still asking who, when and for what purpose built the Khumarinskaya fortress. H.H. Bidzhiev and A.V. Gadlo believe that the fortress belonged to the bearers of the steppe Zlivka local version of the Saltovo-Mayak culture, relying on ceramic material and the similarity of the construction techniques of this fortress to the white-stone fortresses of the North-West Khazaria (Right Bank, Tsimlyanskoe, Mayatsky settlement). [2] However, in its dimensions and power of fortification, the Humarinskoe settlement significantly exceeds all the known settlements of the Saltovo-Mayatsky culture (brick Sarkel and Semikarakory, stone Mayatsky, Verkhne-Olshanskoe and Verkhne-Saltovskoe). Compared to Khumara, they look tiny. [15]

H.H. Bidzhiev also noted that the Khumarinskaya fortress in what concerns the construction technique has much in common with the fortress architecture of the Crimea in the 6th century. (Kherson, Mangup-Kale, Eski-Kerman, Chufut-Kale, etc.), which is characterized by a square masonry "header and stretcher" of hewn blocks.

As a result of many years of excavation, H.H. Bidzhiev succeeded in defining the stratigraphy of the monument, which, according to archaeological material, is divided into three historical epochs: VIII-VI centuries BC, II-VII centuries AD, VIII-X centuries AD [5] Regarding the dating of the main fortifications of the settlement (walls and towers) H.H. Bidzhiev writes that their foundations lie on an earlier cultural layer than the VIII-X centuries. [5]. U. Y. Kochkarov writes that the life time of the settlement, judging by the archeological material, coincides with the life of the Saltovo-Mayatsky culture - the leading culture of the Khazar Khanate. After the fall of the Khanate, the people left the fortress. The reason why the Alanian population of the region did not occupy an unbroken

fortified settlement with powerful fortifications is unknown. [13] The author also notes that the issue of the time of the construction of the walls of the settlement remains open, and the location of the necropolis belonging to the population of the Khumar settlement still remains unknown. [13]

M.S. Gadzhiev draws architectural and construction parallels in the fortification of the Khumarian settlement and the Sasanian defensive architecture of Derbent, as well as other fortresses of Dagestan in the middle of the 6th century: the use of well-hewn stone laid in regular horizontal rows, the use of two-pierced dry masonry with internal filling with stone and rubble, header and stretcher method, squares at the base of the walls, rare use of lime mortar to coat the seams of the bottom row of masonry walls, escarpment of the slope to create a horizon under the walls, drawing epigraphic marks on stone blocks. [11]

The authors of this study share the point of view of V.A. Kuznetsov about the fact that the Khumarinsky fortress had a meaning similar to the fortress Tsibilium in Abkhazia. In the context of growing Byzantine-Iranian contradictions, it became necessary not only to pave the West Caucasus direction of the Great Silk Road, but also to create a defensive system that would protect the path itself, as well as the settlements of the peoples through which it passed (Apsils and Alans) and borders of the Byzantine Empire.

AsY. N. Voronov and H. H. Bidzhiev fairly noticed, in what concerns the greatness and the difficulty of the planning and the inaccessibility of the fortification works both Tsibilium and Khumara fully comply with the recommendations of Vitruvius, F. Vegetius, L. B. Alberti and TS. Kun. [3]

CONCLUSION

The described outposts of the West Caucasian branch of the Great Silk Road, as earlier centers of fortification culture, showed transcultural influence on the architecture of adjacent regions. The fortification architecture of the designated outposts is considered as a system of unique architectural models, powerful installations of universal fortification culture in the context of the archetypical layers of ethno-cultural consciousness, centers of the spread of the Byzantine culture and the formation of blended variants of fortification architecture in the region. In the context of the above said, the universals of medieval fortification architecture include the following: the layout of the fortress is in line and with the relief of the area; the fortress plan consists of a single or a double line of defense, interrupted with flanking towers; the distance between two combat towers is determined by the range of the weapon, the shots from which must be crossed in the interval from one tower to another, hence the maximum length of the front from one tower to the other is 40 m; if the line of defense is double, then the external line has a lighter structure, and the height is less so that it is possible to shoot from the internal line over it, the distance between the lines of defense does not exceed 15 m; the use of a serrated parapet that serves to cover the defenders

of the fortress; use in the construction of the walls of the battlefields; the use of square or rectangular in plan towers to strengthen the walls; the use of monolithic construction for the lower floor of the tower (ejection tower); device loopholes in the upper floors of the tower; use of internal stairs in the thickness of the walls of the tower; the principle of not associating the wall of the tower with common masonry with the fortress wall, but placing them independently of each other in order to minimize possible damage from enemy rams; the location of the gate under cover, between the two towers, or in such a way that the defenders hit the besiegers on the right, from the unprotected shield the use of exit gates.

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THE SPATIAL CULTURE AND ETHNICAL DEVELOPMENT OF THE MOUNTAIN PEOPLE OF THE NORTH CAUCASUS IN XIII-XV CENTURIES

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ABSTRACT

Studying of processes of transformations of architectural cultures of the Caucasus and Northern Black Sea Coast which from 13th century represent the region with the general elements of so-called mountain traditional culture promotes definition of the place in modern common cultural processes of the Caucasus and Northern Black Sea Coast of each of peculiar options of architectural development of space, to creation of the atmosphere of tolerance of cultures. Results of a research are: identification of borders of interaction of spatial cultures of mountaineers of the North Caucasus of the 13-15th centuries in the designated temporary continuum; identification of mechanisms of self-identification of spatial cultures by ethos's of the designated region in the conditions of introduction of new world outlook ideals from the centers of globalization, determination of features of correlation in spatial cultures "high" (world outlook) and "low" (tekhnosferian) architectural development of aspects of space, a place development of ethnoses, his house-building creativity.

Keywords: *spatial culture, architecture in traditional culture, North Caucasus architecture*

INTRODUCTION

An important aspect of the traditional highland spatial culture was statutorily regulated spatial behavior of the subjects of mountain people's communities. The traditions and customs of the culture have spatial and semantic expression, which can be described as symbolic "space-behavior". House building art and its results – popular architecture – in the context of polyethnicity and absence of writing within the traditional mountain people's culture have special symbolic meaning and a socially prestigious status.

The symbolic behavior space is a synthetic expression of the traditional lifestyle of mountain people in its every aspect: from pagan customs of the use of nature to etiquette. The symbolism of "space-behavior" was manifested in spatial oppositions of subjects of evasion. Such traditions as fosterage, hospitality, blood vengeance and their dominant basis – the tradition of evasion - were the determining semantic factor of the structurization of the space. An important aspect of the traditional culture of the mountain people is statutorily regulated

behavior of the subjects of the mountain people's community. In modern ethnography and anthropology the spatial and behavioral aspects of the spatial culture are the object of research of a relatively separated discipline – proxemics, whose basis was created by the American anthropologist E. T. Hall [1]. In anthropology and ethnography proxemics is aimed at revealing the peculiarities of social and psychological relations, the mentality of an ethnos, community, era. And in that respect the traditional architecture, being a spatial “cast” and the life style of a nation, is a grateful material to reconstruct spatial and behavioral relations – an important aspect of ethnical mentality and the type of culture. In our research the proxemic aspect of ethnical behavior, fixed in traditional spatial beliefs, customs, rites and rituals, is used to solve the reverse problem – to reveal the role and the meaning of architecture and house building art in the traditional culture of the mountain people of the North Caucasus. We use the term mountain people's space of behavior to mean and spatial habitat of mountain people: natural and landscape, mountain people's village or separated dwelling, whose structure and semantics reflect the norms of behavior, regulated by the traditions and customs of the “mountain people's culture”. “The space of behavior” is semantically structured and the actions of the subjects of the society within it are clearly regulated by the customs, rites and rituals. The symbolism of the space of behavior is a synthetic expression of the traditional lifestyle of mountain people in its every aspect: from the pagan customs of the use of nature to etiquette. But in the norms of behavior, connected with mountain people's etiquette, the symbolism of space of behavior was more formalized and heavily represented in the historiography of Caucasian studies.

MATERIAL AND METHODOLOGY

In every day life the custom of evasion was realized, firstly, through the evasion of some categories of subjects of community by other categories (for example women tried to avoid meeting husband's relatives, the juniors avoided the elders); secondly, via a statutorily regulated system of opposition of spatial location of different categories of subjects of evasion, i.e. the oppositions of the subjects of evasion have corresponding spatial oppositions of their normal location. But before we start dealing with the spatial oppositions of location, we shall go back to the analysis of the oppositions of the subjects themselves.

We think that all the variety of the subjects of evasion can be reduced to two main oppositions: 1) “women-men”; 2) “the juniors – the elders”. “Women - men” opposition manifests itself as some female group of subjects in relation to a male group, and it has following variant of evasion between the genders: “wife – husband”. “bride – bridegroom”, “wife – husband's male relatives”, “husband – wife's female relatives”, “female cousins – male cousins”.

The opposition “the juniors – the elders” except for its direct meaning of evasion between the younger and the elder – between “the old and the young”,

“parents and children” – has another meaning, according to which “the elder” doesn’t only deal with the age. In this opposition “the elder” are the following subjects of evasion: a woman outside the house or inside the house – “the elder” is a man; a guest is “elder” than the host; a nobler person is “elder” than a less noble person, for example: a young duke is “elder” than an aged peasant [2]. The seniority of women outside the house is an expression of vestiges of matriarchy, which in mountain people’s etiquette manifested itself in the form of respect to woman-mother. And vice versa, the seniority of a man inside the house is a manifestation of patriarchy, a man as the host, the patriarch becomes the elder element of the evasion opposition. A guest becomes “the elder” due to particular respect towards guests and symbolic perception of him as a missionary of god. In mountain people’s etiquette people could possess the status of a guest even if they weren’t the host’s relatives. And finally, being elder due to the nobler an kis an expression of social hierarchy of mountain people, his side of being elder is the main element in the evasion opposition as a tool of as his towards feudal relations.

Now we can study the oppositions, in which the spatial localization of the subjects manifests itself. The opposition of the subjects of avoidance - "women - men" has the following spatial oppositions: "the space of the house (dwelling) - the space outside the house (nature)"; "The left side - the right side in the space of the general family room"; on the contrary, "the right - the left side of the space outside the house"; "The periphery - the center". Avoiding between women and men through spatial oppositions - "the space of the house - the space outside the house" is implemented on the basis of traditional forms of the division of labor between the sexes. The position of a highlander male in the space of his native dwelling is similar to that of a “guest”: if a man spent most of the time of the year, depending on his social, communal-clan status, either in the mountains, driving cattle to pastures, or horsemanship, or combining both, then at home he appeared as a long-awaited guest. So we can state that the spatial opposition of avoidance between men and women, realized with in the family house can be shown as the opposition of two main rooms of the house: “family room – guestroom (Kunatskaya)”. In many types of traditional mountain people’s houses in this or that form there two obligatory rooms: “a family room” and a “guest room” – a house or a special room for guests. In this guest room elder men spend most time, having guests, while they are at home. But even during this home period they often leave the house to participate in public gatherings, to visit relatives and friends or to take part in invasions. [3].

Inside the common family room of all the mountain peoples of the North Caucasus, the “right” part of the space from the entrance was “male”, the “left” - female. Thus, the opposition of avoiding the “woman-men” in the space of the general family room is rationalized by the spatial opposition “the left side of the room - the right side of the room”. But outside the home, women, as a rule, were given the right attitude towards men. According to K. Khetagurov, the common rule among all the peoples of the North Caucasus was a situation in which a man

walking with a woman was to her left. When moving towards each other, a man must give the woman the right side. These changes in the spatial opposition are connected with the fact that the “right” position was considered an honorable side - this is how the North Caucasian highlanders paid respect to the woman. The same circumstance, the semantic aspect of the “right” position as a more “honorable”, “senior” position, is also connected with the violation of the traditional norm of mountain etiquette with the adoption of Islam among some of the West Adyghe ethnic groups. The husband, being in public, demonstrated his seniority, in accordance with the norms of Islam, being on the right or in front of his wife. In addition to the “left-right” opposition, there is a “center-periphery” opposition in the space of the family room. The position of the “center” in the space of the common family room was fixed by the hearth — the “periphery” corresponded to a part of the room at the entrance. Avoidance opposition «women - men” corresponds to the opposition of spatial localization “periphery - center”. The place of honor in the center of the whole family room on a special chair, sofa or couch was occupied by a man - both senior in rank (head of family, clan), this place was in the immediate vicinity of the hearth, to the right of the entrance and in the back of the room.

The second main opposition of avoidance subjects: “the elders – the juniors” is regulated by spatial oppositions: “the right side – the left side” (in all the types of the space inside the house and outside the house); the same is true for the “center – periphery” opposition, and inside the house or a family manor – “guest room – family room”. As can be seen from the list of spatial oppositions, among them there is no opposition “space outside the home - space at home”, moreover, the opposition “right-left” is unequivocally assigned to the concept of “senior-junior” regardless of the type of spatial context.

When two men move, the youngest is in the position to the left of the older one. If the number of travelers has increased to three, then the position should be as follows: the eldest is in the center, the youngest is to the right of the elder, and the medium by age to the left of the eldest. According to the modern ethnographer-Caucasian historian B.Kh. Bgazhonkov, such position of travelers is a rudimentary manifestation of the military fighting hierarchy of the mountain people, according to which the youngest took on the role of a runner, a messenger, a guard, connected with performing his duty. The oldest was to the right of the medium-aged person, i.e. the oldest always had the honorable place. The medium-aged highlander was considered “younger” in relation to the “elder” – the leader of the horsemen and took on the role of a senior assistant. At the same time a group of horse men or walking male warriors when moving usually didn’t form rows longer than three men. This structure of the space of consolidation of “seniority” is preserved in a situation that loses its meaningful value, in a situation where the woman among the accompanying men is given the meaning of “elder”. In this situation, the woman was in the center, the younger man (the guard) moved to her right, and the eldest on the left [4].

Along with the “left-right”, “center-periphery” opposition, there was a spatial opposition of avoidance, performed through special buildings or premises: a guest room (as a separate building or as a separate room in a residential building) - family room (also in the form of a separate room in the residential building). Within these special spaces (a guest room, a family room) for the opposition, the “elder-junior” all spectrum of spatial localizations is realized with the help of the opposition “right-left”, “center-periphery”. The rituals of the life cycle — childbirth, wedding, funeral — exist among all mountain peoples of the North Caucasus and have an invariant model of behavior space, the ethnic variants of which do not go beyond the normative field of traditional mountain culture. In all these rites, the custom of avoidance is the dominant norm of spatial behavior. During the wedding ceremony, the bride and groom do not participate in the general celebration and are not together during it. The groom stands in the hallway or another secluded place, goes into the woods for firewood, is in the house of a friend. The bride, during all the time of the celebration, had to stand in a separate room for the newly-weds with a hidden face or be behind a curtain in the kitchen. Sometimes the bride was in the groom's house, in a room specially prepared for her for a week or even a month after the matchmaking, and she was “entertained” with rattles or harmonics all the time. The opposition “an honorable place” - “a non-adorable place” and their spatial options “top - bottom”, “higher - below” is associated with the wedding ritual. In the process of the wedding feast, the custom of avoidance and the principle of “honorable” - “non-honorable” place continue to be observed: men sit at the table in a row to the right of the fire, in strict accordance with their position, from the fire to the door. The most honorable place at the hearth is that the toastmaster sits on it; the master of the house sits near the door. Women stand in a row opposite the men to the left of the hearth. The bride's father, even if he was a very old man, had no right to sit with the guests [5]. In between the feasts, dances were held, usually in the courtyard. Here, “honorable” - “non-honorable” place is defined differently. An “honorable” place here - in the thick shade of trees - single men stand there. “Non-honorable” place - in the sun - there are girls there. Dances also take place in rows, and couples gather by order of the managers - from the male and female sides [6]. Basing on the descriptions of the wedding ceremonies and perorations, given by A. T. Shortanov in his works [7], we can mark the following symbolism of the space-behavior of the newlyweds. In wedding perorations the place of the gods is occupied for a time by the bride and groom, and after the wedding they are briefly settled in the upper level of a traditional dwelling, whether it is an attic space of a hayloft or a third level of a residential tower. The following row of symbolic identifications is built: “Top - bottom - sky - earth - the land of the gods - the country of people - sacred space - everyday space - wedding ritual space - everyday space”. In the wedding ceremonies of the peoples of the North Caucasus, the sacredness of the number “three” and the sacredness of the hearth and chain are also manifested. When leaving the parental home, the bride goes around the hearth three times; when she enters the groom's house, she again goes around the hearth three times and touches the chain.

In the ritual of giving birth to a child, the custom of avoidance also appears. Until the middle of the XIX century in the Ossetian culture a pregnant woman went to give birth in the parental home. At the time of childbirth, the woman should be in the barn, i.e. on the lower tier of the dwelling, or in an isolated room. It was believed that the less people know about childbirth, the better this process will go for the parturient. It was especially unacceptable to hear the moans of women in labor at home. Immediately after giving birth, they fed the child with the milk of another woman, another woman always bathed the child. The cradle celebration was a purely feminine celebration, men were not allowed to it.

In the funeral rites of the mountain peoples the mythological layers of ancestral consciousness were most clearly manifested, since these rites are the most conservative. However, it is in the funeral rites that we can trace certain changes over time - they have always interested all researchers who visited the North Caucasus. We have descriptions of funeral rites made by Interiano and Schiltberger in the XV century, by Klaproth in the XIX century and modern researchers in the early XX century. We can mark the differences between the funeral of the deceased from the thunderbolt and the deceased by his own death or killed. In the first case, death causes the joy of relatives, in the second - deep sorrow. As a result funeral rites are also different.

At the beginning of the XX century during the parting with the deceased, the custom of avoidance was respected: men were standing on the right of the deceased or from the crypt, women on the left. When the ritual was performed by the "burial mound", the Ossetians were directly beside the deceased; in the corner was the best mourner, then the mother, sister and wife of the deceased, after them the women lined up, then the men. In the alternate parting with the deceased, women are the first to approach him, then men. Male relatives carried the deceased head-on to the graveyard, women were strictly forbidden to go to the cemetery.

Spatial symbolism also took place in the customs of laying the deceased into the burial place: among the people professing Islam, the deceased was put in a grave without a coffin, in a shroud, on his side — head to the south-west, face to the south-east. Among the Ossetians the deceased were laid in a crypt with their heads to the east. Among other peoples the deceased were buried in a coffin head to the west. In all cases, during the burying of the dead women, they were buried deeper than the men. The opposition "left" - "right" in the funeral rite performed the function of not only "non-honorable" - "honorable", but also "grief" - "happiness". When expressing condolences to the relatives of the deceased, it was necessary for those expressing condolences to line up to the left of the deceased, the head of this group came forward, starting the movement with his left leg, and raise his left hand to the left temple. The person, carrying the news of the dead rode, holding a whip in his left hand. It makes clear the identification of symbolic oppositions "top-down" and "east-west." The east-west opposition is associated

with the rising and setting of the sun, its mythological movement upward — the land of the gods, and downward — the land of the dead.

The customs of hospitality and fostering and the associated rituals of receiving an honored guest and creating sworn brotherhood with him were widespread among all the peoples of the North Caucasus. Moreover, under the conditions of multilingualism and the kinship structure of mountain societies, the custom of hospitality was a kind of unwritten model of inter-ethnic communication between the mountain peoples of the North Caucasus, the norm and value of traditional mountain culture. “The guest is the messenger of God,” says the Adyghe proverb. The guest, as a stranger, who came from afar, is an element of the opposition “hestet - hecharyi”, which means “guest is not a guest” in Kabardian language, and which is comparable to the opposition of “the alien — ours”. In addition, a stranger guest was considered an honored guest and he was distinguished from a relative guest. The guest stranger received an official reception and was accommodated in a special place—guest room, which was located at a considerable distance from the host's apartment house, while the relative guest received an unofficial reception and was accommodated in the living room of the host house [8].

The tradition of blood feud has a completely different idea but still was compulsory in mountain people's culture. The customs of hospitality and becoming sworn brothers and their opposite – blood feud are the borders of the regulatory field of space-behavior among mountain people. A man, hiding from blood feud, could avoid death by becoming a sworn brother with a member of a strong family, which made it obligatory for the members of the family to protect this man. It is deeply semiotic that the spatial localization in a traditional tower-like dwelling they used one space for hospitality and blood feud – the third, the upper level of the tower. The upper level of tower-like dwellings usually was a guest room. At the same time, in case of the blood feud, the offender and his relatives hid in the tower and made a stand on the third level. The traditions of blood feud and fostering were the most vivid example of the opposition “center” - “periphery”, as an invariant manifestation of the custom of avoidance. In the tradition of blood feud, the center is the territory or home of the offender; the periphery is the territory of the offended. The offended one, as being in a “non-honorable” position, seeks to occupy an honorable place and become an offender, inflicting a more severe offense on his adversary than was stated in adat: for example, killing not one member of the gens, but two. In the custom of fostering, the “center” is the house of the parents of the child, and the “periphery” is the house of the tutor. In accordance with the custom of avoidance, the child in his or her home is located within the framework of spatial opposition to the center, i.e. on the “periphery” - away from the hearth, from the place of honor, in the part adjacent to the entrance; in the yard - away from the main facade of the dwelling, etc. In this regard, the foster house is an extreme manifestation of the spatial periphery and at the same time the spatial localization of the fostering custom.

In the house-building practice of the mountain people, the name “inner” is given to the space due to the presence of the “center” itself, by marking the space with the “vertical axis” of the appropriate scale: the “elementary room” (otou) has a wall hearth as its vertical axis; the family room or the guest room - several center options - a family pillar, an open hearth with a hearth chain or combined options, for example, a family pillar with a wall hearth etc. The manor is marked with an family-combat tower, a block with one or more family towers, a village with an ensemble of family towers, and in some cases a watchtower near this village (on top of the village or in the gorge, at the entrance to the village).The chain of spatial and semantic relations – “center” (CN) – “the inside” (IN) – “the outside” (OU) of different levels of mountain people’s dwellings can be shown the following way (Table 1):

Table 1.

CN	IN	OU
I. Wall hearth	Elementary room	House
II. Family pillar: Open hearth with a chain above it; Combinations of a pillar and a hearth	House (family room)	Manor
III. Family-combat tower	Manor (family complex)	Block
IV. Family-combat tower	Block	Village
V. Ensemble of family towers. Watch tower	Village	Surrounding landscape

CONCLUSION

The initial location of the space development of the mountain peoples of the North Caucasus was the strip of Sunny Valleys. The selection and exploration of this space has had a decisive influence on the formation of traditional nature management and house-building creativity as essential components of the mountain culture. House-building creativity was an active means of the main traditional types of economic management of mountain peoples: distant cattle breeding and terrace farming - and thus was organically included in the system of traditional nature management.

Features of the historical development of the North Caucasus region determined the relevance of the mythological worldview. Mythology and more broadly - myth-making constitute the basis of local pagan beliefs, customs, norms of behavior. In many ways, they determine the nature of traditional mountain culture. Christianity and various currents of Islam underwent secondary mythologization based on local pagan cults.

The custom of avoidance is more than just a custom; avoidance is the dominant normative basis of all customs, rites and rituals of everyday life, festive

life, life cycle. The custom of "avoidance" is the substantive basis of the highlanders' spatial behavior. Polyethnicity and rite-ritual standardization of traditional culture determined the importance of household items, clothing, weapons and utensils in the system of means of spatial-symbolic communication. But the central place in the traditional culture of the mountain peoples of the North Caucasus was the custom. The custom was consolidated and expressed in two areas of creativity: verbal and house-building.

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TEMPORARY CULTURAL FACILITIES AS AN ELEMENT OF REBUILDING STRATEGIES FOR CITIES AFFECTED BY EARTHQUAKES

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ABSTRACT

The Apennine Peninsula is one of the most densely-populated and most seismically active regions of Europe, possessing a wealth of cultural heritage. Historical cities and buildings are a part of this heritage. The earthquake damage prevention programme implemented in Italy does not cover existing buildings, and reconstruction plans for damaged cities, because of the threat's specificity, are always prepared after a disaster. In the case of heritage buildings, particularly those of super-local significance, decisions involving a complete reconstruction of their original form are typically made, erasing all traces of the tragedy. Reconstruction can take years, during which society is left without cultural facilities that are key to good morale. Opportunities provided by the phase between a disaster and restoring the buildings are too often underappreciated, while the time spent making the decision what and how to rebuild should be spent on action.

Strategies involving temporary buildings allow to prevent the disappearance of public functions during the period preceding the reconstruction of major cultural facilities. These buildings should be designed as resilient, assuming a capacity to adapt to changing conditions and upholding or rapidly returning to a functional state after a disaster. They can enable the time between the disaster and making the decision about reconstruction to be used to identify and test new relations in the surroundings created through the loss of a section of substance. They provoke a debate about what must be rebuilt and at what cost, they facilitate understanding of the goals of a planned reconstruction. But most importantly, they sustain the *genius loci*, in order to affect the city's reconstruction process in its social, psychological and economic aspects.

By analysing temporary cultural facilities built in Italian cities damaged by earthquakes, the study discusses methods of building temporary public buildings and features an attempt at assessing interventions that precede reconstruction. Based on the experiences of the city of L'Aquila severely damaged in 2009 and drawing conclusions from mistakes made during the implementation of pre-reconstruction strategies in the town, the author developed a proposal of a temporary intervention for the Basilica of St. Benedict of Nursia, which collapsed on the 30th of October 2016 as an effect of the Amatrice-Visso-Norcia seismic sequence. The proposal stresses the preservation of the previous function of the complex at its original site. This is meant to maintain the occupancy of Norcia's

centre by the Benedictine monks, whose tradition is strongly linked with the city and makes it a major pilgrimage destination that is important to Christians. As a consequence, it is meant to prevent the depopulation of the centre of Norcia and causing its ruination as a place.

Keywords: *resilience, post-disaster recovery, post-disaster reconstruction, 2009 Abruzzo earthquake, 2016/2017 Amatrice-Visso-Norcia seismic sequence, Basilica of St. Benedict in Norcia*

INTRODUCTION

3751 natural disasters (situations or events that overwhelm local capacity to withstand them, requiring external assistance at the national or international level; an event caused by natural forces that results in a great deal of damage, destruction and human suffering [1]) that have affected 2 billion people in various ways have been recorded over the past decade [1]. It is estimated that the combined losses caused by these events in 141 countries amount to 1658 billion USD [2]. As many as 315 disasters that have caused the deaths of 11804 people and economic losses estimated at 131,7 billion USD were recorded in 2018 alone. Among all of the disasters of 2018, earthquakes were the most deadly, being responsible for 45 % of all deaths caused by natural disasters [1].

The problem of seismic activity in Europe predominantly concerns the countries of the Balkan and Apennine peninsulas, with the problem being particularly severe for the latter because of its greater population density and the immense significance of its cultural heritage. The earthquakes that repeatedly happen in Italy cause major damage to urban development, particularly to heritage buildings, often of super-local significance. The high seismic activity recorded across the Apennine Peninsula, particularly in the area of the Central Apennines, is a result of the outline of the border between the Eurasian and African tectonic plates. The force exerted by the African plate on the Eurasian plate causes it to be affected by its lithospheric wedge, with the rate of this process estimated at around 4–5 cm per year [3]. The release of the stresses that are created in this manner, felt in the form of earthquakes, is sudden, which is why it is difficult to accurately foresee their occurrence.

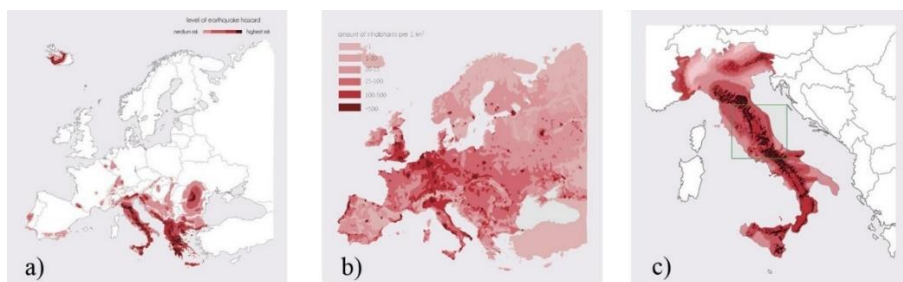


Fig. 1. a) seismic activity in Europe; b) population density in Europe c) seismic activity in Italy; Source: © A. Rogulska

The Amatrice-Visso-Norcia seismic sequence, which occurred between August 2016 and September 2017, struck an area of around 30 000 km² [4], covering 11 provinces and 4 regions of Italy - Umbria, Lazio, Marche and Abruzzo. Because relief strategies are a part of regional planning, this generates additional difficulty in coordinating reconstruction efforts. Around 4000 Italian churches suffered to a varying degree as a result of the tremors [5]. Among others, all of the temples in the historical town centre of Norcia have collapsed, including the basilica of St. Benedict, which had been seen as an important symbol of Christianity and a local icon, a tourist and pilgrimage destination. Only its facade, along with fragments of the bell tower and apse have survived. The library adjacent to the temple, consecrated in 2003 by cardinal Joseph Ratzinger who would go on to become pope Benedict XVI, was also partially damaged.

Due to the symbolic dimension of the site of the birth and early life of Saint Benedict and Saint Scholastica, the need to lift up this exceptional temple and preserve the spirit of the place is mentioned very often in the discussion concerning Norcia's reconstruction. On the eve of the third anniversary of the basilica's collapse, a competition for the proposal of its reconstruction - which in itself can take several years - is still to be announced. The ruins of the building have been closed and fenced off; this raises concern about the continuity of public functions in the centre of Norcia until the reopening of the basilica and the loss of what we call *genius loci*.

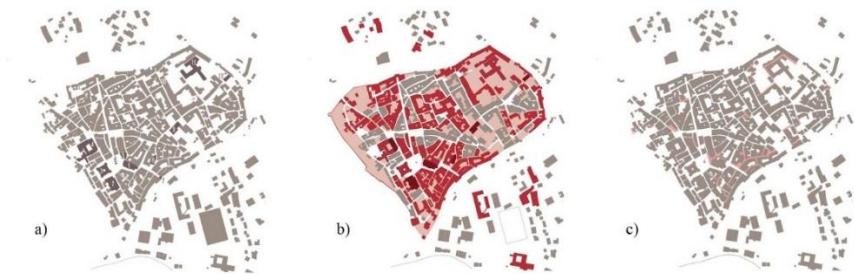


Fig. 2 a) structural plan of Norcia prior to 2016. Important public buildings have been marked using a darker colour; b) zona rossa—no access area—as of July 2017; damaged and closed buildings have been marked in red—important buildings that have collapsed have been marked in brown; c) zona rossa—no access area—as of July 2019; Source: © A. Rogulska

SHORT-TERM AND MID-TERM PRE-RECONSTRUCTION STRATEGIES

In Italy, post-earthquake reconstruction plans are always prepared after a disaster. This is dictated by the specificity of this threat - it is impossible to predict the magnitude of the tremors and the damage they will cause. Regulations concerning the securing of buildings for the event of an earthquake were introduced in 1981 [5]. However, they do not apply to heritage buildings. In the case of heritage sites, particularly those of super-local significance, the decision to rebuild their original form and erase the traces of a disaster is typically made. However, this can take years, during which society is left without buildings that are key to maintaining the spirit of a place.

There is a specific system that societies use to react to disasters, called the emergency response cycle. It covers all the measures that are taken after a disastrous event, both immediately after it has taken place - in the form of rescue and relief operations - as well as long-term ones - recovery and reconstruction - in addition to efforts that are meant to prevent and alleviate the effects of these types of disasters in the future - preparedness [6].

The earthquake that affected Abruzzo on the 6th of April 2009 left the residents of L'Aquila both without a city in its physical sense, but also in the functional one. None of its numerous cultural buildings were fit for use. Expecting the reconstruction of the city to take years, it was decided to direct efforts towards upholding its musical traditions, trying to prevent the erosion of public functions. In a gesture of solidarity, the government of Japan gave the city a concert hall as a gift, with Shigeru Ban- an architect known for numerous projects built in places affected by natural disasters - invited to design it. Ban proposed a concert hall for 230 people, built from impregnated paper tubes, timber and steel. The building, which was opened on the 7th of May 2011, with an area of 700 square metres, fully temporary and easy to disassemble and relocate to a different site, was meant to facilitate the rapid resumption of music-related activity in the city [7].

Another important temporary cultural facility that was built so that public functions could be maintained in the city was the Auditorium del Parco by Renzo Piano, which was opened in 2012. Composed of three cube-like forms and able to accommodate 238 people, this temporary auditorium was erected on a seismic isolation platform, separated from the above-grade parts of its structural system using special dividers, which are meant to limit the transfer of vibrations to the upper parts of the building. The cube-like forms were built using a light skeleton structural scheme, while the facade was built from light timber elements, meant to facilitate acoustics on the one hand, and safety of use on the other [8].

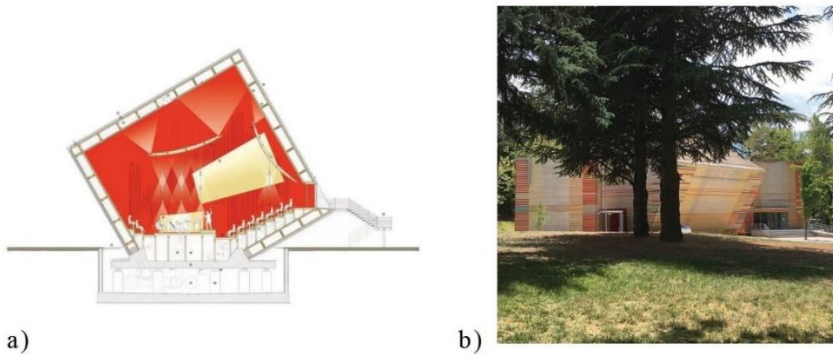


Fig. 3. a) cross-section through the Auditorium del Parco. ©Atelier Traldi. Source: <https://archdaily.com>; b) Auditorium del Parco, 2018. Source: ©Anna Porębska

The recovery-phase measures taken in L'Aquila have not avoided the mistakes of other interventions of this type [9]. Both the two concert halls and the C.A.S.E. and M.A.P. temporary housing programmes have been built at a significant distance from the historical town centre [9]. In the case of the housing programmes, the complexes also featured neither any form of public space, nor appropriate infrastructure and transport, resulting in the residents becoming isolated from the centre and causing it to remain one big construction site after as many as 10 years after the tragic events of the quake.

Insofar as rescue-phase measures should be focused on satisfying current needs, the relief and recovery-phase ones are far too rarely accompanied by any reflection on what must be rebuilt for whom and at what cost. Although it is not a simple matter, the time preceding reconstruction should be used to test out available reconstruction alternatives and assess their possible effects [10]. The opportunities provided by the phase between the disaster and restoring the building to life appear to be underappreciated.

In theory, the possibility of effectively utilising the phase preceding reconstruction to restore selected sequences of sites and establish temporary public buildings there does exist. It can provide users safety and to restore at least a portion of the public functions of the city. This type of strategy, although in a form that is not perfect, was applied using simple means after the 2009 earthquake in Bognara, Abruzzo [11]. This course of action, including through the use of newly-created spatial relationships, makes it possible to acknowledge the results of a disaster as an opportunity to Build Back Better [12].

Using this assumption as a starting point and drawing conclusions from the mistakes made during the reconstruction of L'Aquila, the author proposes a temporary intervention for the basilica of St. Benedict in Norcia that was

destroyed in 2016 which is meant to serve the recovery phase of this historical Italian town.

BASILICA OF ST. BENEDICT IN NORCIA—CASE STUDY

The Basilica of St. Benedict in Norcia was built in the Gothic style in the twelfth century. However, it owes its contemporary massing to a later thirteenth-century extension. The building features a Latin-type cruciform plan with a single nave, covered with a gable roof supported by timber frames. Underneath the basilica there are original, three-aisle crypts with the ruins of a Roman house from the period of the Empire surviving inside; tradition claims it was the family home of St. Benedict and St. Scholastica, as well as their birthplace [13]. The monastery adjacent to the basilica had been the home of the Order of St. Benedict for centuries, as they were present there up to the beginning of the nineteenth century, when Napoleon closed numerous monasteries after taking Italy. For 200 years the post-Benedictine buildings stood empty until a community of the Order founded by Father Cassian Folsom relocated to Norcia in 2000 [13].

Over the centuries the basilica suffered damage multiple times because of earthquakes, e.g. in the years 1328, 1703, 1730 and 1859 [14], 1997 and lately in 2016, as a result of which a significant part of the building collapsed. Only the facade, elements of the bell tower, apse and crypt have survived. The matter of reconstruction has stirred considerable emotion among Norcia's residents and Christians because of the high value of the building on many levels - on the one hand it includes its value as a heritage site, while on the other it is associated with the sacred and the location of the church atop the ruins of the home of Europe's patron saint. What is more, the church plays major role in the space of St. Benedict's Square - Norcia's central square - as well as that of the entire town.

The author's hypothesis assumes that introducing a temporary public building to the site of the ruins of the church of St. Benedict can aid in protecting the historical town centre from the erosion of public functions and can positively affect the long-term process of Norcia's reconstruction. Two elements should be stressed in particular: increasing accessibility and improving circulation within the cramped, historical urban layout, as well as structural safety. This type of intervention should take into consideration the need to clean up the plot and secure the ruins, particularly the church's facade, which is an indispensable element of St. Benedict's Square. In order to simultaneously increase the accessibility of the site, which is currently fenced off by standard security systems, modern parametric technologies should be employed that would allow the space around the basilica to be freed up. According to the concept of resilience, the structure to be introduced should be capable of adapting to changing conditions, as well as to either maintain or be able to quickly return to functionality after any disaster [11], [15], and in the case of suffering damage, it should not put human life and health at risk. This is why the design that illustrates the hypothesis features a light steel skeleton supported on a seismic isolation platform, with a facade finish composed

of light timber elements. This form has been dictated by new visual and functional openings within St. Benedict's Square, its proportions, in turn, have been derived from individual elements of the narrow streets and buildings around the Square, thanks to which it will not be seen as controversial and can be positively received by Norcia's residents.

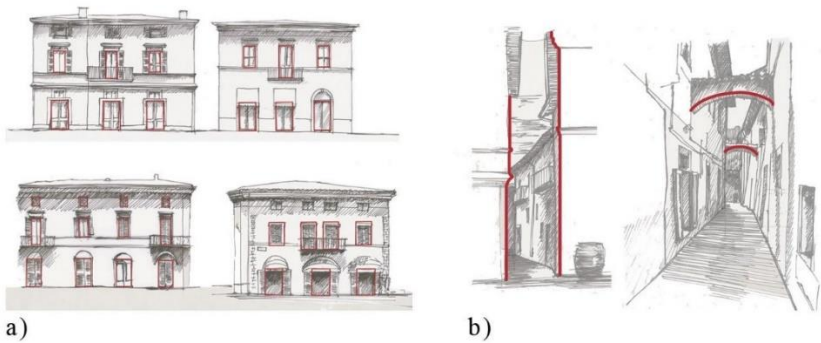


Fig. 4 Analysis of facade proportions and passage width within the tissue of the town. a) window opening sizes of the buildings around St. Benedict's Square, b) analysis of the proportions between the height of the buildings and the width of streets; Source: © A. Rogulska

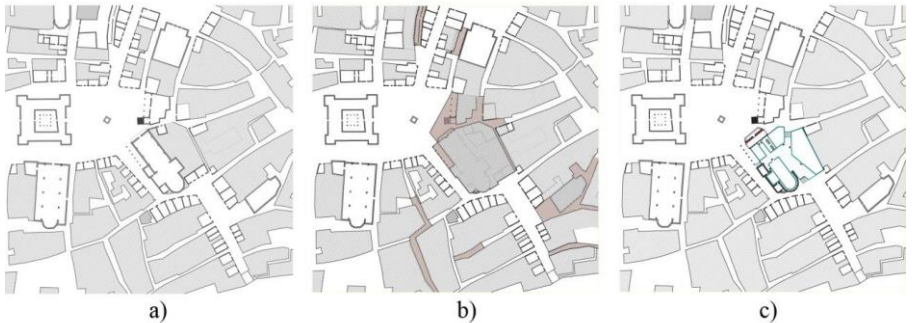


Fig. 5 Analysis of generally accessible spaces surrounding the basilica, inspired by Nolli's map of Rome from 1748; inaccessible spaces have been presented as solids. a) plan prior to the earthquake of 2016; b) plan after the earthquake, as seen in July 2019; c) estimated building accessibility after restoring the square; Source: © A. Rogulska

Acknowledging the activity of the Order of St. Benedict in the city as particularly significant to the genius loci, it was assumed that new massings should feature three forms of use associated with it: a library, a Benedictine brewery (providing the monks with a source of income and allowing them to

collect funds to rebuild the monastery and the church), as well as a religious function, in addition to securing the entrance to the crypt. This can give us a chance to maintain public functions in the strict centre of Norcia until the church of St. Benedict can be rebuilt.

CONCLUSION

The introduction of a temporary public building to the site of the church of St. Benedict gives us an opportunity to maintain public functions and retain the presence of residents in the historical town centre until the time of its proper reconstruction. Placing a clear focus on safety of use, the design sets research on the path towards new, parametric, customized systems of securing heritage substance. As the example in question has proven, contextual architecture, one that draws on a reading of its surroundings, can be a model for measures to be taken during the reconstruction of a city after an earthquake, one of its undeniable advantages being that it is less controversial than attempts at creating new temporary icons in the place of old ones and is less anonymous than prefabricated containers. Contextual architecture, one that begins with reading the place and that utilises the proportions of its surroundings, existing axes, passage widths, the sizes of openings featured by surrounding buildings, gives the residents of the city - who have such strong emotional ties with the figure of St. Benedict and the historical church - a signal that a temporary building is not invasive and respects the extant context.

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Section

BUSINESS AND MANAGEMENT

APPLYING CORPORATE SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES AS PART OF PROJECT MANAGEMENT

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ABSTRACT

The article gives the overview on the research of project management from applying the Corporate Social Responsibility towards employees in the spectre of the project management standards in the small, medium and big enterprises in the Slovak Republic from the project manager point of view. An employee who performs quality work at work expects, in addition to his wages, the benefits that an employer can provide through CSR projects. It is a very important social aspect of company behaviour towards its workers. Authors of the paper state the importance of the Corporate Social Responsibility from project manager's point of view in the researched companies as a part of building social responsibility towards employees and their members of families. Study included in the paper consists of quantitative and qualitative research of 272 selected small, medium and big enterprises in the Slovak Republic, focused on questionnaire survey. Data retrieved from the survey have been processed by advanced statistical methods. To verify the responses of respondents to individual questions, the chi-squared test was used. Critical analysis is being used to identify specific factors of application the CSR concept in the companies from project manager's point of view. The paper brings empirical evidences how project managers in the selected locally based companies have been applying the social aspects into the concept of their own project management. 60% of the monitored enterprises apply CSR activities to their employees in the response spectrum almost always. However, it is very striking that 21% of them do not apply CSR to employees at all. 43% of the monitored enterprises apply CSR to their employees and their family members in their CSR projects. However, up to 43% of the businesses monitored do not monitor or apply projects to their employees and their family members. This paper includes list of recommendations for Slovak small, medium and big enterprises based on best practices abroad, with aim to increase the knowledge and involvement of social problems into the projects of the companies to increase the effect of the CSR towards employees.

Keywords: *project management, CSR, project manager, employee, project*

INTRODUCTION

The combined trends in corporate governance, as well as in corporate marketing management, are primarily geared towards corporate social responsibility. These trends are not limited to international concerns, but also to small and medium-sized enterprises. Most CSR-targeted projects are subject to the planning and management of corporate project managers. Therefore, the opinion of the project manager, his education and skills are very important. However, they are also very much discussed. The impact of training and education of project managers in enterprises is undeniable and obvious, and this training should be an important part of building corporate environmental and social responsibility. Nowadays, we consider the ability to realize projects crucial for the company's future success. Such competence may also be determined by the extent of the appropriate competencies of the project manager. Project managers have to accomplish many tasks in order to complete projects under the triple scope, time and budget constraints to meet the quality requirements of project goals and stakeholder expectations.

Corporate Social Responsibility is a modern phenomenon of corporate governance in the developed world, not only in multinationals but also in medium and small businesses. Most socially responsible projects are subject to the planning and management of corporate project managers. Therefore, the CSR project manager's view is very important and highly discussed. The impact of training and education of project managers in companies is obvious and education should be an important part of building corporate social responsibility. Successful companies balance economic and social goals by integrating social interests into their strategies [1], [2].

Responsibility towards employees deals with the quality of relationships between the company's management and its workforce, and the capability enhancement of all people working for the company. It is related to the level of wages (or remuneration for subcontractors), respect for workers' rights and capabilities in the workplace, and consideration for workers' professional development and for their situation in case of redundancy plans [3]. CSR can be a great tool for employer branding. Conscious shaping the image of an attractive employer leads to a competitive advantage. This phenomenon allows ensuring the quality of the employee work and their greater satisfaction. When employees feel satisfied at work they promote the brand to the environment [4]. Project management is undoubtedly one of the main themes in most organizations, and it is necessary for successful application CSR projects. Project management serves as a very valuable application platform. Currently, projects are very diverse and can have different goals, needs, and requirements. Projects are often utilized as a means to achieve an organization's strategic plan [5].

Modern, complex societies require a well-reflected application of ethical concepts. CSR is a method of effective strategic business management. For

project management, this means the systematic combination of the interest in the project with the interest in public well-being. Integrating project players of different cultural backgrounds and finding, defining and implementing joint standards for socially responsible actions is difficult. This requires high social competency of the project management, which has to have the qualification and competence required for developing and promoting CSR. Introducing CSR to projects using existing standards improves cooperation between the project players for the benefit of more efficient project handling and trustful cooperation [6]. Businesses now integrate corporate social responsibility into their business values by default and integrate them into their processes [7]. Corporate social responsibility can also be understood as a benefit for the local community and region, as well as represents a new dimension of regional development. It is externally manifested in the creation of higher quality social relations with individuals, social groups, local governments which can contribute to the accumulation of social capital of local communities' strategies [8], [9]. The growing interest in CSR projects among companies is also evident, among other things, from a large number of organizations participating in research that assessed their performance within CSR [10]. Also, the BCG study conducted by employees of globally operating companies found that up to 70% of participating companies have consistently implemented CSR in corporate governance [11]. As Caputa [12] mentioned, the foundation of the relationship, in which the customer becomes an active participant of exchange, is customer's emotional engagement, which finds its reflection in, among others, launching a one-way of two-way information transfer, what could be the way to effective projects CSR.

METHODOLOGY

Study included in the paper consists of quantitative and qualitative research of 272 selected small, medium and big enterprises in the Slovak Republic, focused on questionnaire survey. Data retrieved from the survey have been processed by advanced statistical methods. To verify the responses of respondents to individual questions, the chi-squared test was used. Critical analysis is being used to identify specific factors of application the CSR concept in the companies from project manager's point of view. For the processing the data we used SAS statistical program. As a non-parametric method we used Kruskal-Wallis test, what is a nonparametric equivalent of one-factor analysis of variance, i. allows to test the hypothesis H_0 that k ($k \geq 3$) independent files come from the same distribution. It is a direct generalization of Wilcoxon's two-choice test for independent selection files ($k \geq 3$) [13].

The interpretation of the results is as follows: If the P-value of Kruskal-Wallis test is greater than 0.05, we do not reject the null hypothesis; Otherwise, we reject the null hypothesis and accept the alternative hypothesis. The effect of the investigated quality factor on the variable to be explained is statistically significant [13]. The SAS 9.3 statistical software, in which we performed the calculations, also offers the calculation of the so-called Spearman coefficient. P-

value, which we compare with 0.05. If the P-value is greater than 0.05, we do not reject the null hypothesis, the dependence between the variables being examined is not statistically significant. Conversely, if the P-value is less than or equal to 0.05, we accept an alternative hypothesis, the dependence between variables is statistically provable. The mosaic plots and X-square we tested in the program R. The questionnaire consisted of 5 questions on business identification, and four question groups on project management, project implementation, project manager training, CSR and project management, and a group of respondent information questions (project managers). The questionnaire was distributed through an online form in Google forms. The individual project managers confirmed the basic information about the surveyed company, which means that the survey was not anonymous but conclusive. From the point of view of the size of enterprises, the most participating businesses, namely 56% were small businesses [14]. Medium-sized enterprises accounted for 24% and large enterprises 20%. A very important variable in the sample of enterprises examined was the economy sector in which the business predominates (see Table 1). Most, 20.59% of enterprises were from the public sector and the second largest group was industrial enterprises, 19.12%.

The aim of the questionnaire survey was to provide a sample from the whole territory of Slovakia, therefore the third identification mark was the region, according to the territorial division of the republic. As the highest concentration of enterprises is in the Bratislava region, it was also reflected in the sample obtained, 37.13%, followed by enterprises from the Banská Bystrica region, 19.46% and the Nitra region 13.6%.

Table 1 Number of researched enterprises by sector

Code	Category	number	relative frequency
9	Public sector	56	20,59%
4	Industry	52	19,12%
8	Real estate/construction industry	36	13,24%
3	Retail/Consumer Goods	28	10,29%
1	Telecommunications / information technology	25	9,19%
2	Media/entertainment industry	19	6,99%
5	Public Services (Energy/Gas/Waterworks)	14	5,15%
7	Financial Services	13	4,78%
6	Chemical Industry(Oil Processing/Transport)	11	4,04%
10	Logistics	11	4,04%
11	Others	7	2,57%
	Overall	272	100,00%

Source: own elaboration

A very important monitored 4th variable was the company's yearly turnover. The structure of the monitored enterprises was recorded as follows: enterprises with turnover up to 2 mil. € 53.3%), turnover 3 - 10 mil. € 20.2%), turnover 11 - 50 mil. € (12.9%), turnover 51 - 200 mil. € (7.4%) and enterprises with a turnover of more than 200 mil. € (6.3%).

RESULTS

The paper brings empirical evidences how project managers in the selected locally based companies have been applying the social aspects of CSR towards employees and towards employees and their family members into the concept of their own project management and also, how the companies are dealing with the social problems in the region and social problems in the society. 52% of the surveyed companies deal with their project management projects with an average value of more than EUR 20,000. We could say, regarding the turnover and the size of projects, there is some space for applying CSR into the management and marketing of the company. The project managers of the companies surveyed stated that, from the perspective of monitoring only 53% of enterprises perceive this need from a social perspective.

The results of the survey document the applying of CSR in a company general in the context to yearly turnover of the company. The result from the surveyed companies in Slovakia is: profitable companies are applying CSR into the management of the company, always almost 47,6 % of the companies with turnover lower than 2 mil. € and 76,5 % of the companies with higher turnover than 200 mil. €.

Figure 1 document the level of applying the six forms of CSR into the management and marketing of the company. For all three size of companies the ecological problems in the region, where the company is based are the most important, especially for big enterprises. The importance of social problems and CSR towards employees for big companies has the same level. For middle sized companies are the most important areas ecological problems in the region and application of CSR towards their employees.

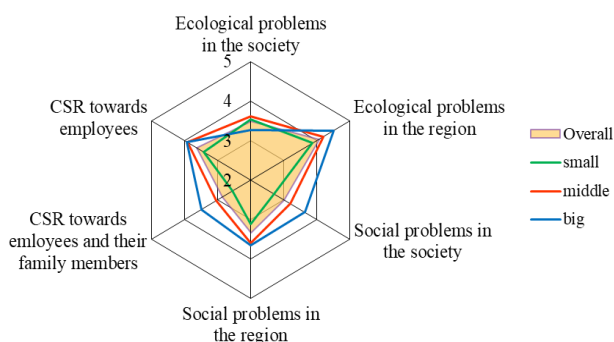


Figure 1 Structure of researched enterprises of applying CSR in the management and marketing by the size of enterprise

Source: own elaboration

In small businesses, due to fewer employees and family, friendly ties, they are more connected to the environment in which they operate. There are personal ties in these companies, which logically translates into selected forms of CSR in marketing management. The results of the questionnaire show that small businesses mainly focus on CSR towards employees, but also on social problems in the region (disadvantaged groups, etc.) and on environmental issues in the immediate vicinity of the company.

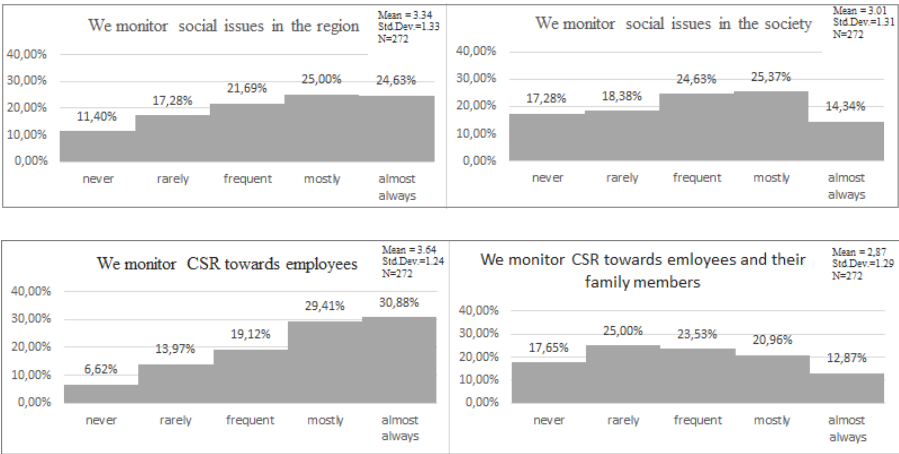


Figure 2 Four possibilities of applying CSR in the company’s management

Source: own elaboration

Similarly, Figure 2 presents the results of applying individual CSR forms to business management. Regardless of the variables, on average, businesses tend to focus most on dealing with their employees, almost always 30.88% of the businesses monitored, and almost always 24.63% on social issues in the region.

Figure 3 presents the results of the questionnaire response test (ot122) 35.1 questionnaire, CSR fulfilment against employees, where Test Statistics Value X-squared = 27.41, df = NA, p-value = 0.0354, means that the answer is significant in relation the company's annual turnover. Often, Figure 3 documents (question 123) the questionnaire replies 35.2, applying CSR to employees and their family members in relation to the company's annual turnover. The X-squared = 33.495, df = NA, p-value = 0.0053 test statistic value indicates that the response is significant in terms of company turnover. The blue and red colours in the mosaic charts document the departure from the dependence caused by variations in responses, such as variant 5 in question 123. In combination with responses of 1 rt 3, abundance of 4.01 is expected to be significantly lower than observed 10.

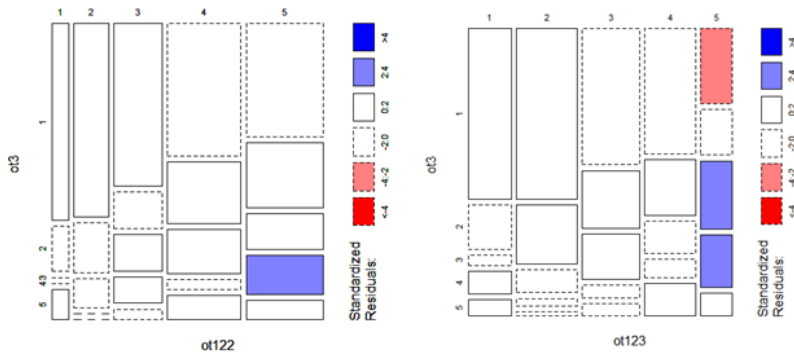


Figure 3 Mosaic plots of applying CSR towards employees and towards employees and their family members in dependence of yearly turnover of the companies. Program R.

Source: own elaboration

Since we considered the variable yearly turnover to be an important determinant of business decision-making about the area that will be most closely pursued in CSR projects, we decided to use the non-parametric method Kruskal-Wallis test (see Table 2).

Table 2

Wilcoxon Scores (Rank Sums) for Variable o35_CSR_towards_employees. Classified by Variable o3_turnover					
o3_trzby	N	Sum of Scores	Expected Under H0	Std Dev Under H0	Mean Score
1	145	17552.50	19792.50	625.905297	121.051724
2	55	8151.50	7507.50	503.887955	148.209091
3	35	5193.50	4777.50	420.078989	148.385714
4	20	3624.00	2730.00	327.444751	181.200000
5	17	2606.50	2320.50	303.680787	153.323529
Average scores were used for ties.					
Kruskal-Wallis Test					
Chi-Square	15.8754				
DF	4				
Pr > Chi-Square	0.0032				

Source: own elaboration, program SAS.

In the case of the monitoring and application of social problems in the region into CSR, there are significant difference between the turnover of the companies. The impact of the turnover has been proven in the area of how businesses pursue societal challenges in society as a whole. The difference was between the industry such as 1 Telecommunications / information technology and 3 Retail / Consumer Goods.

CONCLUSION

Current business is looking for new ways to attract and maintain customers. CSR is one of the ways in which companies declare their interest in public affairs, the environment, the social aspects of society, and the problem of human resources and the well-being of their employees. The authors of this study present the results obtained through a questionnaire survey in small, medium and big enterprises in the Slovak Republic. The survey was primarily focused on the application of project management tools, the application of CSR in project management, and the attitudes of project managers to the enterprises under review. 39.1% of the sample of monitored enterprises focus on CSR towards their employees, almost always, mostly and frequently. It can be stated that partial results show that CSR and human resources are very important for businesses. More are applied by companies in project management of CSR towards employees and also their family members, almost always, mostly and frequently in 66.1%. On average, up to 24.3% follow the social problem in the almost always region, but up to 17.28% never follow the general social problems in society. It is very positive that CSR projects are directed to their employees, here it can be stated that this is a precondition for increasing care for the development of human potential in enterprises. The results of individual analyzes show that large enterprises are more intensively engaged in the issue of social problems and ecology, especially in the region where they operate. The study confirms differences in the application of CSR between small and medium-sized enterprises. It is understandable given their turnover and profit. Mainly employees and environmental issues are important for small businesses. The results of the study show that the training of corporate project managers is very important because it is these people who are responsible for project solutions that can also be CSR projects.

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CRITICAL ANALYSIS OF QUALITY LEADERSHIP VISIONS IN ORDER TO INCREASE AND DESIGN A MANAGERIAL HYBRID WITH SUPERIOR ATTRIBUTES

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ABSTRACT

Several studies show that the approach of leadership and educational management is accompanied by eclectic statements. The uncritical treatment of the quality of dynamism with controlled and uncontrolled variations in the context of a continuous movement of technological advances and competition is amplified by the misinterpretation and misimplementation of concepts developed by leaders of the quality and quality management.

This study examines the conceptual differences in a mechanical, hybrid of heterogeneous or even opposite concepts of quality. The authors have used a number of methodological and logical activities, including literature, problem identification, chain reactions, diagrams, selection, synthesis, formulation of ideas, and generating conclusions to balance the managerial hybrid with superior qualities. Finally, the result of this research is a conceptual model regarding the procreation of quality management models with functional and dynamic energy.

Keywords: managerial hybrid, quality dynamism, eclectic leadership

INTRODUCTION

The current meanings of leadership and educational management show as clearly as possible a period of managerial crisis. It is well known that school organizations, especially formal educational environments, are adapting more slowly and heavily to other non-formal environments and especially to other areas.

This study began with the initiation of new approaches and new practical perspectives with increased functional and dynamic energy to provide models of good management practice in education. Educational management in Romania faces great difficulties in this transition period in the context of the continuous movement of informational progress, connections that must ensure a continuous, dense and profound flow in a flexible network of organizations with progressive dynamics and acceleration speed in the quality assurance process.

The Romanian education system has legislation that allows, besides the public system of educational services and the functioning of institutions providing private services, confessional schools or instructive-educational programs offered by non-governmental organizations to various categories of beneficiaries. The emergence and development of these alternative educational services is a real competitive factor, which can be directed towards increasing the quality of educational services, by harmonizing the needs of the community with the offer of the organizations.

The last decades of economic crisis have highlighted strategic management issues within educational organizations. Several studies question the concept and managerial theories and justify treating in a critical manner the quality dynamics with controlled but also uncontrolled variations.

Reforms produced in the Romanian educational system have transformed school organizations into infallible copies of Anglo-American managerial strategies, from which misconceptions, concepts, managerial theories and practices have been mistakenly implemented.

MATERIAL AND METHODOLOGY

A good understanding of the conceptual differences between the visions of the leaders of quality can lead to a mechanical combination of heterogeneous or even opposite conceptions of quality in education to perceive the right and accept the beneficial transformations of this quality movement.

It can speak in education about a tough eclecticism of conceptual quality management and a discrepancy over quality visions. Because contributions and policies related to the strategies and goals pursued are capable of generating an evolutionary path, such as customer orientation to leaders such as W. Edwards Deming and Joseph M. Juran, product orientation has been achieved at Philip B. Crosby and Genichi Taguchi or value, as is the case with Kaoru Ishikawa. [1]

Attention was also paid to the perspectives on the emphasis on the process as a common denominator and the different additions, namely with a focus on people at Juran and Ishikawa, a focus on performance, in Crosby's vision, for Taguchi to concentrate on design. It is interesting to note the dominant factors capable of generating a minimum of consensus in their uncritical combination of different styles of leadership and management. The complexity of this problem starts from variance control to make a correlation with the purpose and use according to the requirements to the critical dimension of total quality control of educational organizations.

The international trend towards decentralized management is one of the priority directions of the Romanian education reform, which aims to create an

organized education system with strategic vision and thinking, administration and financing in line with European regulations. [2]

The current state of the strategy management theory aims to ensure customer-oriented quality as direct and indirect beneficiaries of education, which may be possible through a rigorous process of influence in providing services consistent with quality education providers (Figure No.1). These concepts and policies that emerged since the 1980s are proactive by including design quality in the education services offered and the correct identification of the causes of quality problems to improve it in real time, compared to the reactivity of old managerial concepts.

With the explosion of technology, international quality competition has been stepped up among educational organizations and education providers through the emergence of alternative services with uncontrolled variations in the global vision. This quality movement can add value at national level to changing service visions with state-controlled variations by maintaining the enthusiasm of the beneficiaries of education, with great attention to anticipating their future requirements for quality management aimed at adapting innovative mechanisms in non-educational areas. [3]

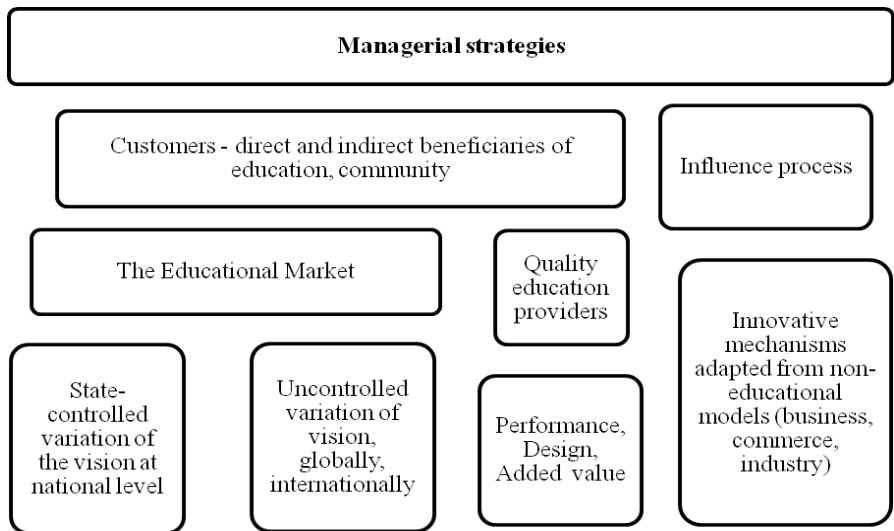


Figure No.1. Educational concepts and policies impacting the quality movement

Source: The authors' own concept about managerial strategy based on quality visions

Quality planning, taking into account expectations and forecasts, involves managerial planning that involves a careful investigation of actions and their consequences and the implementation of strategic plans through organizational

dynamic policies that ensure a permanent adaptation to change from a strategic perspective of management over the long term. [4], [5]

Through a critical analysis of Deming's visions from the perspective of the chain reaction (Figure No. 2), it was found that the improvement of educational quality, understood as a systematic, interactive process of creation and improvisation in the best conditions through a strategic management, leads to greater satisfaction of beneficiaries with lower material resources. [6]

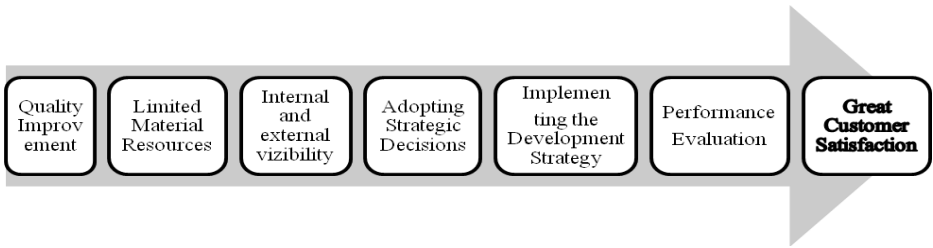


Figure No.2. Chain Reactions

Source: The authors' own concept based on Deming's vision on improvement of educational quality

Developing a strategy involves analyzing and evaluating the organization's internal and external environment. Internal visibility takes into account all the real and relevant information that must be known by all team members and education recipients. External visibility means ensuring success through the impact the organization has on the community's stakeholders.

Strategic management has a number of advantages, such as strong human resource motivation, adopting favorable alternatives, reducing resistance to change with the help of those involved in strategy development. The managerial practice of the authors at the level of the educational organization has led to the identification of some disadvantages of the strategic management, namely: the increase of the necessary time, unpleasant effects if the people who formulated the strategy were not involved in its implementation. [7]

THEORY

After a careful observation of the conclusions reached by some quality leaders and correlating with other educational environments, but also with other fields of activity, rhetoric and the reality of education in Romania needs a serious analysis of the gaps to establish the correct percentage of organizational change. Although there are similarities between Deming's and Juran's vision of customer focus, with emphasis on the process of continuous improvement of quality management, while Deming supported the idea of a transformation, Juran argued

that quality management could be integrated in the organization, and this is about continuity and evolution.

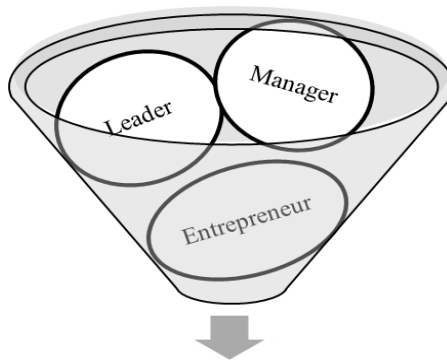
Like Juran, other leadership leaders such as Crosby and Taguchi have delivered the concepts of "compliance with requirements" and beneficiaries' needs, through an efficient design process with superior qualities such as reliability and quality, performance design, but the date this orientation has shifted from customer to product, to the results. [1], [6]

Another element specific to Japanese culture in quality assurance is performance variation, a concept that has been explored by Taguchi. Fortunately, this can be reduced by looking at and carefully studying the causes of quality variation in the production and planning process, as Ishikawa's philosophy provides for the responsibility of all employees and all departments of the organization, focusing now on people, valorizing the actors involved.

RESULTS AND DISCUSSION

In the last decades, organizational culture and leadership approach from a strategic perspective are of great interest in creating functional energy models of Top Management Education.

Although many specialists make conceptual delimitations about leadership and management notions, distinguishing them categorically through an obvious eclecticism at first glance, the present study results in a merger by crossing the two concepts into an indispensable vector increasing and enhancing the quality of the educational organization, to which entrepreneurship is added, as an organic piece of work that complements as a puzzle a managerial hybrid with superior qualities. (Figure No.3.)



Managerial hybrid with superior attributes

Figure No.3. Conceptual Model of Managerial Hybrid

Source: The authors' own concept based on leadership visions

A critical examination of these variables of the quality equation advances in the direction of erasing any differences between them, but in concrete terms neither the opposition nor the overlapping of the three visions seems to be exhaustive, which leads naturally and authentic to their mutual interaction and potentiation.

As a finding of the existing state of affairs, this situation is very difficult to translate into practice, but Alain Kerjean, however, in the *Le Manager Leader* (Editions d'Organisation, Paris, 2002), talks about the manager who has a vision , proposes the reflection, simultaneously with the action, by visualizing the "unlimited manager". Similar considerations are also found in Kotter in "A Force for Change" (New York, 1990), namely combining a strong leader with a strong manager and "using everyone to balance them" is a real challenge. The discussion with the same perception is completed by Craig Watson in *Leadership, Management and Seven Keys* (1983), which also states that "successful organizations are distinguished by the way their leaders and managers are harmonized in a common culture". [8], [9]

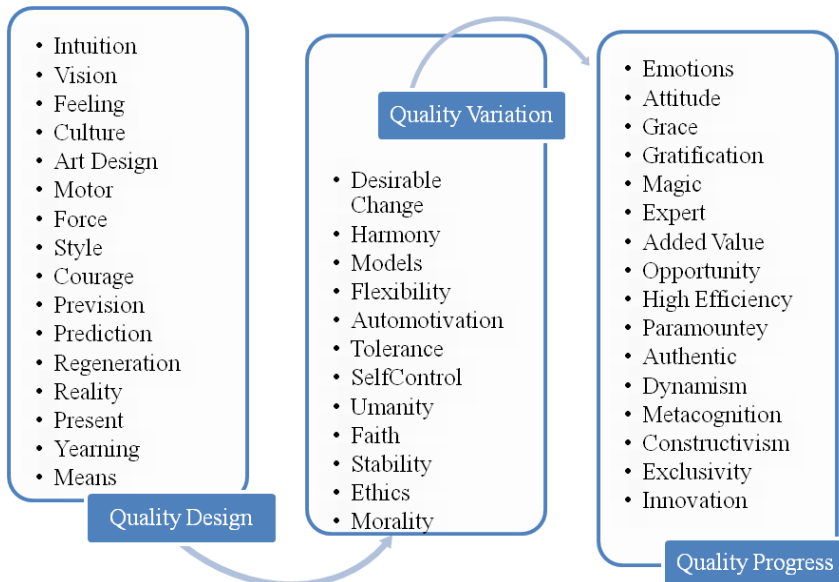


Figure No.4. Conceptual Model of the Quality Trilogy

Source: The authors' own concept based on Juran's Trilogy

Entrepreneurial spirit is conducive to the leadership of its own organization, as is the case with private education institutions, but it adds value to the public education system in a highly competitive environment within large educational organizations and providers of non-formal education with a complex activity. [10]

Starting from the quality trilogy concept created by Juran, he has reached a new conceptual model whereby a superiors of hybrid leadership must have a

natural and authentic intuition of all the variables the organization interacts with. It also needs to be a true engine of the organization, with an energy regenerator for superior performance. (Figure No. 4)

CONCLUSION

In conclusion, inventing the philosophies and visions expressed by many other authors, it can be argued that an organizer can be a leader, manager, leader or entrepreneur in varying proportions, varying according to personal qualities, with increased emphasis on the human side, the leader who gives them a broad vision.

The results of this study have shown that leadership and educational management are an assumed adventure, with many paradoxes, and quality assurance presupposes excellence, exclusivity, energy. A paradox is the responsibility for what others do, and here they need ethics and humanity at the same time, through a co-ordinated and harmonious management of one's own person, the coordinated team and the action network - the community, with great attention to the political side of the organization. As a further development, it is desirable to carry out a causal study on the actual avoidance of this side by managers and the difficulties encountered in this respect. The added value design is based on considerable time, dynamics and movement investments, on constructive treatment of possible failures, on making critical connections with the external environment in order to permanently regulate the organization's internal environment in order to maintain its balance.

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ECONOMIC STUDIES IN BUSINESS PLATFORMS - COMPLETELY NEW APPROACH IN MICROECONOMICS

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ABSTRACT

With the global rise of Web 2.0 a completely new type of business models - *business platforms* have arisen and nowadays *Amazon, Apple, Google, Facebook* are convincingly taking over the lead in global business world [1]. These four *flagship business platforms* are followed by countless other platforms in all spheres of business and contemporary life (*eBay, Airbnb, Uber etc.*). However, the MBA study courses that could cover all sides of business platform microeconomics and explain their enormous economical success are rarely provided in Europe and still not existed in many countries including Latvia.

This paper describes the author's research of specific microeconomics characteristics of business platforms, the different ways of thinking in marketing, competition and money making strategies in business platforms, platform business determinants, detailed comparison of traditional (“*pipe*”) business models and business platforms, the strengths and weaknesses of platform business models. As the result of this research author has elaborated the original MBA study course - “*Business Platform Microeconomics*” and its detailed plan is attached in references of this paper [2].

In conclusions author expressed how specifics of business platform microeconomics defines completely different main components of the business model in business platforms in comparison to traditional “*pipe*” type business models, what is explaining the enormous economic success of this new business model- business platforms.

Keywords: *business platforms, traditional “pipe” type business models, non-linear value increase, interaction instead production, orchestration instead command& control, co-creation of products and services*

INTRODUCTION

Business platforms are the world's most valuable companies. In 2018 by market value *Microsoft, Apple, Amazon and Alphabet* (owner of *Google* since 2015.), *Facebook, Alibaba (China) and Tencent (China)*. have market capitalization of 5 trillion U\$. Nearly 200 “unicorns” – start-ups, follow these flagships: with a market value of more than 1 billion U\$ each. Among these *start-ups* 60%-70% are *business platforms*.(*ANT Financial* (owned by *Alibaba*), *Uber, Didi Chusing (China), Airbnb, etc.*) [3]

How a relatively small number of these companies- business platforms came to gain a huge impact on people personal, professional and even political lives? How these platforms were able to start controlling information flows as well as a large number of products and services in the whole world? How these market-dominated companies - business platforms are different or similar to those powerful multinational corporations that dominated before in the recent past? These are not simply rhetorical questions. In the near future, it can be expected that exactly *digital business platforms and associated ecosystems* will be those through which people will organise new information technologies, such as: *artificial intelligence, virtual reality, the Internet of Things, healthcare information, quantum computing, etc.*

THERORETICAL APPROACH

Software “eats” the world - core principle of platform business model.

Software has existed for decades, but its ability to “eat” the world, i.e. to intervene and reorganize traditional industries and areas of life, has become an obvious and undoubted fact in the last 15 years with the rise of Web 2.0. *Software* has already “eaten” most of media, telecommunications businesses, professional services, including retail business and now is growing up to “eat” – banking, healthcare, education, energy, transport, etc. businesses – expanding into almost all areas of life.

Business platforms are exactly the companies that use *software* to “eat” the world. The core principle of the platform business model is the *creation and promotion of interactions between platform participants and not internal production of products or services*. *Business platforms* primarily benefit not from internal production but from: the *open interaction of the wide range platform participants and open market cooperation*. [4]

Platform business model in the global world is driven by *three main forces*: the increasing *potential for global contacts*, the increasing *decentralized production* on a global scale, the growing *role of artificial intelligence* in business sphere. Platforms provide a *plug-and-play* business infrastructure where different business companies and individuals from the whole world (*outside the platform*) can easily and simply: join the platform (“*plug*” in the platform), create and develop their products and services on the platform (“*play*” on the platform), co-create and increase the value of their products and services (“*use*” the platform) with other platform participants including the end-users of these products and services.

Business platforms enable and facilitate efficient interactions between *producers and customers* in a way that they both can *co-create and increase the value of products and services* by using platform business model infrastructure - what delivers benefits to producers, customers and

platforms. Platforms allow all their participants to co-create and change the value of the product or service, what is not taking place in traditional businesses.[5]

METHODOLOGY

In this research we are concentrating mainly on analysis of micro economical side of business platform characteristics , however in our elaborated MBA study course we have included also the parts of platform, application (app) and interfaces (API) characterizations, which are more directed in the IT sphere.

To obtain the results and come to conclusions about the specifics of microeconomics of business platforms the main emphasis in this research was put on the analysis of differences of traditional (“pipe” type) and business platform business models.

RESULTS

Microeconomics characteristics of business platforms

Our analysis shows, that business platforms bring together individuals and businesses that they can innovate and interact in ways that would not otherwise be possible. This results in a *non-linear increase in value* in platforms , which is delivered by much wider and faster business scaling with effectively usage the *network effects* in platforms as in traditional business models ,where the total value increases lineary (additively) [6].

The value in platforms can be increased in a non-linear way, because each new platform participant , who is delivering his innovation (*producer*) or consuming innovation through platform (*end-user*) , can connect with all other platform and get benefit from innovations of products and services , that are already available in the platform network and created by other participants .The *network effect* expresses as the *positive feedback*, that is generated by linking, connecting different producers , end- users and other market participants with each other in the platform.

We need a different approach in competition, marketing and money- making in business platforms

Business platforms , which are building their business by using network effects, require a different way of thinking in marketing dynamics and competition strategy compared to traditional business models. Platform businesses has also different ways how to make money ,because they don't basically sell individual (*standalone*) products or services directly. The more important thing in the platform market is that you have the best platform and not the best product , what you are offering through this platform. For example *Apple Macintosh*, was a better computer compared to the early *PC*, who used *DOS* or

Windows, both in use and in design elegance. Despite these strengths, though, *Mac's* market share never reached even 10% in the past thirty years because it wasn't the best platform.

It has to be emphasized, that not every traditional industry, that has switched to a platform strategy from separate (*standalone*) product or service strategy, has chosen the best way to win competitors and get the most profit in this industry sphere. The platform strategy should prevail over a single product (service) strategy if : there are opportunities to “*knock out*” (obtain) innovations , created by external (outside of platform) companies and individuals in order to increase the common value, it is more economic valuable to promote transactions of products and services than to maintain and use company's assets to produce products and services directly.

WHO ARE THE PLATFORM BUSINESS DETERMINANTS?

Involve many market sides

Platforms provide products or services by bringing together two or more market players (sellers and buyers, application (apps) producers , advertizers etc.) who would otherwise be unable such easily interact with each other. Different market sides of platform offer the potential to generate revenues for platform business without direct producing products or providing services by platforms themselves. Platforms can access different market sides to replace contracts with traditional suppliers, to replace investments in the internal capacity and capability of the company, to replace buying and maintaining company's assets. For example, *Apple*, *Google* and *Microsoft*, *Facebook* did not build its own engineering teams but paid to third-party suppliers who have created millions of software applications operating on these platforms (however, some apps have also created by the platforms themselves!). *Uber*, *Lift*, *Didi Chuxing* and *Airbnb* have never been owners of cars or apartments.[6]

Generate network effects

The unique nature of network effects in platforms is that the value obtained by one platform participant (producer or user) by using a product or service offered by the platform increases: if more other platform participants are using the same product or service offered by platform, if more innovations are appearing in the platform. If the network effect is strong, it results as a *non-linear* increase in both the value of the use of the platform and its applicability. For example, powerful feedback loops boosted *Facebook's* growth to more than 2 billion users in just a few years. If the user attracts (links) another user to the platform, it is creating “direct” or “one-side” network effect. The same is with producers. But, if the participants of one side of the platform attract the participants of the other side of platform (for example, *users attract producers or advertisers or vice*

versa), the network effect is “indirect” or “*cross-side*” effect. This illustrates why the platform *business scale is so closely linked to networked effects*.

The results from economic comparison of platforms and non-platforms in the same industrial category

The economic difference appears in the following indicators:

1. Platforms employ twice less people as non-platforms.
2. Platforms have higher operational profits.
3. Platforms have much higher market value.
4. Platforms have higher ratio equity to sales.
5. Platforms spend significantly more funds for R&D ,sales, marketing and administration.
6. Platforms have more rapid growth of revenue and market value for the same time period.

OUR COMPARISON BETWEEN TRADITIONAL (“PIPE”) BUSINESS MODELS AND BUSINESS PLATFORMS

Traditional “pipe” business models

The “*pipe*” model appears almost in any field of the business industry sphere. A traditional production, supply and consumption chain operates as “*pipe*”. Each product comes “*through a pipe*” in direction from its producer to its consumer, where during the product movement through the “*pipe*” certain part of value is added to the product. Service companies also work as *pipe* -type business models: they aggregate resources for carrying out services and *deliver* these services to the customer. For example, traditional media - television, radio and newspapers - are “pipe – type” business models, where the content (news, entertainment etc.) is “pushed” through the “pipe” to consumers. All “pipe-type” business models provide a linear movement of value from producer to one or more consumers. *Linear* companies in business literature are described as *input/output businesses* or as “pipes”, thanks to their business linear nature. [6] In 1985, Porter has divided a company's activities (*see Figure 1*):

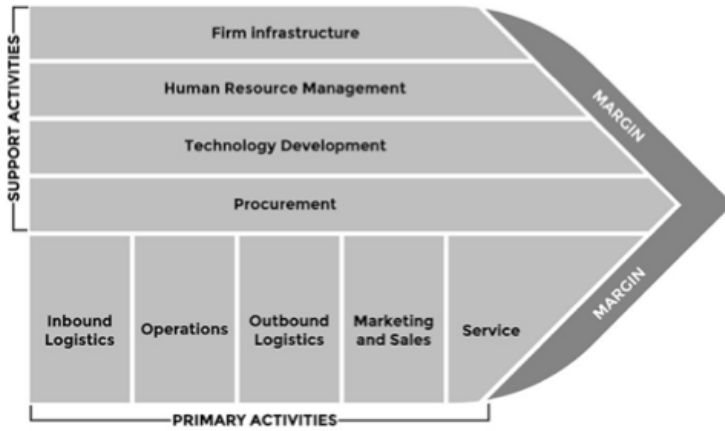


Figure 1. Linear Company's Porter Value Chain[6]

The traditional business model of *linear* company gains a competitive advantage by carrying out two types (primary and support) of activities, either: by doing them at low cost (*low cost strategy*), or by uniquely creating a higher value of the product (in comparison to others) and setting a *premium* price for this product.

Platform business model – “rocket” model

To establish a multisided business platform requires a lot of energy – like

“to launch a rocket into space” (see Figure 2.) .To start a business platform one needs: *to “recruit ”(attract) at least two sides of the market, to promote development and to do marketing for each side of market. To start a business platform* basically means to *“start” two companies at the same time*. It is a complicated obstacle that doesn't exist in traditional pipe” type business models! Besides of this, it is obligatory to scale the platform’s participant base that it has reached a critical mass on both market sides of the platform.

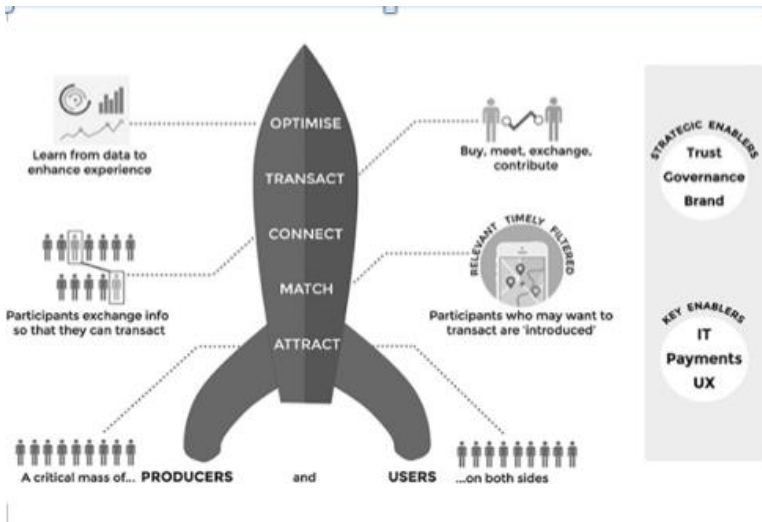


Figure 2. Main components of the business platform – “rocket” model[6]

Platform business model is a high-level functional model based on the company’s core activities *to serve simultaneously multisided markets*. For that business platform model typically consists of following components:

- *to attract critical mass of participants on each side of the market* - platform has to be capable to attract essential number of producers (on one market side) and consumers (end -users) (on other market side). The critical engine of attraction is the design of the value offer and its content delivered by the platform to each of the side of the platform.
- *to match these two sides of the market* -to achieve the interaction between both market sides of the platform. For example, *Airbnb* platform is introducing “*guests*” to “*hosts*”, who are offering residential areas in the appropriate sites and at the appropriate time . The effective matching must meet the needs of the platform participants, to be timely effective and to provide the correct amount and depth of information.
- *to allow both sides of the market to connect each other* - platform participants often want to share additional information before they make a transactions with each other within the framework of the platform. For example, on the *eBay* platform, buyers often are asking sellers specific questions about their offered for sale items before buyers purchase them. At the same time platforms have to ensure that their connecting function does not promote to the risk of “*leakage* ” (i.e. when platform participants decide to carry out transactions outside the platform after contacted each other inside the platform)

- *to enable both sides of the market to carry out transactions* - from all interactions carried out on platforms the core interactions are *transactions* , in which the product or service proposed on platform is “changing hands” – they are money deals (sell - purchase acts) between producers and end- users. Exactly transactions are bringing revenues to the platforms in very different ways but mostly as commission fees from enabling each transaction to happen on the platform. The transactions *monetize* platforms. For example : such as selling – purchasing on *Amazon, eBay,etc.* , finding a successful employee on *LinkedIn*, clicking *Google*-sponsored Ad review, Ads (with likes) in *Facebook*, selling-purchasing applications (apps) on *Apple iOS* etc.

Platforms apply very different pricing models to their participants: not charging for services (provided by platforms), not charging temporarily for services (*trial period*),charging others for financing free platform services, charging others for financing free platform services, charging only when a transaction occurs on the platform, charging a listing fee, requiring a membership fee independent of transactions

For example,*Apple* keeps 30% of revenue driven by each sales of *apps* in a market, that generates billions of dollars by *Apple* teaming up with hundreds of thousands of external partners (app creators and developers) from the whole world.

To succeed in unprecident sales of apps *Apple* has already paid about 2.5 billion US\$ to its external partners — *app creators*, who deploy their apps in *Apple's* iOS platform. *Google* keeps approximately 20% from each transaction . In 2017 *Google* Annual report showed that the *lion's share* of revenues came from advertising that involves also selling of apps, *in - app* purchases, digital content products on both *Google* and *YouTube* networks, licensing and service commissions (including fees for services provided by *Google Cloud*).

In 2015 *Facebook* announced that 2 million active advertising donors on this platform have been reached, while 2016 number of active advertising donors is already three million (70% of them outside the US).

Amazon commission fees are different but in average 15% from each sales-purchase transaction.

eBay commission fees from each transaction are around 10%.

The business platform “wealth secret” is that they are charging transaction fees from the whole world!!!

How platform business differ from traditional product and service businesses?

Platform business can: cost effectively target different market micro segments, create potentially sustainable and continuous revenue streams, offer opportunities to maintain higher profit margins in comparison to traditional product and services businesses in the same markets.

The unique cost structure of the business platform allows: to set essentially asymmetric prices for the different parties of the users of the platform, to disperse the places where innovation (apps) is created.

Platforms offer the potential for economics of scale for platform owners and participants that far exceed that in products and services. In both mass markets and “long tails” through massive customization the end-users of the platform can capture a large extent of the market. Platforms offer distinctive ways of “locking in ” customers and potentially transform a one-time – lump sale model for products into a service - like model with a regular revenue stream.

The diversity of the platform participants is what makes the platform-based thinking as its biggest strength but at the same time it is also the biggest challenge to management of platform business. Specialization requires each participant of the platform to focus directly and deeply on their unique capabilities and on leveraging those of others. This requires the platform owner to maintain a delicate balance between: granting innovation producers (apps developers) a sufficient autonomy and not compromising on integration of these innovations (apps) into the platform. Platform management is fundamentally different from product and service management, because it requires: to exercise control without full ownership, to perform “orchestration” management without absolute authority, to define the direction without sufficient experience from the platform owner. Traditional product/service business management requirements for business owner are not applicable to platform owners.

The strengths and weaknesses of platform business models

Traditional business models are often better suited to serve specific consumer groups thanks to improved control over the entire value chain and the ability to monitor (curate) product selection (even by combining “bundling” complementary products). That is what platforms cannot manage so effectively. Traditional business models also give full control over a consumer experience from start to finish - which platforms cannot provide. The platform business models provide a unique opportunity to manage costs and “tackle the long tail of products and services”. Platforms enable the market opening for successful producers. Platforms also scale quickly and, if the critical mass is

reached, they are able to connect large groups and communities from “platform participants.”[7]

This is often achieved on the basis of relatively complex management, governance decisions, trade-offs and arbitrage, which are more sophisticated in comparison to traditional business models.

The main results of our research are aggregated in the content of our new elaborated MBA study course - “Business Platform Microeconomics”, consisting on 11 lectures and 3 practical seminars (32 academic hours), which detailed study plan is presented in [2].

CONCLUSION

Specifics of microeconomics manifests in a completely different platform business model main components in comparison to traditional “pipe” business models :

- *value creation* – as “*plug and play*” approach is a collective effort , based mainly on interactions between platform participants (producers and users) and is not based only on controlling and using of physical and human assets etc. Unlike traditional model companies platforms are not the producers of products or services by controlling the whole value chain and customer experience.
- *marketing* – platforms need completely different strategies for marketing plans (*by using adWord (Google) ,likes (Facebook) , etc.*), they have exact possibilities to reach target markets, to measure targeted ,aggregated customer reactions to marketing measures etc.,
- *sales* – platforms have enormous scaling of sales process (*Amazon Marketplaces* etc.) and solve the “ *long tail*” problem , customers reactivation etc., by using network effects,
- *finances* – platforms have much more different price setting scales, different splitting of “ *revenue pies*” by taking commission fees from “*the whole world*”,
- *H&R management* – platforms have a completely new type of attracting external employees (*app developers* etc.), *orchestrating* approach instead of classical *command-control* system in traditional business models,
- *organizational structure* - is based on alignment of platform architecture (*partitioning, decoupling, system integration, modularity ,API standardization*) and governance (gate keeping, splitting of decision rights, etc)

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EMPLOYEE PERFORMANCE AND ITS EVALUATION

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ABSTRACT

Nowadays, a generally preferred approach to employee performance evaluation can be described as a complex and systemic one. This approach is reflected in the unity of three basic areas of evaluation, namely: evaluation of performance (outputs) of work, evaluation of employee development, and evaluation of relationships. The aim of the paper is to describe methods applied in employee performance evaluation and present respondents' opinions of the possibilities of work performance improvement. Our starting-point is an assumption that work performance is a decisive factor for which employees are recruited. There have been developed numerous methods of employee evaluation, which differ in terms of applicability in employer entities. The focus of our empirical research is on the differences between methods of employee performance in three types of employer entities (small, medium-sized and large employer entities). The research was conducted by means of the combination of the questionnaire method with interview. Respondents identified the evaluation interview as the most progressive method in achieving work results. Although it is hard to define the single best method of conducting the evaluation interview, it is stated that what can be defined are the rules, which can significantly influence the result of the interview. These rules result from the outcome of the questionnaire survey conducted as part of our research and are listed in the conclusion of the paper. Employee work performance is also the result of leading employees, and the most important innovation in human resource management is the concept of performance management.

Keywords: *employee performance, evaluation, evaluation interview*

INTRODUCTION

Employee evaluation methods belong to methods of control in the area of personnel management. Traditional employee evaluation methods were based on the principles of Taylor's Scientific Management, emphasised work specialisation, and clearly defined jobs and tasks to be completed by a job holder. Their basis is the organisation structure and the hierarchy as well as the resulting power and control. In this process, required performance standards are created, which emphasise the need for achieving the performance specified on the average level. Not only opinions of academics but also those of practitioners involve criticism of these methods of employee performance evaluation, because on the one hand, more capable and more efficient employees adjust to the standards and do not fully utilise their abilities, knowledge and skills for achieving better

performance, while those who are less capable have problems to fulfil their performances, and often achieve below-the-average performance. Consequently, this has negative impacts on the relationship to work and brings about employee dissatisfaction with the work performed, and thus also affects their relation towards the entire organisation. There are also secondary impacts, such as sickness absence, accident rate, increased fluctuation, disturbance of relationships at workplace, which is reflected in the work results of the entire organisation. Nowadays, there are pushed through conceptions of work performance management, where the focus is on an individual approach to employees and their abilities [3]. This means an individual creation, the monitoring and evaluation of their work performance. The idea of a new system in managing human resources places employees at the centre: their performance is assessed on an individual basis, i.e. according to how they fulfil tasks created for them and in cooperation with them, while employees have committed themselves to the fulfilment of these tasks.

The aim of the paper is to describe methods applied in employee performance evaluation and present respondents' opinions of the possibilities of work performance improvement. The present paper has been written as part of the research project under the nationwide research scheme of Scientific Grant Agency (VEGA) No. 1/0309/18 *Social Networks in Human Resource Management*.

WORK PERFORMANCE AND METHODS APPLIED IN ITS EVALUATION

The employee's work performance can be described as a result of the employee's effort, ability, and perception of the role or tasks to which the employee focuses their work efforts. Job performance means the degree of fulfilment of certain tasks which are part of the employee's job description [7]. Traditionally, the performance of an employee, team, and that of the entire organization, has been referred to as *output*[5], [6]. This traditional approach emphasised the immediate and measurable amount of work done. However, performance is also the way in which an employee performs and behaves[1], [4]. When evaluating employees, not only various methods can be used, but also more evaluators, customers, co-workers, superiors, subordinates, teams, a group of experts, etc. can be involved. In the following part, we focus only on the evaluation methods that are used in enterprises involved in our empirical research.

Evaluation by comparison is based on a more detailed information, which can also be obtained from the evaluation methods already mentioned. The most current methods include in particular:

Method of ranking is based on the ranking of employees according to their performance, ranging from the best to the least achieving. Its advantage is mainly

its comprehensibility, and thus simple and fast processing of evaluation if a smaller number of employees are evaluated.

Alternative evaluation is based on identifying at first the best and the worst employee, and then the second best and the second worst one, etc. In this way, the list is gradually filled up from the top and bottom towards the centre.

Pair evaluation means comparing the evaluation of each employee individually with all employees in a given work group according to selected criteria. In the final succession, the best place is occupied by the employee who was most frequently placed the first.

Method of compulsory distribution is based only on putting employees into pre-defined categories, for example 10% the weakest ones, 20% those who have to improve, 40% medium ones, 20% good and 10% the best ones.

Evaluation based on objectives assumes the cooperation between the employee and his/her superior in specifying work objectives. These aims have to be clearly defined, indicating deadlines that are mutually acceptable and approved. At the same time, ways of fulfilling the aims need to be agreed on as well as corresponding conditions. This evaluation rests on the joint assessment to what extent aims have been achieved.

Evaluation based on evaluation rating scale is expressed by means of grading, scoring, expressing agreement or disagreement by means of some character, graphic symbol, etc. Its advantage is its multilateral application, operational capacity, simplicity, and comprehensibility. As a rule, it also does not require special training of evaluators, and it can be also used for the assessment of a larger number of employees.

Evaluation of critical incidents/events and significant/ key events assumes the description of *threshold events* in employee behaviour, i.e. remarkably productive or unproductive behaviour, in view of their particular job classification. During the period of evaluation, a line manager concerned records key events caused by subordinates and classifies them into positive and negative ones.

Behaviour-oriented evaluation rating scales. Identification and work-related behaviour are conducted on the basis of behaviour models, which contain key situations serving as examples for determining certain points (anchors) on the rating scale. Work-related behaviour is rated on the scale ranging from 7 (excellent) to 1 (unsatisfactory). On the basis of pattern characteristic, the evaluator records a corresponding degree of behaviour for a particular employee.

Evaluation report. The essence of the report is the evaluator's description and assessment of the strengths and weaknesses of employee behaviour over a

certain period of time. The assessment is based on a description of the course and work performance, as well as on the employee's characteristic traits which are most important in the employee profile and influence their work performance. The starting point for compiling the report can be different records of the relevant line manager in the form of logs, in which all the relevant data and situations are captured.

Evaluation questionnaire. In the questionnaire, the evaluator agrees with a certain statement that corresponds to the situation. The outcome of the evaluation can be expressed by the number of positive responses or the scores assigned to individual criteria or grading according to their importance in the overall rating.

Assessment centres are used as diagnostic and training or development centres in the selection and education of employees, but also in work performance evaluation of not only employees but mainly managers [9]. Despite the fact that it is time consuming and costly, this method is better suited for the assessment of current performance and the prediction of future performance than most unilateral oriented methods.

Self-evaluation enables a higher involvement of employees evaluated in the entire evaluation process, which is becoming a more open. If connected with self-improvement and employee development, it can be an efficient evaluation method in a modern business. Self-evaluation is usually combined with some other evaluation method.

Evaluation interview is the basis for tracking and evaluating work performance and providing feedback. It should enable an exchange of views between the evaluated and the evaluator, promote self-confidence and, above all, facilitate to find solutions to improve performance. It is usually combined with other performance evaluation methods and most frequently, it is the completion of the entire evaluation process.

Evaluation based on the integrated approach, i.e. communication between manager and employee. In order to improve work performance and increase the satisfaction of every employee with the quality of working life, emphasis is also placed on developing the employee's work skills. These ideas are part of the concepts of performance management.[2], [3].

AIM AND METHODS

Creating a rating system and evaluating work performance itself constitute the basis for implementing other staffing functions. Tasks of conceptual character in the elaboration of methods of performance assessment and management are the responsibility of HR managers and in part also that of line managers. This assessment is conducted by means of various evaluation methods. In empirical research, we focused on the most frequently used methods of employee

evaluation. Our goal is to characterise, on the basis of comparing individual respondents' opinions, the most frequently used methods and the most effective methods applied in the employee performance evaluation. Respondents were selected within Section C – Industrial Production, according to the Statistical Classification of Economic Activities of SK NACE Rev. 2.2 pursuant to Decree 306/2007 Coll. For the purpose of analysis, human resources were selected from the following divisions: 10 – Food production; 11 – Manufacture of beverages; 14 – Manufacture of clothing; 20 – Production of chemicals and chemical products; 29 – Manufacture of motor vehicles, semi-trailers and trailers; 31 – Manufacture of furniture

[8]. Random selection was applied in choosing respondents. The survey was conducted by means of the questionnaire method. For the preparation of the questionnaire method, the interview method was used, which enabled us a direct contact with a narrow group of respondents. The interview provided us with initial information about the approaches and ways of conducting control activity in enterprises. Of the originally distributed 270 questionnaires, we could consider 180 questionnaires for the purposes of our statistical evaluation. Respondents came from three types of businesses by size: 55 respondents from small businesses; 75 respondents from medium sized businesses; and 50 respondents from large businesses. We selected a proportionate representation of enterprises by size, within a 270-member survey. The return of the questionnaires together with the usefulness of the data in the questionnaire received was 67%. Statistically, we evaluated opinions of 180 respondents. Research was carried out in broader contexts but, given the scope limitation of the paper, we focus on selected methods of employee performance evaluation.

RESULTS OF EMPIRICAL RESEARCH

The focus of our empirical research was on the application of performance evaluation methods, which are the basis for evaluating employee performance. These include eleven evaluation methods that respondents from businesses have found most frequently applied in their assessment of staff performance.

Tab. 1 Respondents' opinions about the utilisation of employee performance methods

Evaluation method		Size of business based on the number of employees					
		Small (55 resp.)		Medium-sized (75 resp.)		Large (50 resp.)	
		Absolute values	%	Absolute values	%	Absolute values	%
Evaluation by comparison	Method of ranking	3	5.5	3	4	-	-
	Alternative evaluation	-	-	-	-	-	-
	Pair evaluation	-	-	-	-	-	-
	Method of compulsory distribution	-	-	9	12	2	4
Assessment centre		14	25.5	61	81.3	45	9
Evaluation based on objectives		41	74.5	29	38.7	24	48
Evaluation based on rating scale		11	20	32	42.7	38	76
Evaluation of critical incidents and key events		-	-	6	8	3	6
Rating scales oriented to behaviour		-	-	11	14.7	7	14
Evaluation report		32	58	36	48	9	18
Evaluation questionnaire		2	3.6	12	16	1	2
Self-evaluation		49	89	6	8	2	4
Evaluation interview		55	100	75	100	50	100
Evaluation based on integrated approach (communication) between the manager and employee		13	23.6	14	18.7	19	38

Source: Results of empirical research in absolute values and in percentage (% is calculated for three groups of businesses, i.e. small, medium-sized and large businesses.)

Respondents had the option to specify the maximum of four methods most commonly used to assess work performance. The evaluation interview is used in all analysed businesses. The assessment interview is a form of applying employee evaluation methods. Respondents' views have shown that high utilisation is based on established targets in small businesses. In medium-sized and large enterprises, it is also supplemented with the evaluation based on the rating scale. In medium-sized and large enterprises, the assessment centre is often used. Self-assessment is applied in numerous small enterprises, while the application of this method is

negligible in medium and large enterprises. Small and medium-sized enterprises also use evaluation reports. In all the three types of businesses, the evaluation is based on an integrated approach involving both the manager and the employee, which assumes a continuous process of communication between them. Its aim is maintaining and improving work performance, while it also includes the planning of learning opportunities.

According to the respondents' opinion, the most important application was that of the evaluation interview, not only in terms of analysis of the results achieved, but also from the aspect of setting new work objectives and performance requirements for the following period. Direct engagement and interview conducted by superiors has not only a stimulating but also highly motivating impact on setting goals and their achievement.

CONCLUSION

Achievement of work performance in enterprises is dependent also on regular performance evaluation, which is conducted by means of various methods as described in the results of empirical research. Respondents identified the evaluation interview as the most progressive method for achieving work results. The most frequently applied types of interview are:

- Competency interview – the focus is on knowledge, skills, properties, and attitudes required for a given job position.
- Case interview – the focus is on analytical skills and problem-solving abilities.
- Behavioural interview – the focus is on behaviour in concrete working situations that an individual may encounter.

It is impossible to define a single best way of conducting an interview. However, what can be defined are just the rules that can significantly affect the outcome of the interview. The outcome should be an agreement between the evaluator and the evaluated on the improvement of the employee's performance and further employee development. Based on the results of the questionnaire survey, it can be stated that some rules should be observed when conducting an interview:

- Pay attention to an entire evaluation period;
- Familiarise the evaluated with the content and course of the interview;
- Familiarise the evaluated with the aim of evaluation;
- Proceed according to a clear but also a flexible programme;
- Bring to completion and study information and documents for an employee evaluation;
- Lead an employee to self-evaluation;

- Avoid focusing exclusively on criticism instead of highlighting positive aspects of work performance;
- Consider the ability of an employee evaluated to accept criticism and make sure that the superior confirms that the evaluated has understood it;
- Result of the interview depends on the formulation of questions;
- Evaluate the performance and complete the evaluation form;
- Endeavour to achieve agreement;
- Plan future performance;
- Secure a smooth running;
- Create a constructive atmosphere;
- Conclude the interview in a positive tone.

At present, in order to increase employee performance, the concept of work performance management focuses on motivating leadership and ongoing communication. It is based on an agreement between the employee and the manager on the employee's performance, education and development. Collaboration between the employee and the supervisor has to be agreed on to achieve the best possible performance and meet the organizational goals. Based on the criteria for measuring work performance, work performance is assessed at certain stages, which is the basis for employee remuneration as well as for the planning of employee education and training. Managers have to be aware that an ongoing communication between the manager and the employee has to be reciprocal and has to include not only the result of the employee's assessment, but also the manager's suggestions as to how to best perform the job. The result of this process is mutual learning and improvement.

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HUMAN RESOURCES MANAGEMENT FOCUSING ON THE USE OF SOCIALLY DISADVANTAGED PERSONS RELEASED FROM PRISON, AS POTENTIAL EMPLOYEES IN THE SERVICE SECTOR IN THE CZECH REPUBLIC. (CASE STUDY)

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ABSTRACT

The purpose of this article is to analyse the conditions under which persons released from prison sentences can be employed in the service sector (hospitality industry and gastronomy) in order to fully reintegrate them into working life. The article answers the following questions: What makes it difficult for people released from prison to enter the labour market? What are the conditions currently in the labour market for the employment of persons released from custody? How do Human Resources and service sector managerial bodies observe this issue?

Keywords: *HR management, persons released from prison, employer, service sector, hospitality management, hospitality industry, sociology*

INTRODUCTION

At present, the Prison Service of the Czech Republic, (further CR) faces overcrowding of its capacities. There are 36 prison establishments in the CR, of which 10 are detention facilities. The total number of imprisoned persons is around 22,000. There are four types of prisons in the CR, with supervision, security and increased security. In prisons, people sentenced for the least serious offences. Insecurity prisons and in prisons with increased security offenders are the most severe crimes. Specialised female prisons located in the towns of Světlá nad Sázavou and Opava. Almost 9,000 prisoners are serving sentences in custody. Around 1,150 prisoners convicted in high-security mode. There are only 37 prisoners sentenced to life imprisonment in Czech prisons (35 men and two women). The Association for Probation and Mediation in Justice, for example, has published the Steps brochure in which People Released from Custody (further PRFCs) can find advice in a wide range of areas (e.g. debt, accommodation or employment), [7]. The success of post-penitentiary care depends on a large extent on the continuity of all phases of penitentiary care. According to Rosenblum [27] especially the post-penitentiary care is an essential tool for preventing the recidivism of committing PRFC's crime and at the same time a necessary tool for

their re-socialisation and reintegration [27], [26]. Social services provided in post-penitentiary care in the CR divided into specialised services and general services (i.e. services provided to persons in difficult social or personal situations in general). The primary document regulating the provision of social services is Act No. 108/2006 Coll., On Social Services, where PRFC's assistance defines, in particular, the provisions of Section 37 (Social Counselling), paragraphs 2 and 3, according to which necessary social counselling provides to personal information needed to address their unfavourable social situation. The law also requires employees of social services to ensure this. It also states that professional social counselling is provided with a focus on the needs of individual groups of social groups, and also involves working with persons whose lifestyle can lead to a conflict with society [24]. Section 71 of the same Act regulates the area of social rehabilitation as part of social prevention. It stated there that social rehabilitation meant as a set of specific activities that aim to achieve autonomy, independence and self-sufficiency of persons, activities that take place in the form of field or out-patient services. Employers of PRFCs often require the submission of an extract from the criminal record (not always justly). The enforcement of the punishment under the Anti-Discrimination Act is not in itself a permissible form of the difference of treatment (CR, Act 198/2009), [10]. The employer should only require the integrity of the applicant in specific, justified cases. Besides, the conclusion of merit should determine they assessed concerning the nature of the employment and the nature of the offence [21]. Creswell (2012) points out that the obstruction of the application of the PRFCs on the labour market takes the form of secondary repression and is inadmissible. The common practice of some countries (e.g. the United Kingdom and Switzerland) shows that employers do not ask for a criminal record from their potential workers [21], [9]. Western (2018) argues that post-penitentiary care in the field of employment exists in the form of general and professional activities of non-profitable organisations [35]. One of them is the already mentioned Steps Association for Probation and Mediation in Justice, which presents a relatively extensive chapter on the employment of PRFCs [21].

The social reintegration of persons released from serving the sentence

Annually on averages of 13,200 people are released from the sentence, of which 4,000 are conditional. It is he is a relatively large group of people who suffer from a difficult situation on the labour market as a result of being recorded in the Criminal Register. According to LMC research, more than two-thirds of companies (68%) recruited by recruiting companies require a record of the Criminal Record, with 55% of employers not recording Criminal Records. Recurrence rates in the CR are 70%. Recurrence is also expensive. The average daily cost per prisoner last year (2017) was CZK 1,200, i.e. CZK 438,000 per year. In prisons, the punishment of nearly 20,000 prisoners now served, and this is over 8 billion CZK a year. The Ministry of Justice and the Probation and Mediation Service are currently preparing a new strategy, focusing on reducing the increase in the recidivism of the convicts. One of the projects that should help

solve this situation is the concept of so-called probation houses. Champion (2007) gives an opinion, that probation houses should be designated to clients after release from imprisonment. Probation House Clients could acquire and masterwork habits or stable employment, complete education or retraining. Probation houses will help not only those released from imprisonment but also the protective function of the company before relapse and homelessness. This situation indicates that the PRFCs' entry into the labour market should be easier due to the facts mentioned above [19]. However, the simplest situation and the optimal starting conditions for gaining employment complicated by the fact that some stereotypical ideas about their employment persist in the company says Surette (2011) in his research report concerning the possibility of PRFCs' employment [30]. The potential that PRFCs can offer to employers remains idle. In May 2018 the Bytíz prison held a workshop on the potential employment of convicted offenders. The aim, of this event, organised by the Bytíz prison, together with the Union of Industry and Transportation of the Czech Republic. The goal is to help convicts after leaving the prison with the reintegration into the society - helping the released prisoners with employment, housing and legal funds, which are already working, as well as to remove some myths and prejudices. Fifty-six companies attended this workshop. The employees of the Labour Office of the Czech Republic interviewed about the possibilities of cooperation of released convicts' employers. Experience with employment after leaving the sentence shared by employers who have long been working with prisoners. Statistics on how many prisoners remain in business, even after their release, account for up to 14%. One of the greatest experiences in employing people released from prison has been in the Mirakulum amusement park near Jiřice. In terms of serving a sentence in 2011, approximately 150 convicted people were working there. Entrepreneurs employ dismissed prisoners primarily for manual and less demanding jobs. These include assembling products, packing promotional materials, enveloping envelopes, or making simple products from glass or for machinery industry. In the US magazine *Rural Cooperatives*, in 2016 an article was published about the number of people released from imprisonment and the subsequent recidivism due to a lack of job opportunities. It states that the employers' mistrust to offer PRFCs job positions is not the only weak point in the discussed issue. According to the Moriarty (2016), the vast majority of prisoners lack working skills, education, self-confidence and social support, which make their integration into the labour market more difficult. Some PRFCs also face mental illness (the result of imprisonment), [23]. The Statistical Yearbook of the Prison Service in the CR [25], shows that in 2017, 43.41% of the total number of convicted prisoners had basic education and 37.97% of the total number of convicted prisoners. (See Table 1)

Tab. 1: Overview of education of convicted persons in 2017

Highest education level	Male	Female	Total	Total in %
Not identified (foreigners) not listed	180	7	187	0,92%
Special school	486	46	532	2,62%
Without basic education	33	8	41	0,20%
Unfinished primary education	348	33	381	1,88%
Primary education	8012	787	8799	43,41%
Without apprenticeship graduation	7356	340	7696	37,97%
Apprenticeship with graduation	433	23	456	2,25%
Secondary education without GCSE	134	19	153	0,75%
High school secondary education with GCSE	293	50	343	1,69%
Secondary technical education	1195	165	1360	6,71%
Higher professional education	19	3	22	0,11%
University education bachelor	58	5	63	0,31%
Higher education - master's degree	55	6	61	0,30%
University education - engineering	131	11	142	0,70%
University education - doctoral	28	7	35	0,17%
Total sum	18761	1510	20271	100,00%

Source: THE CZECH REPUBLIC PRISON SERVICE: Statistical Yearbook 2017

It can, therefore, assume that those who will be released from the prison once would have to find employment in the labour market. It is related to the issue of available jobs [15]. The analysis of the employability of persons released from custodial sentences has shown that demand for labour is particularly strong in those fields where the PRFCs series are responsible for their professional profile. It is a very positive fact as well as the information that employers' attitudes and approaches to people with criminal backgrounds change and the interest in their employment is increasing [3].

The employment as one of the elements of social rehabilitation of persons released from serving the sentence

A rehabilitated prisoner is not one who learns to survive well in prison but one who succeeds in the world outside the prison on release. Bovan (2018) considering that, if prison authorities are to give priority within their programme of activities in prison to what the International Covenant on Civil and Political Rights describes as the "reformation and social rehabilitation" of prisoners, they will need to base the activities in the prison on giving prisoners the resources and

skills they need to live well outside prison. It means for example linking the work that prisoners do in prison to the work possibilities outside [5]. They should be helped to get the skills and capacity to earn their living and support a family, bearing in mind the discrimination that ex-prisoners are likely to face when trying to find work. During the time that men and women are in prison conditions should be put in place to help them find somewhere to settle after they are released and to create some forms of social structure which will help them to be re-accepted into society [26]. None of this will be easy to achieve, especially in circumstances where many jurisdictions face severe overcrowding, a shortage of trained prison staff and few opportunities to make links with the world outside the prison, as well as a hostile reception for prisoners from outside society when they leave. Bovan (2018) argue: "They should also consider developing partnerships with civil society and educational organisations in the community in order to increase the opportunities available to prisoners" [5]. Finding a way of earning a living is one of the most critical elements of the prisoner's ability to reintegrate into society on release from prison. For many prisoners, their time in prison may be the first chance that they have had to develop vocational skills and to do regular work. The primary purpose of requiring prisoners to work is to prepare them for a normal working life on their release from prison, not to make money for the prison administration or to run factories for the benefit of other parts of the Government [8]. It should be remembered that employment is only one element of social rehabilitation. A full response will require opportunities to develop all the skills needed to return to society; differing societies will require differing skills. Some people become involved in criminal activities because they have no legitimate form of income, often because they cannot find employment [20]. It may be because they have never experienced regular work, so have never learnt the discipline which is necessary to follow a regular regime each day. It may also be that they wish to work but do not have the skills and training which are necessary for regular employment. Prison work can have two main aims [12]. The first is the simple one of encouraging prisoners to become involved in a routine which involves getting up, going to a place of work and spending several hours each day working alongside other people in an organised manner. However, this is not sufficient in itself. Duguid (2000) argue that there is little point in forcing prisoners to go each day to a workshop where the work is monotonous and not likely to be of any use to other people. It This means that prison work should 'linked to training aimed at providing prisoners with work skills which will enable them to gain qualifications to work in traditional employment such as building, engineering, administration or farming. It may also be possible to include training in new skills such as computer work [12]. This vocational training is especially necessary for younger prisoners. In designing these programmes, it is particularly important to be aware of the type of employment opportunities which may be available in the local community to which the prisoner will return. Almost all prisoners will eventually be released back to civil society. It is crucial, especially for those who are serving relatively short sentences, which preparation for this release should begin right at the beginning of the time in prison. It is in their interest and in that of civil society since a person who has a place to stay; the

opportunity of earning a living and a social support structure will have greater incentives to live successfully in the society. The prison authorities cannot prepare prisoners for release without the help of other agencies based in civil society. Sonar (2017) points out that governmental and non-governmental organisation which work with former prisoners after release should be encouraged to come into prison to build relationships with prisoners before they are released and to begin to plan their re-integration into society [29].

METHODOLOGY AND MATERIAL

The first part of the research focused on whether prisoners are interested in working in the service sector at all. The second part of the research focuses on the expression of service management, specifically in the hotel and gastronomy sector, whether they are willing to offer job seekers the opportunity to work and under what conditions. The third part of the research focuses on the HR managers' expression for possible interviews and the subsequent inclusion of people released from the sentence into the labour process. After the research, we observe several statements from those who were involved in integration into the labour process after their release from the sentence [32]. Data collection took place in February 2018 at the Bytíz Prison in Příbram, Czech Republic. It is a prison for convicted men to serve in the supervision, surveillance and security categories. Part of the department is for prisoners with personality and behavioural disorders. (See Picture 1)

Picture 1: Map of the Czech Republic. X = Mentioned Prison „Bytíz“ in region Příbram



Source: Author's own

Employees distributed paper questionnaires to prisoners. In total, 172 questionnaires were distributed. There were 52 returned, and three questionnaires discarded because all questions were not filled. Thus, the return on questionnaires was 82%. The low return of distributed questionnaires was since the questionnaires were primarily filled by prisoners who were expected to be

released in the next six months when they are supposed to seek reintegration into society after their release.

The first part of the empirical survey - Answers of prisoners to questions

1. The interest of persons released from serving a sentence in the service sector
2. Conditions of work of persons released from serving a sentence in the service sector

The second part of the survey deals with hotel and catering managers

By the findings from an empirical survey, a second empirical survey was carried out, focusing on whether employers provided the opportunity to work for persons released from the sentence. A qualitative approach is the most widely used research method in the social sciences, which can be justified both by the openness of this type of research [32], [14] and by the possibility of gaining a more in-depth and more comprehensive view of the chosen issue [9]. Data collection took place in March 2018 in the Bytíz Prison on the workshop. Specific 49 managers from hospitality and gastronomy industry approached.

The third part of the empirical survey

Total of 30 HR managers from the hotel and gastronomic industry participated in the survey. The subject empirical survey was also attended by 12 HR managers outside of the hotel and gastronomy industry and these were HR managers from the automotive, construction and banking sectors. This empirical survey was carried out after the first and second part of the mentioned survey. Subsequently, an empirical survey carried out, attended by 79 representatives of the hotel and gastronomic companies and 12 representatives from other sectors in the territory of the Czech Republic. In the case of qualitative research, this is non-statistical processing of the acquired data, which allows us to look deeper into the examined issues. In order to present qualitative research results, they need to be analysed by encoding. The addressed of HR managers discussed the following questions: *Would offer employment to the prisoners? If so, how do job interviews take place and what is the job posting procedure?*

The fourth part of the empirical survey focuses on the statements of former prisoners already integrated into a normal life concerning their employment

A group of researchers who conducted the research investigations attempted to contact some of the former prisoners with the intention of finding their views on social integration back to normal life after they were released from prison and subsequently their experience with the employment. Researchers were able to

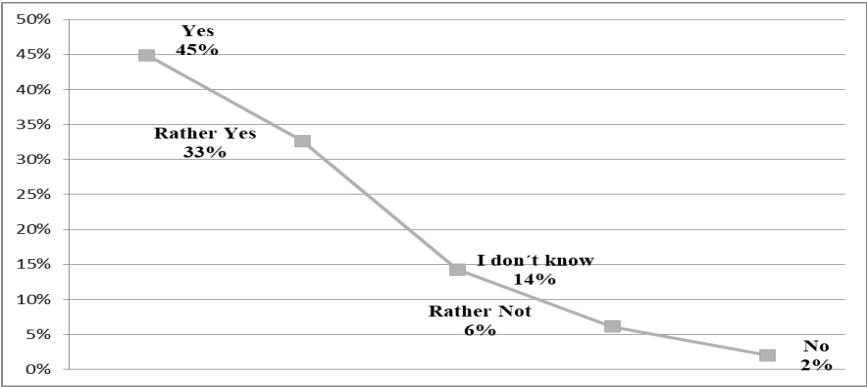
contact just four prisoners who were willing to share their experience after they released from prison.

RESULTS

The results of the first survey – prisoners

Graph 1 gives answers to the question: ‘if someone offered you a job at a service, specifically at a hotel or restaurant, would you consider taking such an offer?’ (See Graph 1)

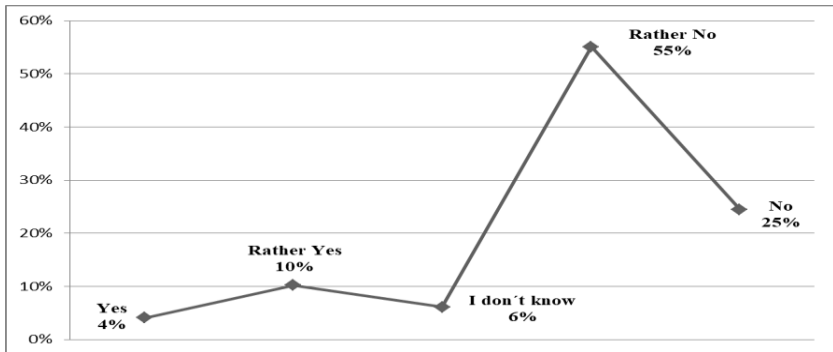
Graph 1: Interest of persons released from serving a sentence in the service sector



Source: Author's own

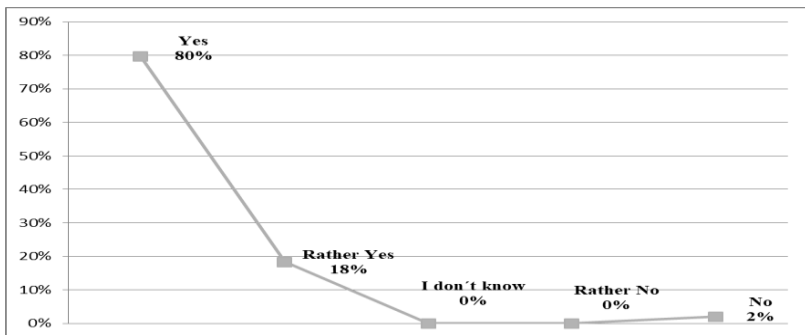
Most PRFCs work in the gastronomy and hotel industry. 45% respondents answered YES; 33% respondents answered Rather Yes; 14% respondents said "I do not know"; 6% respondents answered Rather Not; 2% respondents would not want to work in the gastronomy and hotel industry. PRFCs also expressed their interest in certain professions in the gastronomy and hotel industry. From the respondents' answers, we observe that the greatest interest among PRFCs is the professional chef and the bartender. Respondents also show above-average interest in the writer's work as well as the receptionist and kitchen assistant.

On the other hand, the respondents are below the average interest rate towards the occupation of the chambermaid and the luggage porter. Respondents give the opportunity to place their position and their interest in the discussion of interest in specific positions in the gastronomy and hotel industry. None of these options has used. Subsequently, respondents asked whether they would have any conditions when they enter the job (in the gastronomy and hotel industry). (See Graph 2)

Graph 2: Use of conditions when entering employment

Source: Author's own

Regardless how respondents to the question of whether or not they were going to work in the gastronomy and hotel industry, they also expressed their position concerning employment conditions they might ask for [28]. From the respondents' answers, the largest segment attributes the financial conditions, then the duration of the shift types. Respondents gave the opportunity to state their terms when discussing the conditions for entering the gastronomy and hotel industry. Respondents also asked whether they would like the employer not to know they released from custody. Their answers recorded in graph 3 (See Graph 3)

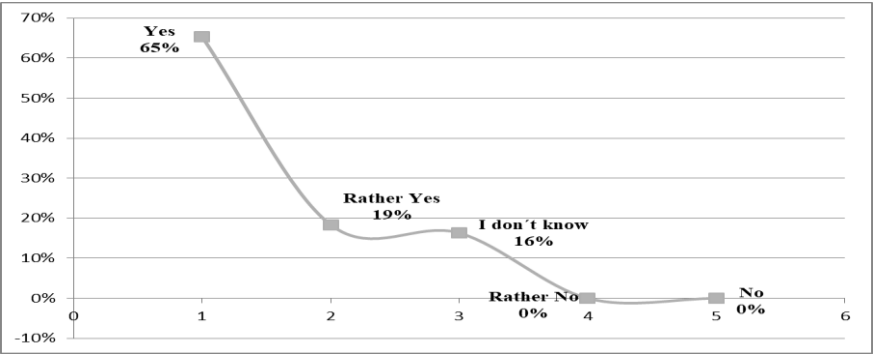
Graph 3: Requirement - not to impart to the employer a criminal past

Source: Author's own

From the respondents' answers to the above question, almost all (48 respondents, i.e. 98% of respondents) would like their employer knows their criminal past. Similarly to the question of the possibility of not looking for the criminal past, the respondents answered in the case of the question of the possibility of not communicating the kind of crime they committed (interview, on taking up employment). Graph 4 shows that, if possible, the type of offence for

which he/she convicted would not be communicated to the employer by the majority of respondents (41 responses - 83%). (See Graph 4)

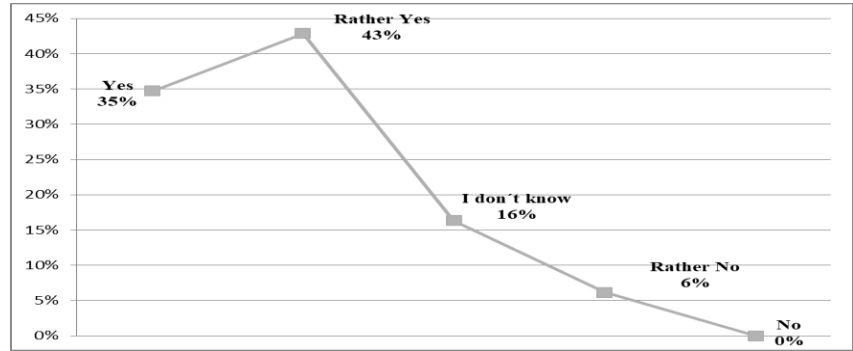
Graph 4: Requirement of no disclosure to the employer of the type of crime committed by PRFCs



Source: Author's own

Eight respondents (16%) responded to the question of whether they wished the employer did not ask about their criminal record. It is clear from the previous text (specifically from question 4, where respondents were asked whether they would have any conditions upon for taking up employment) that respondents convinced that succeeding in the labour market with criminal history is not easy (see the statement that PRFCs cannot impose conditions on taking up employment to get the job at all). Respondents also expressed similar thoughts by asking whether they thought that their employer requests to submit a criminal record extract what could make it more difficult to enter the gastronomy and hotel industry. Answers to the question asked are incorporated in Graph 5. (See Graph. 5)

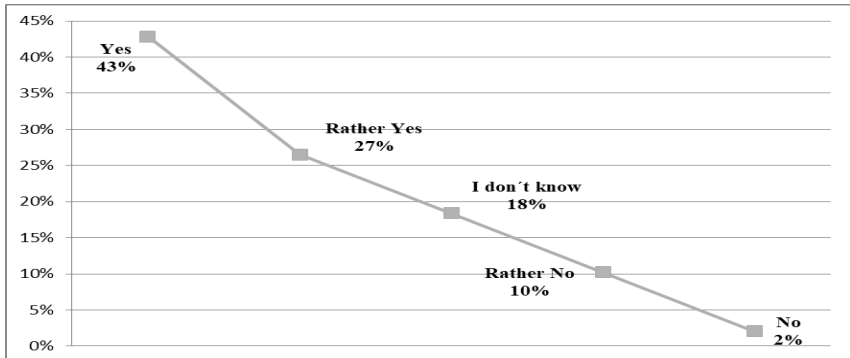
Graph 5: PRFCs' opinion on making it easier to take up employment in the gastronomy and hotel industry as a result of requesting the submission of a criminal record extract



Source: Author's own

The majority of respondents (17 YES and 21 responses rather YES, 38 responses, 78%) believe that the requirement of a criminal record on the part of the employer (which reveals the criminal history of the respondents) is aggravating when entering the labour market. Eight respondents (16%) hesitated with the answer because they did not know it. Only three respondents (6%) believe that the requirement of a criminal record listing when entering a gastronomy and hotel business is not an obstacle (answers are instead NO). If respondents admit the fact that an extract from the criminal record their future employer may require, most of them would like to have the fact that they are PRFCs left to them. It follows from the respondents' answers of question 10 - 'would you like the employer to leave the fact that you have been released from custody, not to spread it among employees and others?'

Graph 6: The PRFC wishes not to notify the third party employer of information about their criminal activities



Source: Author's own

Out of 49 respondents, was 70% (21 responses YES, 13 answers rather YES), with the employer to discuss their criminal activities with the third parties. Nine respondents (18%) are unable to answer this question. Five respondents (10%) chose the answer rather than NO and one respondent (2%), the fact that the employer speaks frankly about their criminal past. In the framework of the questionnaire survey, the respondents also considered the question of what would be more (real) to get them to work (in general). Some respondents answered the question in different words, but their answers could be sorted into five categories. The first place in the list of supportive activities that the PRFCs would help when entering the labour market occupied the categories of "non-judgment". Within this category, the following issues mentioned: absence of prejudice, equal treatment, non-observation, non-discrimination, an absence of discrimination, lack of evaluation of the criminal past, non-compliance. Forty-two respondents (86%) considered their answers to be unworthy. Seven respondents expressed their

concerns in released prisoner's testimonies. Fifteen respondents (31%) mentioned that they would generally help them get their jobs if their colleagues help them work. Specifically, this category mentioned: willingness to learn and sufficient time to learn. Even when communicating with this request, some PRFCs were concerned. One of them, for example, said, anyway. Twelve respondents (24%) would help if employers adequately rewarded them. Eight respondents (16%) would appreciate and, when entering the labour market, would help them to get in a friendly team in their employment. For two respondents (4%), it is essential that their work is close to home. Longer driving distance to work would seem to be an obstacle to enter employment in general. From the above table, 27 respondents (55%) would appreciate if someone gladly assists them to enter the gastronomy and hotel industry, taught them and was patient. Thirteen respondents (27%) referred to the possibility of retraining in the context of simplification of the entry into the gastronomy and hotel industry. Twelve respondents (24%) then generally said that working in the gastronomy and hotel industry would mean that everyone had a chance to work there (at first). Five respondents (10%) would make it easier to enter the labour market in the given field of opportunity to complete language courses. Three respondents (6%) mentioned that they would help them when they work in the gastronomy industry (specifically restaurants) if they could only be in the team from the beginning. It is a safer form of training for them - they will find out whether they have a 'so-called' job before they decide to sign the employment contract for the main job.

Results of the second survey - Managers who are willing to employ people released from custody

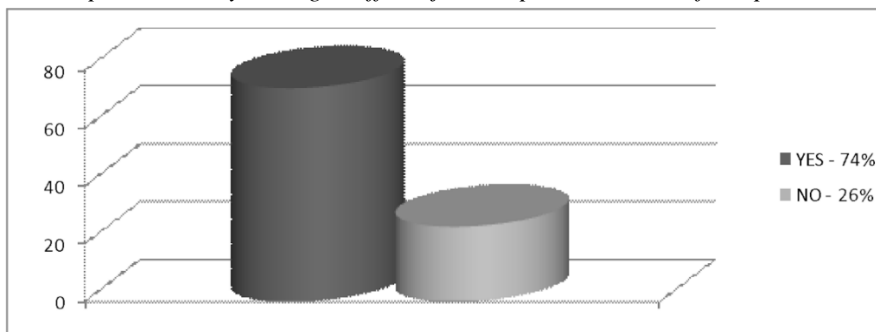
Managers of gastronomic and hotel facilities must take into account the nature of the crime for which a PRFC initially convicted for the imprisonment. The severe crime which mentioned as an obstacle to the employment of PRFCs includes large robberies, deviant murders and violence against women and children. An example of an answer from one of the managers: it depends on the penalty that the candidate would have. 'I would not accept anyone convicted for more thefts or more serious crimes, such as a murder of a child or violence against a woman.' It is clear from the nature of the PRFCs' employment that the disadvantages of their employment include fear of unrepresentative or otherwise inappropriate behaviour (e.g. lack of work ethics, lack of discipline, failure to respect authority or conflict). In addition to unrepresentative behaviour that could cause damage to the gastronomic or hotel facilities in the form of loss of restaurant reputation, the disadvantages of PRFCs' employment include the need to increase control at work. Among the concerns that managers mentioned in the context of the disadvantages of PRFCs' employment, there is also a belief about the possible recurrence of crime. There was an ambivalent approach among them. As a strict condition of receiving PRFCs in the gastronomy and hotel industry, none of the managers would have it. Some testimonies of managers are testimonies to credibility [28]. From other responses, it is clear that managers would welcome the condition of cooperation with the accompanying organisation. Interviewing

with managers was a condition for submitting a statement from the criminal record.

The third part of the survey - Expression of the staff from Human Resources Management

The same question submitted to 42 HR managers to the same question: Are they willing to offer a job to a person released from prison? (See Graph 7)

Graph 7: Are they willing to offer a job to a person released from prison?



Source: Author's own

Statement on the issue

74% of HR managers are ready to offer work to the person released from prison. 26% answered negatively. When recruiting new prisoners to work and participating in a project funded by the European Union and the City of Prague, the selection of a particular applicant is very careful. We approached prisons where we sent detailed leaflets about possible work for people ending with PRFCs, we cooperate with adult curators of city office departments who are informed in detail both by telephone and in person about the possibility of employing people after PRFCs custody and last but not least, we cooperated with non-profitable organizations whose target group are people with criminal backgrounds. After selecting a convenient candidate, the organisation's contact person will contact us and, together with the candidate's CV, will also send us a recommendation containing the above information. There is not possible to include such candidates in the database who convicted for violent crimes, committed against children or other entrusted persons or as crimes against human dignity [16]. However, each applicant is assessed individually and is very much informed about the offence committed. Every candidate was recommended, or the person who contacted us directly after being released from PRFCs invited for a job interview. At the beginning of the interview, we will always introduce our business and organisation, inform them about what they should do, and familiarise the job seekers with the conditions of admission to employment. We are mainly interested in their motivation to work, the committed crime, including the

circumstances of their perpetration and the length of the sentence, including any supervision. This information is vital for possible inclusion in the training workplace, especially in order to know how the applicant perceives the criminal offence with time. It is also essential to identify whether the job seeker is suitable for the job (manipulation with sharp objects, handling of cash, etc.). It is essential to find out whether the applicant has a family background and is motivated to be able to respect the conditions of the social enterprise, i. e. work correctly and in a timely manner, take part in compulsory vocational training, and regularly attend courses that the worker chooses [34]. For each interview, we require a CV which then provides additional queries. During the interview, we also find out the candidate's education and work experience. However, these questions are somewhat informative, not decisive for offering or not a job. In the case of a positive evaluation of the interview, the candidate was invited for a probationary day. Subsequently, recruited and fixed for period of 8th months. The employment of the applicants in the café is treated as a "transit" to help the more disadvantaged people who have been released from PRFCs period and wanted to incorporate into so-called "good civilian life". We use the ABA (2016) model which is: "During the trial day, the applicant is half a day in the kitchen and half a day at the café bar [2].

Example of one of the positive integration into the work process

Mr K. made his mum's interview at the cafeteria while he was serving a sentence. At that time, the release date was approaching. Mr K. was convicted of possession of narcotic drugs and psychotropic substances, illicit use of foreign objects and driving without a driving license. At the interview, Mr K. was very sympathetic and motivated. The advantage for him after his release was that he had family support and background. He did not experience anything of gastronomy but was ready to accept a new challenge and opportunity. So we agreed on a trial day. After completing the test day, we talked with Mr K. about whether he wanted to continue working, and gave him feedback on his activities throughout the day. Mr K., however, did not believe at the cafeteria at all, saying he would not do the job because the kitchen is not handy. However, we were in the lead of the cafe and project that Mr K. was able to learn everything. So we gave him a thoughtful day. Mr K., after consultation with his mother, said the next day that he was still trying to work, and so we agreed on the date of arrival. During his employment, Mr K. was very active, he learned his fears very quickly, and his work soon began to entertain him. At present Mr. K. is among the good Caffeine employees.

The fourth part of the survey - Expression of the persons released from the prison

1. The integration of Pavel S. lasted for six months. From the very beginning, he worked very actively, and himself bypassed potential employers around his home (farm). Getting a job was a big priority for him. He benefited from project benefits from meal vouchers and monthly fare for public transport.

Already at the second meeting, Pavel was lucky, and the Café Therapy unexpectedly relaxed in the kitchen and needed a quick crowd. Mr Pavel liked the offer also because he already experienced in gastronomy. However, the condition of employment in Café Therapy was to not participate in a follow-up program, which Pavel defended very heavily. Since Pavel worked very well in three months, he offered a contract of indefinite duration. With the certainty of financial income, could proceed to fulfil another order - debt and execution. Together with the probation service and the employer, he handled all of the commitments what amount he could afford to send to individual creditors. After half a year, Pavel was offered the same job position with a better financial award on the open labour market and decided to end the Café Therapy contract.

2. Ladislav was convicted of theft, and after being released, coincidentally found himself in a place that had been robbed, while the police officers legitimised him, and when they found out that he had been convicted of the same crime, they were detained. The fatal line for the past was made by Ladislav, who wanted to distance himself, in particular, from his former friends who brought him to jail and which he believed might have had a bad influence on him if he did not stop to see them. Ladislav could see that he was ashamed of his past and did not want to remind her too much. At present, Mr Ladislav does not have a permanent job. He accepts occasional job offers.

3. Patrick was accused and convicted of involvement in a robbery raid because he was driving a car with the people who had committed the assault, but he did not know what they said. Currently, Patrick works as an assistant working on the construction site. For example, Patrick has consistently experienced victimisation by the police, who regularly stop them and check not only their identity but also the baggage they have with them (their content must take out of the police). Perhaps the highest degree of stigmatisation was felt by Patrick, who felt it immediately after leaving prison: Patrick: "Well, what then at home, everyone is watching ... Anything lost in the house, so they were ringing at us.

CONCLUSION

The following findings emerged from the empirical survey. A questionnaire survey among potential PRFCs showed that if somebody offered the work at a hotel or restaurant, most of them (78%) would accept it. The most attractive professions in the field of gastronomy and hotel industry are the chef and bartender for PRFCs. The above-average interests for PRFCs are also a position of a waiter, receptionist or kitchen assistant. The least appealing to them is the occupation of the chambermaid and the luggage porter. Most PRFCs (98%) would like the employer not to know that they have spent some time serving a sentence, they do not want the employer to know their criminal history. Most of them (83%) also do not want the employer to know what the convictions were for; what kind of crime they committed. Most PRFCs (78%) consider that employer's request for a criminal record may make it more difficult for them to take up work in the gastronomy and hotel industry. If possible, most PRFCs (70%) would also welcome measures in which the employer would not discuss their criminal history with the third parties.

If managers were to take in the ranks of their employee's people released from custody, they would ask them for criminal record information, they would be interested in what crime was committed, and with these facts, they would get to know the working team. Managers are not willing to let their staff try a job in nonsense. Job positions that people offer after the punishment are the chef, handyman, auxiliary workforce or office work. Persons released from prison would, in addition to the chef, but instead work, in positions of bartender, waiter or receptionist. They would also like to doubt the employer about their criminal history and the type of crime they committed [17]. They would like their criminal history to be kept secret from other employees as well. The employers are baffling about their criminal past only in the case of third parties. Like their employees, managers are willing to leave the people released from the punishment and at other points - assistance with incorporation and ensuring appropriate financial evaluation. They are willing to try to minimise the prejudices of the work of people released from the rest of their staff in the ranks of all their employees, as well as to ensure their friendly admission to the collective. Useful work between the two parties recommended for transparent negotiations; emphasis is also placed on concluding a psychological contract and on the openness of communication.

In order to select a suitable candidate, HR personnel do not include a candidate who was convicted of committing violent crimes, crimes against children or other entrusted persons or as crimes against human dignity. In interviews with persons released from custody, it analysed that they are afraid of relapses, that they will repeat criminal activity [4]. They were people who had been serving a sentence for more than one year, and their family backgrounds were failing during their stay in prison. On the question of integration into the work process, they would welcome better cooperation with the probation service [6]. Representatives of the Prison service introduced a new concept. The aim of the new Prison Concept in the Czech Republic by 2025 is to emphasise the essential condition for successful re-socialisation, which is a joint effort to integrate released prisoners into society and prevent them from repeatedly committing crimes [25]. The area of work with convicted and subsequently released from imprisonment is extensive, but despite the crucial importance of treatment programmes, it cannot be narrowed only to the actual execution of the sentence. It includes an extensive sphere of post-penitentiary care, crime prevention programmes and, last but not least, social policy [13].

In order to successfully re-socialise released prisoners, protect society from crime and real-life reintegration, it is necessary to link state policies and to cooperate with a wide range of stakeholders from the state and non-profit sectors. The recidivism of the convicted poses a severe problem of the Czech Republic, especially from the prison population. In 2016, convictions, which were previously serving 70% of imprisonment, represented 20% of the convicted prisoners in 2017 [33]. The problem of recidivism is particularly acute with many repetitive offences, such as theft, misconduct, and neglect of necessary nutrition [18]. The number of convictions for these crimes is about half of all convicted in

recent years (about 35,000 people each year) (75% of all convicted persons convicted of these complete sentences). The primary goals of the concept are primarily to protect the security of society through efforts to reduce the recidivism of criminal behaviour [33]. To enable real reintegration of released prisoners into society, to lay down the main accent in the execution of imprisonment to the area of professional treatment and the joint activity of some stakeholders in a sense, the effectiveness of the functioning of the Czech prison system. Given the ten years after which the new penitentiary concept would be an active material, it was not possible to predict further developments not only in the prison system but also in the whole of society. However, the concept is a detailed description of the current situation, the objectives to pursue in the area of prison and related spheres and the instruments to achieve these goals (MJ CR, 2018), [25], [31]. Nearly all prisoners will benefit from help to prepare them for life after release. For some, this might involve helping them to improve their confidence and belief in themselves. For others, it might involve assistance in finding jobs, accommodation when they leave prison or providing them with sufficient money to enable them to travel to their home area [1]. The longer a person has spends in custody the more critical such programmes will be. General agencies which help unemployed people or homeless people could be involved in helping prisoners to prepare themselves for release [7]. These might include probation and social services, religious groups and other non-governmental organisations [22]. Preparation for release often includes the opportunity for prisoners to leave prison daily before their actual release date. May be used to give them the opportunity to attend a training course or to obtain new work skills, sometimes at a workplace where they can continue to work after release. Sensitive preparation often needed for prisoners, especially those who served long sentences and who are returning home [11]. This preparation may be essential not only for the prisoner but also for other members of the family who became unused to having their imprisoned family member in the immediate family circle. One method of achieving this is to allow the prisoner to return home regularly for a few days at a time as the end of the sentence approaches.

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IMPLEMENTATION OF MODERN MULTIDIMENSIONAL RISK MANAGEMENT IN INDUSTRIAL ENTERPRISE

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ABSTRACT

This paper characterizes many aspects and directions of implementation of modern, multidimensional enterprise risk management in the manufacturing enterprise in the pharmaceutical industry in Latvia. First time as the basis for this research was taken the only international risk management standard – *ISO 31000-2018*.

The multisided risks, eight basic stages in process of implementation of enterprise risk management (ERM), two opposite directions of ERM operation and four parts of ERM implementation process have been presented. This research is concentrated on the second part of EREM implementation process – risk assessment and quantification. The key multisided risks were identified and prioritized in the manufacturing pharmaceutical enterprise by applying common metrics method: obtaining evaluations from the two highest levels of management (Board and senior line managers).

TOP 20 of key risks was created from 64 different risks and the convergence and difference between the risk rankings, evaluated by enterprise's Board and senior line management was obtained and analyzed. The main conclusion from the obtained results is that manufacturing enterprises in pharmaceutical industry have specifics regarding exposure to multisided risks, where the main, key risk is *regulatory risk*.

Keywords: *risk management, risk appetite, risk dashboard reports*

INTRODUCTION

As the result of reaction to the last global crisis, not only commercial banks but also industrial enterprises have started to pay a serious attention to multisided (not only financial) character of risks what requires implementation of modern multisided risk management.

There is no overall accepted definition of enterprise risk and enterprise risk management (ERM), therefore nowadays every enterprise is trying to form and implement ERM, what exactly meets its demands and needs.

The only international ERM standard *ISO 31000-2018* [1] defines:

“ERM is a comprehensive and integrated system for managing risks, that helps an entity to meet its business tasks and achieve its objectives by minimizing unexpected profit deviations and maximizing the value of the business.”

Implementation of ERM in compliance with *ISO 31000:2018* standard is more established in industrial enterprises in USA and not widespread in Europe including Latvia.

In this paper author presents first results of the implementation of multidimensional ERM in the big pharmaceutical manufacturing enterprise in Latvia with annual turnover more than 100 million EUR.

Main attention is paid to the assessment of multisided risks: their identification and prioritization by enterprise Board and senior line management and ranking these risks by applying common metrics.

THEORETICAL APPROACH

Modern risk management is multidimensional [2] because it deals with multisided risks:

- 1. Business environment risk*
- 2. Operational Risk*
- 3. Supply chain risk*
- 4. Business Continuity risk*
- 5. Cyber risk*
- 6. Stakeholder risk management.*
- 7. Project, program and portfolio risk management.*
- 8. Reputational risk, etc.*

According to *ISO 31000-2018* for all mentioned forms of risks the process of ERM implementation consists of *eight basic stages*, through which the enterprise managers (Board, senior line management, operational units) have to go through to find answers on the following questions:

1. What enterprise is trying to achieve?
(Establishing a risk context)
2. What could affect enterprise in achieving its objectives?
(Risk identification)
3. Which of enterprise parts (things) exposed to risks are most important?
(Risk assessment)
4. What enterprise shall do about the risks?
(Planning risk responses)
5. Haven taken action, did it work?
(Implementing risk responses)
6. Who and with whom in enterprise speaks about risks?
(Communicating about risk)

7. What has changed after risk impact?
(*Reviewing risk process*)
8. What has been learned regarding risk impact?
(*Learning lessons regarding risk*)

ERM generally operates in two main directions:

- “*top-down*” direction - from TOP management (Board, etc.), who sets the enterprise risk appetite and ability to take on risks in value creation process. Enterprise’s Board is responsible for creating, approving and monitoring the risk policy, what provides clear levels of risk appetite (tolerance), establish a link between risk and compensation policies within the enterprise. Board is establishing an effective enterprise’s ERM organizational structure, which enables a link between enterprise’s business strategy and risk management.

- “*bottom-up*” direction - from operational units, which are maintaining and safeguarding the value created by company by realizing risk control. Enterprise’s operational units are responsible for measuring and managing risks within their units and they need to be aware of the risks by generating the enterprise’s growth and profits. They are taking daily decisions - which risks to accept and which risks to avoid. These decisions must be in line with the level of enterprise’s risk appetite, determined by the enterprise’s Board. Operational units are also responsible for matching risks in the pricing process, what enables the enterprise to obtain compensation for the risks it has taken.

The organizational structure of ERM implementation process consists of *four parts* [3] (*Figure 1.*):



Figure 1. The organizational structure of ERM implementation process

1. *Governance structure and policies* - who is responsible for supervising risks and taking critical risk management decision?

2. *Risk assessment and quantification* - what are the decisions taken in risk management prior to risk exposure (ex- ante), what is the analytical contribution to ERM process?

3. *Risk management* - how to take specific decisions in implementing ERM to adjust the enterprise's risk and business return profile?

4. *Dashboard Reporting and monitoring* - how an enterprise is implementing ERM decisions made after the risks have occurred (ex post), what is the feedback link?

METHODOLOGY

In this paper we are concentrating on *Risk Assessment and quantification* part of ERM process in the manufacturing enterprise in pharmaceutical industry.

There are several basic steps to be made in enterprise risk assessment:

1. *Establishing a business context while respecting the company's organizational objectives, tasks and regulatory requirements.*

2. *Identifying the key risks that can negatively hit business targets.*

3. *Assessing the key risks in terms of their probability to appear and the severity they can cause, by applying common metrics approach.*

4. *Evaluating of risk management strategies, including enterprise's operational plans.*

5. *Prioritizing of the key risks for its further analysis, quantification and mitigation.*

We have made research regarding steps 2, 3, 5.

To identify and prioritize multisided key risks in the enterprise we have created a single list of risks (risk register), that collects information from many areas measured by common metrics.

Based on the aggregated results of risk register we have prioritized the most critical risks for the enterprise by ranking them in one common table.

Particular risk place in the ranking is obtained from two main parameters:

- *probability* - with what a particular risk can occur,
- *severity* - how much a particular risk can impact,

The common risk index is calculated by multiplying both parameters:

$$\text{Risk index} = \text{Probability} * \text{Severity}$$

Both parameters for each risk are evaluated in the scale from 1 to 5 by:

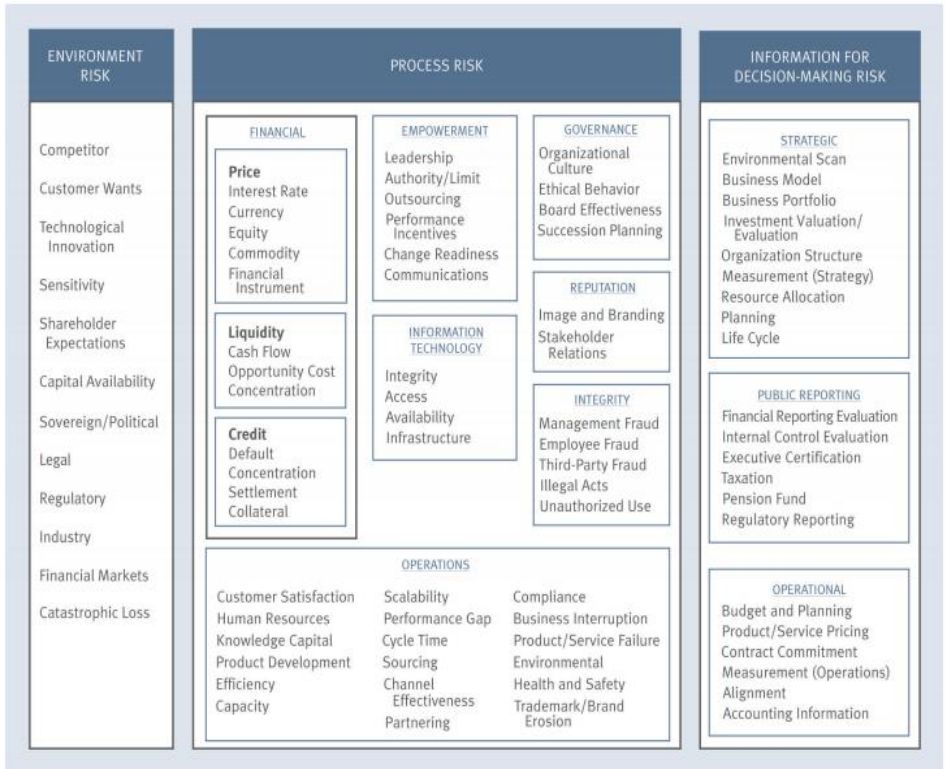
- Board members of the enterprise,
- Board members plus senior line managers (directors of all departments of the enterprise).

The final values of key risk indexes have been obtained as the sum of indexes given by:

- all Board members,
- all Board members and all senior line managers

To identify the key risks in the enterprise we have used one of the most developed risk model structure, that represents the multisided character of risks - the *Protiviti* risk model [4].

Table 1. Protiviti Risk Model

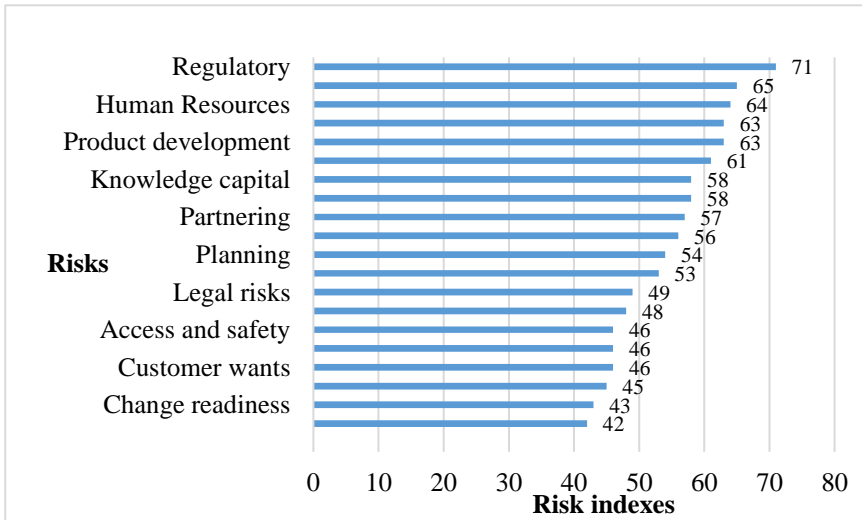


We have taken 64 significant parts of this model as the basis for registering multisided risks, which can impact the manufacturing enterprise in

pharmaceutical industry. From these 64 parts of risk register we have formed *TOP 20* of the main key risks.

RESULTS

The first part of results in identifying and prioritizing risks is obtained from the answers and evaluations provided by enterprise TOP management - all Board members (Figure 2.)



*Figure 2. TOP 20 risk indexes in pharmaceutical enterprise
(identified and prioritized by Board members)*

These results clearly show that risks, which can impact the manufacturing pharmaceutical enterprise, are really multisided:

- environment risks (in what business environment this particular enterprise is making its business) - regulatory, competitors, legal, customer wants, technological innovation are by their nature external risks.
- process risks (how the enterprise is exactly making its business) are internal risks consisted of:
- operational risks (how the enterprise exactly operates its business): efficiency, human resources, product development, capacity, knowledge capital, partnering, customer satisfaction,
- empowerment risks (leadership, change readiness),
- governance risks (succession planning),
- financial risks (credit)

- information for decision making risks (investment evaluation, organization structure)

According to modern multisided ERM approach (ISO 31000-2018) all these mentioned above risk impacts have to be calculated in financial means by applying the common metrics. However, obtained results show, that the financial situation in the manufacturing pharmaceutical enterprise is strong and stable, because the *direct financial risks* (credit risk) the enterprise's Board is not ranking between TOP 10 risks (*at 16th place*).

The main key risk in the pharmaceutical enterprise identified and prioritized by the enterprise's Board is *regulatory risk*. This result clearly characterizes the specifics of pharmaceutical industry, where the existing pharmaceutical products have to be time after time reregistered by state agencies and sometimes to be improved to align with changing regulatory rules and demands in particular country or countries. For new products the procedure of their registration is even more complicated and is 100% depending on regulatory decisions. Therefore *regulatory risk* to certain extent matches with *product development* and *succession planning risks*, which are also in TOP 10 (see Figure 2.)

The additional result, that enterprise's Board has highly ranked different *operational risks* (efficiency, human resources, knowledge capital, capacity), shows, that Board is concerned about operational situation in the enterprise and not only about strategic position of the enterprise.

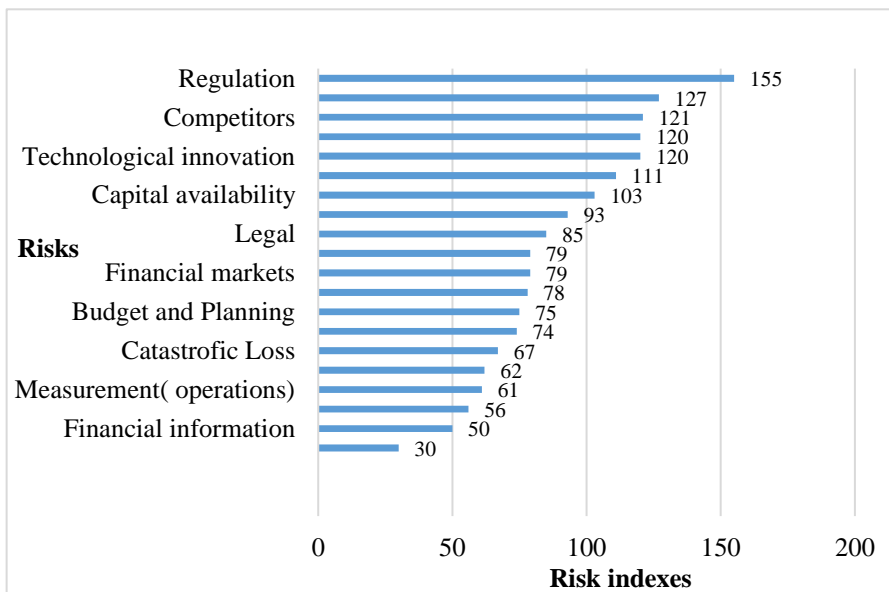


Figure 3. TOP 20 risk indexes in pharmaceutical enterprise

(identified and prioritized by Board members and senior line management members- directors of departments)

By adding to enterprise Board the senior line managers (directors of departments) in the process of identifying and prioritizing multisided risks our main idea was to find and analyze the differences by significantly widening the basis of risk evaluators in the enterprise.

The main result is that the key risk in pharmaceutical manufacturing enterprise is remaining the same – *regulatory risk* in both cases of evaluation.

This fact additionally emphasizes the specifics of pharmaceutical industry, where the manufacturing enterprises are very much exposed to risks coming from regulatory decisions in particular country or countries.

Results also show that enterprise's senior line management similarly to enterprise's Board is evaluating enterprise's financial situation as strong and stable, because the *direct financial risks* (financial markets, credit) have not been ranked between TOP 10 risks.

However, we have also identified the differences in risk assessment made by the enterprise's Board and senior line management:

- line managers have ranked the *investment assessment risk* higher (2nd place) as Board members (12th place), what could reflect that line managers have some thought that Board's made decisions about investment have contained significant risks, what could happen also in the future.
- Board has identified between TOP 10 risks the enterprise's operational performance factors (*efficiency, human resources, capacity, knowledge capital*), which are not even included in TOP 10 by senior line managers.

This shows that the assessment of enterprise's operational capacity, its efficiency is quite different on these two higher levels of enterprise's management, what could create problems in the future.

- line managers have ranked enterprise's technological innovation risk, much higher (5th place) as Board (20th place).

This shows that line managers, who are much closer to the different sides of production, sales etc. in the enterprise, are more concern about the necessity of technological innovation in the enterprise. The absence or delay in technological innovations could cause *competitors risks*, which line managers have ranked higher (3rd place) as Board (8th place).

CONCLUSION

The obtained results clearly show that risks, to which a manufacturing enterprise can be exposed, are really multisided: *external – business environment risks, internal- operational, governance risks and information for decision making risks*.

The obtained results clearly show the specifics of risk exposures in manufacturing enterprises in pharmaceutical industry, where *regulatory risk* regarding the pharmaceutical production is the major key risk.

This is emphasized with the result that *regulatory risk* is identified and prioritized both by enterprise's Board and senior line managers.

The obtained result that directs *financial risks (credit, liquidity, financial market)* are not ranked between TOP 10 risks is reflecting the strong and stable financial situation in the particular enterprise.

These two results mentioned above demonstrate some convergence in risk assessment at two highest management levels in the enterprise.

However, the results of different ranking of enterprise's *operational risks, investment assessment risks, technological innovations risks* made by enterprise's Board and senior line managers are signaling that exactly in these directions of enterprise's business activities is necessary to review the strategic and operational planning with the aim to mitigate the potential risk impacts.

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INNOVATION COMPETITIVENESS OF UNIVERSITIES – HOW TO MEASURE IT?

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ABSTRACT

The paper presents a methodology for measuring innovation competitiveness of universities stepping on the applied educational innovations within all university functions. The purpose of presenting the methodology is its possible repetitive application in many other than the currently undertaken research for achieving better validation of the necessary steps for measuring Innovation competitiveness of universities. An assumption in the study is that a university may implement, develop and educate innovations only after its ability to manage and implement them into its own organization. A second assumption is that implementing educational innovation in all university functions is the only way to improve the university education. Since educational innovations are highly dynamic and developing field, also dependent from many factors as cultural, political, financial, human and even religious aspects, the currently presented methodology describes how the process of measuring innovation competitiveness of universities may be achieved for a specific scope. The process of measuring innovation competitiveness of universities goes through all stages from first defining the attributes of educational innovation types involved, exploring rankings for university competitiveness and realization of a survey across the scoped for researching universities.

Keywords: *university management, innovation, innovation management, educational innovation, university competitiveness*

INTRODUCTION

Innovation is located within the core of the European Union's efforts to make the Union the most dynamic and competitive economy in the world and to ensure high quality of life for European citizens. It tries to do this by focusing on development of research, education and all forms of innovation. The Lisbon Strategy, which has grown into a Community 2020 Strategy, is again focused on innovation and is based on three main priorities: the first among which is reasonable growth, i.e. developing a knowledge-based economy and innovation. Innovation has been one of the most discussed and hot topics for the latest 20 years, and despite its wide spread and topicality, integration within all industries and recognition of innovation significance, researches on them still do not still bring the desired results and indicative values set by the EU to the member countries. The reasons for this are many, varying and even inconclusive. But some of the answers lie in the highly applicable nature of innovation, the extremely high dynamics of the environment, and the coalescence of innovation with the human

nature and its desire for continual change and improvement. These factors outline the complexity of innovation and place their interdisciplinary character in the focus when choosing an approach to their research. All these allegations require asking a major issue in innovation science. The question is whether their research and study would lead to better results or their real use and optimization of their management would actually help to achieve the necessary innovation level. The EU expects to boost the economy's innovation by investing directly in the economy rather than making efforts to root innovation in the future economy and intellectual power of the Union - young people, by using the education for this purpose. The existing model of stimulating innovativeness of the economy "treats" the object in its current state of illness through financial injections instead of taking care of the causes and sources of problems by integrating foundations for its future high results. This is why educational innovations are extremely important for the subsequent innovative development of the economy and their integration into a pre-eminent position of the economy – universities, is crucial for achieving the Union's goals. However, innovation in universities is a huge, broad and difficult for researching topic.

This paper presents a methodology for measuring innovation competitiveness of universities.

PROBLEM STATEMENT

Analyzing the state of art in the field of educational innovations and their development, application and management in universities, major sources of information are mainly research on principles of innovation management; education as a means of achieving innovation and smart intelligence and growth; all policies, recommendations and strategies of the EU; and a huge number of case studies with educational innovations. But how actually application of educational innovation is linked to the competitiveness of university and especially to universities' ability to develop, manage and educate innovations? There is a knowledge gap on the topic in this regard.

There are almost no researches on the introduction and management of educational innovations in universities and the impact of their implementation, including obstacles to such actions. There is a lot of researches on how education could help for boosting innovation in economy and scientific excellence, but researches on how innovation in education results in universities' competitiveness and in boosting innovation in the economy, and whether they are effective, are missing. It is not clear also what are these educational innovations and if they are aligned to global trends and good practices. There are too many case studies in the literature without proper research on their typology and structure [1].

Despite the large amount of scientific literature in the field of educational innovation, which confirms the relevance of the topic, no attempt has been made so far to compare the use of educational innovations and the achievement of university competitiveness, which proves the originality and innovative approach of the research.

Through the presented methodology in this paper, the author will further explore and demonstrate that innovation in education is a key factor in achieving universities' competitiveness and a key factor for improving the quality of education and university leadership. Education has a fundamental role in innovation development in the future economy. This gives education an extremely important central position in the formation and development of the personality, in particular higher education - for the development of all sciences and spheres of development of human generations as a whole. It is education that has the characteristics of an accelerator to achieve results by properly defining objectives and using appropriate tools. In this sense, the objectives are clear – developing and researching innovation for the purposes of economic growth, but still the instruments for boosting innovation remain ineffective. Given the function of education to set a pattern and to be a tool for achieving goals and development in every respect of human achievement, interests and needs, the lack of innovation or their inefficiency in its realization is unthinkable and illogical. Therefore, they should be researched and analyzed. In support of the fundamental nature of the study, it is necessary to create common principles and good practices to which universities aspire and a tool for assessing their efforts in this direction.

Till the moment, there is a lack of clarity, systematization, categorization and analysis of educational innovations and their management in universities, how they are used and what results they give, what are the obstacles to their effective use and application, what are the good practices that would be appropriate for implementing in university management. As there are separate sources of information on innovation in primary and secondary education, they are almost absent in the field of higher education. Analyzing the researches carried out recently, special attention should be paid to the report of the European Economic and Social Committee on the Modernization of Higher Education Systems in Europe from 28 March 2012 [2]. It draws conclusions on the basis of a comprehensive audit of existing educational problems and proposes the development of a strategic innovation policy for universities. According to Tsokov [3], innovation in education management is a process of creating or introducing innovations that affect, in whole or partially, the educational policy, its objectives, principles, strategies, functions, management structure, content of its governing bodies, technologies, management of resources and processes in the educational system aimed at increasing its quality. The objective of the present methodology is to make a comprehensive analysis of the management of innovation in universities, to study the application of educational innovations, their importance for achieving competitiveness of universities, the efficiency of their use, the competitive advantage of the universities using innovations and how universities and the Higher education is positioned in the context of European and world trends and best practices in the field. A number of researchers and leaders declare their conviction that the future of higher education depends on innovation and the project team believes in that.

CONCEPTUAL FRAMEWORK OF THE STUDY

The methodology presented in the paper aims at identifying and assessing the importance and dimensions of educational innovations developed and applied in universities and higher education as a major factor for enhancing their competitiveness. As a sub-goal, the methodology may also explore the link between the application of educational innovations and the state's innovation performance. The methodology may be used in the context of a country or in a scoped subject/type of universities. That is why, the current paper describes its process and logic for its future re-use and application.

Tasks to perform the methodology in a specific scope:

- Identification and categorization of educational innovations developed, applied and used in universities and higher education;
- Investigating the competitiveness of universities through indexes measuring competitiveness of universities;
- Investigation of the dependence between the educational innovations used in universities from the scope and their competitiveness (through the selected indexes) and an empirical research of the dependence on the use of educational innovations in universities and higher education and innovation performance of the country;
- Draw up recommendations and conclusions from the development, implementation and use of educational innovations to increase the competitiveness of universities and higher education;

Basic research hypothesis (H1):

Educational innovations developed and implemented in universities and higher education are a key factor in enhancing their competitiveness and fostering the future innovation of the economy.

Auxiliary research hypotheses:

- The development and implementation of educational innovations at universities promotes and supports research (H2);
- The development and implementation of educational innovations at universities promotes and supports teaching and learning (H3);
- The development and implementation of educational innovations at universities promotes and supports the administration and management of universities (H4);
- Developing and implementing educational innovations at universities enhances the efficiency of the student-university-business relationship (H5);
- Educational innovations are an essential element of the competitiveness of universities (H6);

- The right and effective management of educational innovation fosters their development (H7);
- The development and implementation of educational innovations has a positive impact on the innovation of the country's economy (H8);

Bearing in mind the stated above hypotheses, the methodology is built so as a research based on it to confirm and assess these statements for a particular scope of universities.

EDUCATIONAL INNOVATION LITERATURE ANALYSIS

Innovation is considered as the main driver for growth and a determinant for organizational and sectoral productivity, efficiency and competitiveness [4]. Many organizations have declared that improving and increasing innovativeness and the ability to develop innovations are amongst the most substantial factors for growth [5]; [6]. Innovations are equally important for the private and governmental sectors, important for the humanity in general. Since it has been clarified that innovations are the most reliable tool for transforming the past and present up to a superior level, the issue how more effectively and successfully innovations should be managed is still valid. The issue is critical when it comes to education as this is the other recognized growth engine for humanity.

Educational innovations are defined by Taylor et al. [7] as any novel teaching technique, strategy, tool, or learning resource that could be used by an instructor to lead to effective (or promising) instructional techniques that benefit student learning and engagement. According to Fullan [8], educational innovation must contain three elements: use of new revised materials (curriculum materials or technologies); use of new teaching approaches (teaching strategies or activities); alteration of beliefs (pedagogical assumptions).

Much research has been done on problems that education is facing. Utilizing the idea of problem driven innovation, the current research aims at extracting some commonly identified problems and challenges because of the understanding that these would be the directions for education innovation in the future. According to OECD [9] the main issue in education and the starting point for innovation in the sector are productivity and efficiency. In education, efficiency means the balance between resources invested and the outcomes in terms of students' performance and equity.

According to Kozma [10], educational innovation means supporting a shift from traditional paradigms towards emerging pedagogical approaches based on information and Communication technologies (ICT) solutions such as fostering learner-centred and constructivist processes, and the acquisition of lifelong learning skills. Hannon [11] refers innovation to a complete shift in the educational paradigm, driven by the four principles of social innovation, i.e. openness, collaboration, freedom, and direct participation of those involved. Innovation has become an essential ingredient in creating and sustaining a culture

of performance in higher education and keeps transforming higher education [12].

Staley and Trinkle [13] formulated ten trends in managing higher education and respectively referring the education's innovation. These are: Increasing Differentiation of Higher Education; Transformation of the General Education Curriculum; Changing Faces of Faculty; Surge in Global Faculty and Student Mobility; The New "Invisible College"; The Changing "Traditional" Student; The Mounting Pressure to Demonstrate Value; The Revolution of "Middle-Skill" Jobs; College as a Private vs. Public Good; Lifelong Partnerships with Students.

Ebersole [14] has defined the following challenges which higher education leaders face: a trend toward competency based education, tougher accreditation standards, an emphasis on assessment, voids in leadership, and the growing diversity of students as challenges that will plague higher education in the coming years. Wai [15] detected globalization and collaboration as big challenges, which the educational innovation should be, addresses as cross-disciplinary collaboration received increasing attention. Sustainability has also been identified as a crucial factor for as to encompass the different effects of human resources for sustainable development.

METHODOLOGY

The methodology, an object of the paper is presented in fig. 1 below. It shows the dependency and sequence of the necessary steps for assessing innovation competitiveness of scoped universities.

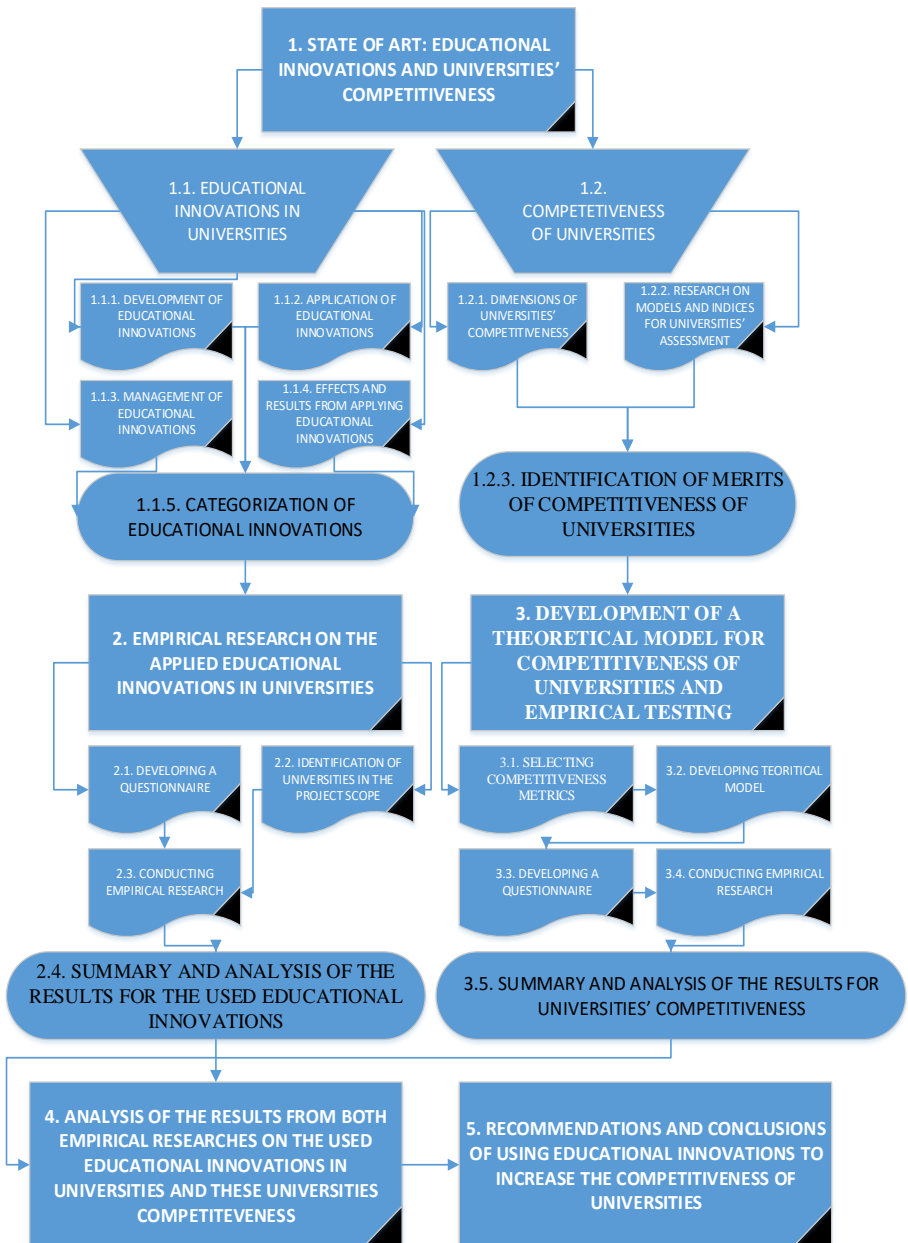


Figure 1. Methodology for repetitive measuring of innovation competitiveness of universities

As it is shown in the visual representation of the methodology for measuring innovation competitiveness of universities, the process starts with defining the

objectives of educational innovation for the scoped universities, subjects or a country. The educational innovations may differ hugely based on the types of universities or the focus of the research. Selecting indexes for measuring competitiveness may also differ from a country to country or depend on the science field (U-Multirank for instance). Having selected the scope of these two variables, leads to the next steps of the methodology proposed. Based on the scoped educational innovations and a selected university competitiveness index, then a questionnaire may be distributed to assess the level of the applied educational innovations.

CONCLUSION

The practical use of this paper is a possible application of the proposed methodology for measuring and assessing the innovation competitiveness of universities for further research projects. The methodology has been already applied from Bulgarian researchers scoping more than 25 universities from all around the world for first validation of the methodology. In this very first trial of this methodology application, educational innovations have been categorized into 19 types: new skills for development, related to the new world challenges; quality requirements; the increasing globalization in education and in all related fields; e-learning as a main trend; culture, incl. migration issues; collaboration, educational model changes; ICT development and its implementation in education for future generations; efficiency; motivation, incl. motivational issues for the new generations; the increasing complexity of education bearing in mind the globalization and digitalization of it; process innovation; accreditation equitation; new leadership requirements; achieving sustainability; creativity as a main core value for future students; faculty management and mobility as a means of extending options for students. U-Multirank has been selected as a ranking assessment variable. A detailed online questionnaire is available on request as well as the results and data from the already undertaken research.

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MODERN BLOCKCHAIN-PLATFORMS: ADVANTAGES AND PROSPECTS

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ABSTRACT

This article is devoted to a study of possibilities to use blockchain technologies in business by making blockchain transactions. The author has presented a view of the blockchain technologies taking into account a possibility of their implementation not only in IT and financial relations in the labor ones as well. A representation of blockchain technologies in Russian and foreign scientific articles has been analyzed. Possibilities and prospects to use blockchain platforms in the current context have been described. In addition, the author provides some examples of using the blockchain platforms in various fields, and outlines their advantages and problematic aspects. The author has analyzed current blockchain platforms in terms of the level of their compliance with the specified parameters and provided suggestions on further development of the distributed registers system. A conclusion that no systemic solutions can be discussed at the current level of technology development has been made, which leads to the immediate necessity to determine features, required properties, and characteristics of the platform solutions in each sphere.

Keywords: *Blockchain, smart contract, labor relations, distributed registers, costs*

INTRODUCTION

A system of economic relations is dynamic and develops constantly. New elements and forms are appearing in the system, and, as a rule, these are not subject to normative regulation at the stage of implementation. It is extremely difficult to forecast the future in the context of constant changes, that is why using such stable structures that will allow the participants of economic relations to have a maximum certainty and minimum possibilities for opportunism is getting increasingly important.

A blockchain technology (a technology of using distributed registers) is one of such new elements. It represents a whole variety of possibilities to use the distributed registers system to formalize, fix and regulate transactions between subjects. The technology is developing and generating entire digital platforms based on using blockchain in various spheres of human life (finances, education, medicine, e-government, labor, document control, and others).

The states also understands the importance of blockchain-related topics for the development of digital technologies. For example, in the Passport of the national program “Digital economy of the Russian Federation” [1], the main end-to-end digital technologies that are important for the state are presented. Among them are allocated a system of a distributed registry (blockchain).

This scientific paper is focused on potential capacity and possibilities of using blockchain platforms at the present time. Consequently, the aim of the study is to assess current possibilities of using blockchain platforms in different spheres of social relations and to determine directions for further development of this technology.

THEORETICAL GROUNDS OF THE BLOCKCHAIN TECHNOLOGY

First of all, there is a need to formalize our perception of what a blockchain is, because this term is quite new. This technology is implemented in various fields (finances, document control, labor relations, education) but investigators have not yet come to the final decision on its basic characteristics.

From our point of view, nowadays an optimal interpretation of a blockchain is the following. Blockchain is a network designed to process transactions with a set of rules prescribed (the Trust Protocol), following which the participants can have a public ledger of transactions and set a network state at a certain moment [2].

We can also offer some other, more simple definitions. For example, blockchain is a decentralized way of keeping records that are divided among the participants and are not subject to any change. It allows the participants of transactions to add an information block to the chain after each party initiates certain algorithms. Given that specific conditions are observed and comply with the rules established by the participants, the transaction information will be approved and added to the chain. All data, encoded and unchangeable, is always up-to-date in all systems of the participants.

The blockchain technology eventually allows inserting the Trust Protocol, embodied in specific algorithms by means of information technologies, in any kind of relations.

For the last ten years, blockchain has underwent changes resulted from the search for using technologies to solve different sorts of tasks.

October 31, 2008, is considered to be a starting point. It was when a group of people disguised as Satoshi Nakamoto presented an idea to use blockchain concept in the form of Bitcoin [3].

Another important event was the emergence of Ethereum, which is an open blockchain platform allowing to create and use decentralized applications, decentralized autonomous companies, and smart contracts. The last needs to be considered in more details.

A smart contract is an electronic algorithm describing a set of conditions, the fulfillment of which results in some events in the real world or digital systems [4].

The recent years are marked by a search for and finding of problems inherent in Bitcoin and Ethereum. While all this time the sphere representatives were searching for the ways of using this technology in various fields, scientists, in their turn, ignored this topic until recently. A distribution of the number of publications on the blockchain topic in Web of Science and the Russian Science Citation Index is shown in Table 1.

Table 1. Number of scientific papers dedicated to the blockchain technology indexed in Web of Science for the period from 2013 to 2019 (in total 2,145 records as of May 1, 2019)

Years of publications	Number of publications in WoS	Publications, in per cent	Number of publications in Russian scientific editions	Publications, in per cent
2013	2	0.1%	0	0,0%
2014	7	0.3%	0	0,0%
2015	22	1.0%	11	0,3%
2016	131	6.1%	112	3,3%
2017	557	26.0%	832	24,8%
2018	1162	54.2%	2251	67,1%
2019	264	12.3%	150	4,5%

As shown in the table, in 2018, the number of papers written in Russian and indexed in the Russian Science Citation Index is even more than those appeared in Web of Science. Unfortunately, the major part of these publications is thesis statements from low-quality conferences. As early as in 2019, the data demonstrate a decreasing interest in this topic in the country. Objectively speaking, only since 2016-2017 speeches dedicated to blockchain started appearing at serious scientific conferences, particularly at those related to the IT-sphere issues. Nowadays, the majority of scientific papers published in top-level scientific editions indexed in foreign databases are made by American and Chinese authors. In comparison with authors from the above-mentioned countries, Russian scientists collectively published 13 times fewer articles.

PROSPECTS FOR USING BLOCKCHAIN IN THE SYSTEM OF ECONOMIC AND LABOR RELATIONS

According to the survey carried out by Gartner Inc. in 2019, 11% of IT directors from global companies note that they have already unfolded or are planning to unfold blockchain in their organizations within the next year. More than 3,100 IT directors from 89 countries representing the main industrial sectors took part in the survey [5].

Experts estimate that by 2021 about 25% of the largest companies will use blockchain in their practice. A forecast amount of transactions conducted with the help of this technology will amount to \$38 billion. As early as by 2030, in case of absence of real threat for the all-round blockchain implementation or appearance of substitute technologies, 20% of global economic infrastructure will use the blockchain-based systems. A potential profit that can be gained by the companies due to such implementation will amount to more than \$3 trillion per year. [6].

Gartner predicts that the key advantages of using blockchain will include in the following aspects:

- Easier communication between the companies due to the automation of transactions based on this technology (28% of the total volume of transactions conducted via blockchain).
- Performance of financial mutual settlements between subjects of economic relations (22%).
- Automation of disputes and courts, both in terms of pre-trial decisions and specific issues of resolving disputes in courts (10%).
- Automated maintenance of title and document registers (18%).
- Blockchain implementation within the company meant to automate relations between subdivisions, as well as between the company and its employees (22%).

As can be seen from the forecasts, the scope of application is not limited to financial relations. It accounts for no more than 22% of the total number of forecast transactions.

Why is this technology so important? Why do the largest companies all around the world try to develop solutions based on this technology and implement such solutions in their practice? It is actually simple. Acceleration of business development and the increasing number of transactions with contracting parties cannot but force the companies to find solutions for their automation. Thus, 36% of the largest companies from the Fortune 500 list double the number of partners and contracting parties every two years. This means that an issue of securing the relations with such partners is becoming more urgent. The same relates to the guarantees and accurateness of any transaction, even the most insignificant one. As a result, certain tools are needed to operate in the context of a constantly

accelerated level of coherence and complexity of interactions between the companies. It is not enough to keep pace today. People must know how to keep up tomorrow.

The second important reason is the need for an effective way of collecting, storing and using the information. 80% of modern companies store their data in isolation so this makes it exposed to different risks of loss or distortion.

All this leads to the situation when the business has to spend its own resources to maintain effective interactions between each other or, as per the terminology of modern economists, the transaction costs of the relations increase.

At the present stage of this technology development, it is far from being easily implemented to any sphere to solve business tasks. The projects based on the technology and offered today contain too many simplifications, the major part of the business transactions is still fixed offline (100% digitalization is impossible as the world and people are not digital anyway), and blockchain solutions require a complete digitalization of transactions to fix them in the chain of distributed registers. Most of the niche solutions proposed by the market are one-time projects without any plans for their scaling up to the large business level, these are not custom-made for solving specific tasks, that makes them far from being in conformity with the established standards. Consequently, it is still difficult to foresee the all-round implementation of blockchain technology, especially in the sphere of labor relations.

Although, experts predict the majority of disputes and costs arising from such to be decreased due to the automated documentation collecting and up-to-date maintaining with subsequent automation of decision making in case of factual patterns.

Upon finalization of the review of possibilities to use the blockchain in the system of economic relations, there are some conclusions that can be made. These conclusions are controversial.

- Blockchain is actually a new technology in the market which potential capacity has not yet been studied in full, there are gaps in the subject areas related to blockchain.
- Blockchain is not that effective within the only company, it needs the presence of an ecosystem, separate platform solutions based on this technology. Changes in the financial ecosystem due to the decrease or even disappearance of the regulator's role are expected from blockchain in the first instance.
- Business community is a foundation for successful studies of the blockchain technology. This technology has forced companies to cooperate at the stage of research and development.

- Blockchain is not only technological innovation but a combination of both innovations in technologies and new approaches in economic models.
- The biggest difficulties are related to the issues of scaling and security, because of the requirements of data protection laws [8].
- The industry is hardly prepared for using distributed registers as there are no proper regulatory measures.
- Blockchain can be implemented in the spheres not related to finances.
- This area is considered to be extremely poorly developed in terms of science that has been proved by the previously conducted literature review.

Thus, blockchain is a technology able to introduce real changes to the industry. For this to happen, however, a significant increase in the number of projects based on this technology, and involvement of business in stating problems for developers and giving them access to the information are required.

In the current circumstances, multilateral platforms seem to be the most effective tools in decreasing transaction costs. They can be used to eliminate constraints preventing the all-round implementation of blockchain in economic relations due to a great number of users, scalability of solutions and effective distribution of responsibility. Further, we will consider the currently existing solutions, those that will be relevant in the industry in the nearest future and their prospects.

MAIN BLOCKCHAIN PLATFORMS USED IN PRACTICE

A multilateral platform should be understood to refer to the company that makes a profit by, first of all, ensuring direct interaction of two or more different types of affiliated groups of parties [7].

Nowadays there is a great number of such platforms in the sphere of blockchain technologies and these embody the following features:

- Growth in the number of platforms has significantly decelerated over the past year (this can be explained by the general decline in the interest in the technology), they all remain incompatible.
- Since 2017 ITU and ISO committees undertake work on recommendations. It was in 2017 when they initiated the process of standardization of this activity, first of all, regarding terminology (for example, ISO/CD 22739 Blockchain and distributed ledger technologies – Terminology standard).

- "The big three" of the most popular platforms has changed — Bitcoin (and its derivations), Ripple, HyperLedger Fabric, which attests to possibilities of future changes in the balance of power between platforms and technologies used on these platforms.
- "The big three" of active technological consultants (IBM, Microsoft, Accenture) remains unchangeable because key solutions in the sphere of blockchain are expected from these companies.
- There are some industrial solutions but these did not prove to be practical enough. A lot of news and press releases cover the cases when the technology was used in a certain way but no solution of an industrial level has appeared yet. Bitcoin still remains to be an opinion leader but this can be considered more as a negative factor preventing the technology development.

The development of this sphere is compounded by the fact that no unambiguous understanding of what constitutes a blockchain platform still exists. What is more, taking a look at the platforms that the practice categorizes as blockchain ones, it can be seen that absolutely different solutions for various areas are included in this category.

A review of various platforms allows concluding that there is a great number of different solutions based on the blockchain technology, for example, some self-sufficient platforms:

- Those meant for event and transaction registration (Bitcoin, Ethereum, IOTA and others).
- Those meant for resources management (Storj, Filecoin, iExec, golem, and others).
- Platforms meant for better performance of other platforms:
- Transaction scaling (Lightning, Raiden, Plasma).
- Integrated solutions (Cosmos, PolkaDot, Gospel, services).

Cloud services for other platforms spacing (BaaS):

- Node spacing (Amazon, Microsoft Azure, IBM Cloud, and others).
- Customized solutions (IBM Blockchain, MultiChain on SAP).

Other platforms:

- Close-to-blockchain platforms: Amazon Quantum, Ripple, Corda.
- Specific projects: IBM Food Trust, Kodak One.

The major part of the solutions appears in the cryptocurrency field that is explained by the excitement for the topic after the dramatic rise of Bitcoin price.

Having analyzed the possibilities of using different blockchain platforms, we came to the following conclusion. No systemic solutions can be discussed at the current level of technology development, that is why there is already a need for

determination of features, required properties, and characteristics of the platform solutions in each sphere.

Proceeding from the considered aspects the experts recommend the following:

- Preparation of framework standards (stipulating the game rules: terminology, synthesis principles, security) — 1.5-2.5 years.
- Preparation of comprehensive scientific basis for all aspects of utilized technologies in different fields (education, labor, finances, document control, and others) — 1-5 years.
- Getting of informative theoretical and practical results in the sphere — "eternally ...".

In conclusion we can quote an expert opinion on the possibilities of using blockchain in social relations presented by Deloitte consulting company: "It is time to stop searching for more ways of how to expand the scope of blockchain and concentrate developing the blockchain technology" [6].

CONCLUSION

Analysis of the possibilities of using current blockchain platforms has shown that at the present stage of the technology development it allows neither ensuring necessary volume, rate, and protection of transactions nor their introduction into the practice of any sphere. Currently, only separate spheres are open for such implementation, on a custom-made basis and given the support from the business that is very interested in new forms of commercial activity [9].

Unfortunately, the technology itself is quite "raw", the market is engaged in searching for opportunities to introduce it in the business processes. There is a lack of experts competent in blockchain who would be able to set the relations standards. The business itself does not fully understands how to use this technology. Developers have no opportunity to create niche products for specific clients taking into account their possibilities. Considering the dynamics of blockchain platforms development and the emergence of new ones, it is possible to forecast that platform solutions allowing the implementation of universal blockchain solutions in different spheres will not appear until 2020.

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MULTI-LEVEL PARTNERSHIP AS A FORM OF NETWORK ORGANIZATION

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ABSTRACT

The modern economy is developing in the direction of the network organization of business. Network structures of firms have various forms. The purpose of the article is to analyze multi-level partnerships as a form of networked business organization. As a result of the study, the following tasks were solved: the advantages of networks compared to traditional firms were considered; identified prerequisites for expanding the use of network business organization; analyzed the characteristics of multi-level partnership as a form of network organization of business. The results of the study can be used in management systems of network organizations. Their implementation will increase the efficiency of network interaction and the effectiveness of managing the operation and development of business.

Keywords: *Multi-level partnership, network organization of business, management system*

INTRODUCTION

The development of management methods occurs under the influence of two main factors. Firstly, these are changes in the business itself, as well as new knowledge about human behavior. Secondly, these are technological advances and their introduction into the practice of managing companies. Based on the variety of working conditions of business structures, their organizational models also differ considerably [1], [2], [3], [4], [5], etc. However, it is customary to distinguish two large classes organizational structures: hierarchical (vertical) and market (horizontal).

The business needs for more effective management, the increasing variability of its conditions of operation, as well as significant progress in information and communication technologies have led in recent decades to the formation of a new approach to structuring organizations — the network (the main ideas of the network approach were discussed in an earlier publication of the authors of this article [6]). Network organizations are built on a hybrid model. They combine the features of vertical and horizontal organizational models. In this regard, their further study is required, since as management practice shows, they have great potential for development.

In many ways, this potential is determined by the rapid development of information technology in recent years, which has led to the formation of a specific sector - the digital economy [7], [8], [9], [10], and others. As its development, the authors believe organizational structures will be increasingly used. At the same time, these network organizations themselves will differentiate, depending on their characteristics.

The object of study in this article is one of the forms of network organization - multi-level partnership.

MATERIAL AND METHODOLOGY

Network structures of firms have various forms. Multi-level partnerships as a form of networked business organization. The results obtained in the future can be used to improve the management systems of network organizations, these results are of importance for organizations that use digital platforms in their work.

As materials for analysis, we used the provisions of management theory, those sections that concern the network organization of business, coordination of activities, organizational design, etc. that are in scientific papers, as well as business reviews, analytical reports, information of business publications, and the results of previous author's studies on the use of the network approach in the management of organizations. The results of interviewing representatives of the business community regarding the choice of models of the organizational structure of firms and their effectiveness were also considered.

In preparing the article, standard methods of management and economic research were used: comparative and retrospective analysis, institutional analysis, expert methods, specific methods of organizational design and evaluation of the effectiveness of organizational structures.

THEORY

The idea of maximizing value for owners, based on the network approach, was considered by R. Coase in the Contract Theory of the Firm. This author described the company as a network of relationships between employees, managers and owners. This network was not peer-to-peer. The owners were in a priority position and determined the conditions for the activity of the company, including the choice of development directions by managers. Stakeholder Theory of R. Freeman was a logical continuation of the concept of R. Coase. The effectiveness of the organization's activities has become determined by the degree of satisfaction of the interests of stakeholders. These interests organize a complex network.

The network is a complex and multidimensional concept. From the standpoint of mathematical modeling (Graph Theory), the network is a system of interconnected nodes. System Analysis from the standpoint of Social Sciences

expands the concept of the network. Here the network is a system of connections between social actors (economic, political, legal, cultural, etc.). The specificity of the network organization and its difference from the market and hierarchy is that:

First, network connections are stable. In this way, they differ from market interactions, which are more volatile. Based on the principle of maximizing the benefits of market exchange, economic agents enter into market interaction every time with a new counterparty. And if the choice of counterparty is repeated, then this is determined not by fundamental, but by opportunistic factors. The market of free competition is chaotic (although it is controlled by the “invisible hand,” as described by A. Smith). Its robust network connections are like those found in hierarchical organizations.

Secondly, network connections are horizontal. Their formation takes place on a voluntary, contractual basis, without external coercion, based only on the economic principle of profit. In this they resemble market interaction. At the same time, it distinguishes them from the hierarchy, where the subordination of one element of the structure to another is always present.

Thus, the network organization is a hybrid, it combines the features of hierarchy and the market. In our opinion, networks are the result of the convergence of traditional “rigorous” approaches to organizational design. Within the network, there are specific network contracting institutions. Transactions between network members are limited to some rules that only partially follow the general rules. With this approach to the explanation of the phenomenon of the network, the network is a set of economic actors that can be considered both together and separately from each other, but it’s important that they depend on each other. This dependence may consist in restrictions on decision making, resource sharing, joint planning of activities, etc.

So, at the heart of the hybrid form of organization - the network - lies the specific benefits that all its participants derive from such an association. This does not exclude local non-optimal joint actions for individual participants, which is ensured in a global sense - for the entire network (and for a participant local loss is compensated by subsequent gain, and their ratio is such that the total result is positive). The main difficulty in the practical implementation of the network principle of organization is the high transaction costs associated with intranet interaction. The ratio of these costs (traditionally quite significant) to the benefits of participation in the network determined the low popularity of network organizations in business until the last third of the 20th century.

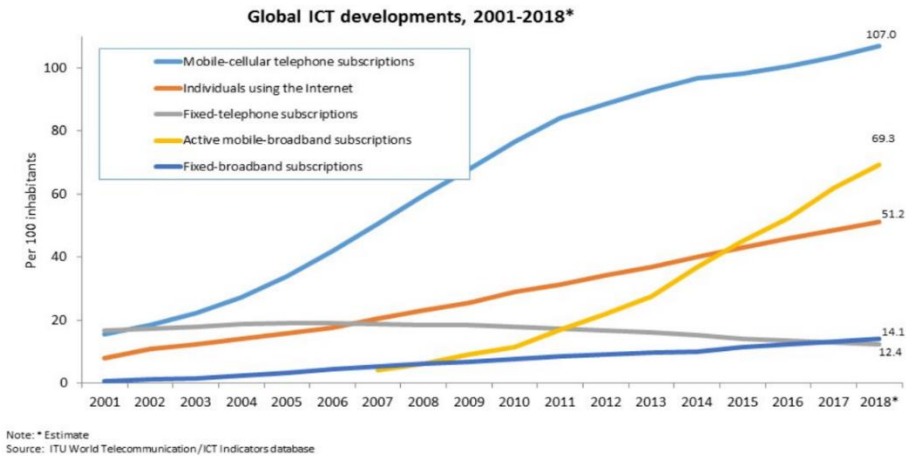


Figure 1. Dynamics of ICT penetration in the world

The revolutionary changes associated with the widespread use of networks occurred after the advent of affordable and cheap information and communication technologies. Their widespread introduction has led to a reduction in transaction costs for networking. The main indicators characterizing the ICT penetration dynamics are shown in Figure 1 (source: <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>). In this regard, network organizations are widespread. As a result, such a phenomenon as “network economy” appeared [11], [12]. The main advantage of the network economy is the possibility of effective coordination of economic activities through the direct exchange of information between its agents. Table 1 illustrates the advantages of a network economy and a networked business organization over today's most common market model.

Table 1. Characteristics of market economy (ME) and network economy (NE)

Sphere	ME	NE
Forms of management and coordination	Market self-regulation and state (hierarchical) regulation and coordination of activities	Coordination of economically equal direct links
Development factors depending on the speed of information dissemination	It works best in an environment with low information permeability of the economic environment	It works best in an environment with a high information permeability of the economic environment
Business methods depending on the use of information	Restrictions on the use of the Internet network for communication with partners, database management and conclusion of trade transactions	Transformation of key business processes with Internet technologies, the acquisition of real benefits through this

RESULTS AND DISCUSSION

In today's world, organizational networks are replacing traditional organizational structures. As a result, there is a blurring of boundaries between enterprises, the traditional contradictions between internal and external partners of the organization, their own and others' resources, large and small enterprises disappear. The creation of network structures covers all industries and functional areas, starting with scientific research and subcontracting networks in the field of production, ending with a franchise network in the field of sales.

The prevalence of the network approach in the management of Russian business is evidenced by the data in Table 2. It lists the top 10 largest (in terms of revenue) Russian private companies, compiled in 2018 by Forbes (source: <https://www.vestifinance.ru/articles/107615>). The condition for inclusion in the rating was compliance with the following conditions: more than 50% of the capital is controlled by private owners, only Russian national companies were considered (subsidiaries of global companies were not included in the rating), official data on revenues in 2017, estimated under IFRS, were used for the rating.

30% of the largest private companies in Russia use network forms of organization of activities. This shows the benefits of networking. According to the authors, with the further development of information and communication technologies and the growth of their penetration, we should expect further wider use of network forms of business organization in Russia.

Table 2. The largest private companies in Russia

Rank	Company	Revenue, billion rubles	Network
1	LUKOIL	5475	—
2	X5 Retail Group	1295	+
3	Surgutneftegaz	1175	—
4	Magnet	1143	+
5	Tatneft	681.2	—
6	Megapolis	655.7	+
7	Evrast	631.3	—
8	NLMK	587.1	—
9	NOVATEK	583.2	—
10	RusAl	581.3	—

The analysis showed that the use of network forms of business organization has several information problems, including:

1) the scale of information, the problem of processing large amounts of it, even if the latter is potentially perceived and accessible to users. There is an effect of “information overflow” of the management system;

2) the complexity of the information and the multiplicity of its use, which causes uncertainty. This creates a request for the use of new methods of "stochastic management";

3) ambiguity structuring of information (the distribution of data into categories, the selection of information from the available information that is important in solving specific problems). The volume of selected information should be adequate to the ability of users to realize it. The effect of "individual information overload."

To solve these problems, we recommend using the mixed principle of building a network in a multi-level partnership format. In such a network, layering is an important condition. It allows you to create valuable value chains within the network using both horizontal (strong) and vertical (weak) links. That is, the network is a two-tier. The top level (core) of the network is formed by the parent company. The second level (agents) of the network consists of specialized companies connected by horizontal cooperation. In addition, each of them can be a core for a lower level.

The results of the comparison of the characteristics of single-level and multi-level network partnerships are shown in Table 3.

Table 3. Comparison of one-level and multi-level partnerships

Difference Criterion	One-level partnerships	Multi-level partnerships
The degree of consideration of the interests of all participants of the network partnership	Priority is given to the interests of the customer. The interests of other members of the partnership are not sufficiently taken into account. This creates risks of opportunistic behavior	There is a consideration of the interests of all participants of cooperation
Objectives of cooperation	Tactical and operational (improving the quality of certain functions and tasks)	Strategic (formation of long-term competitive advantage)

The analysis of practical experience (based on the results of interviewing managers of Russian production companies) showed that when creating a multi-level network partnership, a few problems may arise that are necessary:

- detailed study of the partner company, especially its basic competence;
- determination of the organizational suitability of the partner company, both technologically and socially;
- creating a high level of trust between partners;
- formation of a special cooperation management in order to coordinate the activities of geographically distributed partner

companies and establish relationships that are trustworthy between partner companies.

Despite a few advantages of network organizations, in particular multi-level partnerships, the following features should be taken into account when managing them:

- in multi-level partnerships, preference is given to specialization, focusing on core competencies, which may reduce the sustainability of the business when it leaves the network;
- the network principle does not apply to isolated (closed) organizational units, such as venture enterprises, as well as in cases where concentration of resources and power is required due to responsibility and high riskiness of business;
- in networks, the effect on staff loyalty efficiency increases dramatically. There is a strong dependence of business success on human resource management, corporate culture;
- there is a danger of excessive complexity of the structure, as well as uncertainty of the legal conditions not only of membership in it, but also withdrawal from it and a change in the status of network participants;
- there are questions related to the protection of intellectual rights created by network members, which are legally separate firms.

CONCLUSION

Organizational and technological changes led to the formation of a new type of model organization of firms - hybrid. Hybrid models are based on a combination of traditional market (horizontal) and hierarchical (vertical) interactions, on the network principle of the formation of intra-company relationships. The analysis shows the gradual and accelerating spread of network organizations in various countries of the world, in particular - in Russia. This leads to the formation of a new economic model at the macro level. This model is called a network economy and has a number of fundamental differences from the traditional market model. Network structures of firms have various forms, one of which is a multi-level partnership. Its advantages are determined by the mixed nature of the internal relationships in such a network, the presence of "cores" and "peripheral agents". Also in the study revealed the shortcomings of network forms of organization. The authors recommend using the results of research in management systems of network organizations. Their implementation will increase the efficiency of network interaction and the effectiveness of managing the operation and development of business.

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PROBLEMS OF THE DIGITAL ECONOMY (CASE OF RUSSIA)

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ABSTRACT

Innovative development has led to the formation of a new sector of the economy - the digital economy. In the world, its formation is carried out in different ways. The purpose of the article is to analyze the problems of the formation of the digital economy in Russia. As a result of the study, the following tasks were solved: a review of the development of the digital economy; identified risks and threats to the development of the digital economy; suggested ways to overcome the problems of the development of the digital economy. The authors substantiated the conclusion that the government and business should work together to develop the digital economy, and highlighted the methods of this activity.

Keywords: *Digital economy, digital management, economic growth, government regulation of the economy*

INTRODUCTION

Innovation is the main driver of progress and socio-economic development. The digital economy is one of the modern trends in the innovative development of national economies and the global economy. Many researchers point out that digital development is one of the defining trends in modern conditions [1], [2], [3], [4], etc. New digital technologies penetrate all spheres of economic life, forming qualitative structural changes on all levels of the economic system. Thanks to digitalization and other related technological changes, humanity has entered an era of global change.

Digitalization is associated with the Fourth Industrial Revolution [5], as well as with the formation of a new technological core of the economy. It is based on the active use of digital technologies not only in the production of goods and services, but also in their development, distribution, circulation, recycling, etc. That is, digital technologies cover all stages of the product life cycle. In addition, digital technologies are widely used in the daily life of the population, influencing the structure and volumes of consumption, as well as the value system. Thus, digitalization has a complex effect on both Supply and Demand in the economic system. As a result, cardinal changes in wealth in the digital age should be expected.

Thus, the digital economy is of great importance. In many countries of the world, national Strategies, Programs, Plans, etc. have been developed and adopted to support digital development processes. Digital economy is perceived by many researchers, businessmen and politicians as a “panacea”, as a tool that can help solve all existing economic and social problems. In this regard, numerous attempts are made to benchmarking and actively borrowing successful best practices in the development of the digital economy. This is important due to the high rate of change. In some cases, the independent development of new ideas may take much longer than their borrowing. With the high speed of technological change in the digital economy, this lag may turn out to be critical. It will lead to a loss of competitiveness.

But each country has a specific institutional environment. Borrowing the experience of developing a digital economy without considering the specifics of local (domestic) institutions is impossible. Such actions may lead to the “rejection” of innovations that are successful in other institutional settings. Therefore, the study of the experience of developing a digital economy should be done in the specific conditions of an economic system existing in a specific country or group of countries (for example, in the EU).

MATERIAL AND METHODOLOGY

The object of the author's analysis in this article is the economic system of the Russian Federation. The purpose of the study is to study the features of the development of the digital economy in Russia, as well as the problems of its development. The results obtained in the future can be used to improve national institutions both in Russia and in other countries of the world, considering their specificity.

As materials for analysis, the authors used: publicly available data from national (Russian Federation) statistics; ratings and analytical materials of international organizations; results of previous studies on innovation development and the digital economy. The following legislative and regulatory acts of the Russian Federation were also taken into account: Strategy of Information Society Development in the Russian Federation for 2017–2030, 2017; State program “Digital economy of the Russian Federation”, 2017; Decree of the President of Russia “On the national goals and strategic objectives of the development of the Russian Federation for the period up to 2024”, 2018; The National Program “Digital Economy 2024” (2018) and others.

In preparing the article, standard socio-economic research methods were used: grouping, comparative analysis, retrospective analysis, logical analysis, institutional analysis, content analysis, ranking, qualitative forecasting methods, expert method and specific risk assessment methods.

THEORY

The concept of “digital economy”, in relation to the use of modern information technologies (digital) in business processes and their management, was introduced by Nicholas Negroponte in 1995. The advantages of the digital economy, in the opinion of Negroponte [6], are: the absence of the physical weight of the product, which is replaced by the information volume; lower resource costs to produce electronic goods; much smaller area occupied by products; almost instantaneous movement of goods through the Internet (in this case, of course, we are talking about specific digital goods). Some key features of the digital economy are presented in Table 1.

Table 1. Main characteristics of the digital economy

Characteristic	Impact on the development of the economy
Economic activity focuses on digital economy platforms	It facilitates interaction between economic entities, reduces costs (primarily transactional), provides additional functionality for both suppliers and consumers, improves their cooperation, which reduces the cycle time for developing new products and launching them to the market, and contributes to the creation and distribution of innovative products
Formed personalized service models	Targeted Internet marketing, 3D printing and other digital technologies allow to personalize the production and sale of goods and services, taking into account the requirements and needs of each individual client, which ultimately saves resources (by harmonizing the structure and volume of supply and demand) and increase the quality and standard of living of the population
Direct interaction of producers and consumers	Prerequisites are created for shortening the chains of intermediaries between the producer and the end consumer, building effective production and consumer cooperation
Spreading the "sharing economy"	Comprehensive digitalization and acceleration of communications create the preconditions for the erosion of traditional property relations, the development of legal practices of using the theoretical institutional concept of the “bundle of property rights”. The phenomenon of joint ownership of goods (especially technically complex and expensive, for example, cars) is developing, which can drastically reduce the costs of end users
The role of the contribution to the economic activities of its individual participants is increasing	The development of small and medium-sized businesses, as more flexible and mobile, plays a significant role in business processes; accelerated promotion of innovative start-ups; the sector of the “economy of individuals” is expanding and a tendency to an increase in the “atomization” of the structure of the economy

Source: [7].

Those countries that fail to fully realize the digital transformation of the economy risk lagging the more successful global market players. These outsider countries will not only lag in the development of the economy and technology, but they will not be able to provide the population with a high standard of living and guarantee their economic sovereignty. In this regard, since the beginning of the 20th century, many countries of the world adopted national strategic documents related to the development of the digital economy: 2000 - Denmark, 2005 - Singapore, 2008 - Australia, Hong Kong, United Kingdom, New Zealand, 2009 - European Union, 2010 - Canada, 2012 - Malaysia, 2013 - South Korea, 2015 - India, Kazakhstan, etc. In Russia, the State Program for the Development of the Digital Economy was adopted in 2017.

The Russian Institute for Growth Economics (2018) estimates that in the developed countries of the world the size of the digital sector of the economy is 6-7% of GDP. In France it accounts for 5.7%, in Germany - 6.3%, in Great Britain - 7.1%, in the USA - 7.4%, in Sweden - 8.6% (see: http://stolypin.institute/wp-content/uploads/2018/09/issledovanie_tsifrovaya-ekonomika-14-09-18-1.pdf). This is a significant value. For example (data are based on GDP (nominal) and sector composition ratios provided by the CIA World Fact Book) in the 2018 agriculture sector (includes farming, fishing, and forestry) contributes 6.4% of total global economic production. Total production of sector is \$ 5,084,800 million. That is, today the digital economy and the agriculture sector are comparable in terms of volume in world production.

At the same time, if the share of the agriculture sector tends to stabilize and gradually decrease, the share of the digital economy is growing. Thus, in the GDP of developed countries for the period 2010-2016, it increased from 4.3% to 5.5%, in developing countries - from 3.6% to 4.9%. In Russia, this share in 2010 was 1.9%, and in 2016 - 2.8%. Despite the comparative lag, Russia shows high dynamics: a significant increase in the share of the digital economy in the Russian GDP can be noted compared to, for example, Brazil or Australia, where this increase over the specified period was 0.2% and 0.3%, respectively.

The digital economy is inherently transnational. Therefore, despite the desire to protect the national digital space, which demonstrate the governments of many countries, at the same time there is an opposite trend associated with the unification of technical standards and regulations in this area. The digital economy is decentralized in its essence. This is determined by its multi-subjectness. The explosive growth of social networks, the increase in the number of smartphones, the facilitation of broadband Internet access, the spread of machine learning technologies and artificial intelligence are changing the modern world. According to the authors, the main goal of the development of the digital economy is to improve the lives of the population by improving the quality of goods and services produced using modern digital technologies, as well as their availability [8].

RESULTS AND DISCUSSION

The priorities for the development of the digital economy in Russia are: the creation of conditions for the development of high-tech industries and the prevention of the creation of restrictions in traditional industries; increasing the competitiveness of the national economy and its strengthening in the global market. These priorities determine the following areas of activity: regulation; education and labor resources; the formation of research competencies; IT infrastructure; cybersecurity. The emphasis in the efforts of the state and business in Russia is put on building the infrastructure of the digital economy. First, these are data processing centers, communication networks and access to the Internet.

According to the Russian Presidential Council for Strategic Development and National Projects, the total expenses of the Digital Economy of the Russian Federation program for the period 2018-2024 will be 1.634 trillion rubles (25.98 billion US dollars). Of this amount, 2/3 will have to allocate the federal budget, and 1/3 will be business funds. At the same time, Russia has good starting points for the development of the digital economy. According to official national statistics, the Internet audience in Russia at the end of 2017 reached 89 million people (73% of the population aged 12 to 64 years), which is 3% more than in 2016. At the same time, 60% of the Russian population uses the Internet, including through mobile devices, and 20% of the country's population uses access to the Internet only from mobile devices.

According to the Networked Readiness Index, which is calculated by the World Economic Forum and published in the report “The Global Information Technology Report” (2016), Russia ranked 41st in the world, demonstrating good dynamics (Table 2). Among other BRICS countries, the places in the ranking (2016) were as follows: China was in 59th place, South Africa - in 65, Brazil - in 72, India - in 91. The strengths of Russia in the report “The Global Information Technology Report 2016” are: availability of information and communication technologies; the ability of people to use ICT due to a high level of education; digital infrastructure development; ICT penetration and diffusion at the individual level.

Table 2. Russia's place in the ranking of the Networked Readiness Index of the World

Year	Place in the ranking
2016	41
2015	41
2014	50
2013	54
2012	56

Source: The Global Information Technology Report 2016.

The digital economy of Russia has received significant development in recent years. Private companies have achieved great success, the labor market is being transformed, large infrastructure projects are being implemented with the support of the state to increase the availability of digital services, and the Internet, mobile and broadband communications have become widespread. This has brought about such positive changes as: the widespread spread of the Internet; the development of the digital banking sector; expansion of the electronic services market; improvement of urban infrastructure; increasing the availability of educational materials; distribution of modern computer technology, etc.

At the same time, the development of the digital economy is associated not only with positive consequences, but also with various kinds of risks and threats. Their sources are two main effects. First, it is the emergence of new types of risks and threats inherent in the digital economy and based on its technological features. Secondly, in the transition to a digital economy, institutional transformation occurs, which is a powerful destabilizing factor for sustainable and successful socio-economic development. Consider some of the negative effects of the development of the digital economy:

- the rise of cybercrime. For example, according to Microsoft, in the first quarter of 2017, 14.8% of computers in Russia were exposed to malicious software (9% in the whole world);
- technological vulnerability of the created digital infrastructure. As an example, we can point out situations of mass evacuation of cars typical for Russian large cities due to the inactive parking payment service, problems in the electronic queue systems in public institutions, etc.;
- rapid obsolescence of equipment and, as a result, the presence of the problem of its disposal. According to the UN, every year in the world up to 100 million tons of “electronic waste” are produced, not more than 20% of this volume is processed in accordance with environmental requirements. With the development of the digital economy, its environmental hazards will increase;
- the growth of technological dependence on foreign suppliers and, as a result, the weakening of technological and economic security;
- the limiting factor for the development of the digital economy is the staffing constraints in the Russian Federation. So, according to the Internet Initiatives Development Fund, by 2027 the Russian economy will experience a shortage of about 2 million specialists. At the same time, at the end of 2016, there were about 1.9 million IT specialists in Russia (2.4% of the working-age population; the same indicator in the USA, Germany and the UK - 4.3%).

These and many other risks, threats and problems of the development of the digital economy require the adoption of measures to neutralize them. This cannot

be done quickly and exclusively at the expense of state resources. Complex efforts are required using both public and private resources. In our opinion, among the priority tasks defining the areas of our activity are:

1. Stimulating the creation and development of a digital economy-oriented business. Today in Russia there are several companies that can be recognized as world leaders in their segments of the digital economy (Kaspersky Lab, ABBYY, Parallels, Luxoft, Yandex, etc.). The state can provide them with targeted support: guarantees for bank loans, including export loans, offset part of the costs of patenting, form targeted investment funds, provide support through the public procurement mechanism, etc.;

2. Additional support for small and medium businesses in the creation of digital technologies, platforms, digital services. This can be achieved, for example, by providing certain benefits to relevant companies (for example, in respect of insurance payments or tax contributions), developing digital technologies, creating healthy competition between them;

3. Formation and scaling of digital platforms for the main sectors of the economy. Now in Russia and many other countries, there are portals for providing state and municipal services, platforms for making payments, tax authorities are switching to accepting electronic reporting, plastic cards are being introduced for social payments, etc. It should be noted that in Russia there are significant problems associated with the implementation of IT in local governments. The municipalities themselves are not able to solve these problems, taking into account the subsidization of their majority, they do not need special support for their digitalization by regional and federal authorities;

4. The increase in the volume of training IT specialists (we have already indicated the priority of this line of activity earlier);

5. Formation of sectoral, regional and national cyber security systems. It is necessary to refine the legislation in relation to the fight against cybercrime, to create protection units in law enforcement agencies, to develop secure technological solutions, to ensure interaction between all participants of the global digital economy. It should be remembered that ensuring security should not inhibit the growth and development of technology.

CONCLUSION

The digital economy is a new phenomenon that is present in all sectors and is actively developing. The digital economy may soon become the leading segment, the driver of growth and development of the economic system. The digital economy has some advantages over material commodity-money exchanges, such as speed of delivery of goods or almost instant delivery of services. Another advantage of the digital economy is the lower cost of production

and transaction performance. One of the key advantages of the digital economy over the traditional one is that electronic goods are practically inexhaustible and exist in a virtual form, while material goods are almost always limited in quantity, and access to them is much more difficult. Today, the digital economy is already beyond the scope of business processes. Digitalization is being introduced into social processes, successful livelihoods of people increasingly depend on it, in addition, there is a large-scale introduction of digital technologies into the work of government organizations and structures. Therefore, the states of the world pay great attention to the development of the digital economy. Russia is no exception.

The strategic documents of the government of the Russian Federation carried out goal-setting and described the basic mechanisms for the implementation of the digital transformation of the Russian economy and identified the sources and amounts of funding for the planned activities. By the level of development of the digital economy, Russia does not occupy a leading position in the world but is confidently holding itself in the group of countries following the leaders, improving its position. At the same time, the competition in this area remains very tough, therefore, it is impossible to stop at what has been achieved, the state and business need to work together to further develop the digital economy.

In this activity, it is necessary to take into account a number of problems identified in the article in order to concentrate resources and efforts to neutralize them. Our results can be used to improve national institutions both in Russia and in other countries of the world, considering their specificity.

ACKNOWLEDGEMENTS

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SYNTHESIS OF RESULTS OF QUANTITATIVE AND QUALITATIVE RESEARCH METHODS ON CORPORATE SOCIAL RESPONSIBILITY OF SME'S IN ROMANIA

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ABSTRACT

The motivation of the research is to contribute to the exploration of the CSR activities of Romanian companies, especially for SMEs, through an explanatory and descriptive research, to enrich the managers' knowledge of CSR, how to act more effectively in this field. The results of the research can contribute to establishing a model that can help managers of SMEs who have not defined and applied CSR tools. However, it can also serve as a basis for companies that already have social responsibility in their activities. For the empirical analysis of the CSR activities of small and medium-sized enterprises, I used quantitative research tools in the framework of primary research. This method has proved to be a good way to get to know the thinking, opinion process and attitude of respondents. From a list of over 500 companies 75 companies has been surveyed.

The research is based on three main pillars. In the first part I examined the corporate characteristics and the demographic characteristics of the company managers. In the second part, the respondents can read statements about company, from these statements on social responsibility should select those that best characterize their business. In the third part, I was interested in the value system of company managers; here the manager of the company has to evaluate the statements of the responsible company, even if they do not apply to their company. In addition, I used qualitative research tools in which I interviewed 10 company managers. Qualitative researches are rarer on this subject, but it is necessary because it can reveal social relationships that are difficult to identify through quantitative tools. The companies involved in the research represent different industries: four production companies, one trade, two agriculture and 3 service companies.

During the analysis of the quantitative research results, I found that many managers of the 5- point Likert scale in many cases chose field 3, which is not a positive evaluation or a negative one. Therefore, after conducting and evaluating quantitative research, I wanted to know what is the reason why in many cases managers do not take position on certain issues. Quantitative research on this subject is also looking for a "what" answer, but in order to get a full picture of CSR activities of companies, we need to understand "how" and "why" through qualitative research. The results show that the manager's affinity for CSR is not enough, and there is a need for a financial framework to finance it. On the other

hand, for many, the theoretical framework is not known, it does not always mean that the activity is not practiced.

In the case of SMEs, their responsibility for society is in not cases related to their activity, and the neutral response is also due to the fact that they are unable to state what is not known to them or what they are not doing.

Keywords: *social responsibility, SMEs, social relationships, managers' attitude*

INTRODUCTION

For the empirical analysis of the CSR activities of small and medium-sized enterprises, I used quantitative research tools in the framework of primary research. This method has proved to be a good way to get to know the thinking, opinion making process and attitude of the respondents. With the help of a questionnaire survey I tried to discover the attitude of the small and medium-sized enterprises of Bihor County (Romania) in relation to social responsibility. Such respondents were included in the sample (corporate executives) who are currently operating SMEs in Bihor County. Without knowing the exact number of forced businesses and non-functioning companies, we do not know how many active companies are present in this geographic area when we discuss about this business category. A list of over 500 companies was reviewed in order to have the 75 companies which were later surveyed.

MATERIAL AND METHODOLOGY

The research is based on three main pillars. In the first part I examined the corporate characteristics and the demographic characteristics of the company managers. The corporate characteristics give an overview of the management form, its main activity area, the market of their products / services and the range of their employees. Research on the demographic characteristics of managers highlights the gender distribution of corporate governance, the education of managers, their residence, their foreign work experience, and their family role. The knowledge of these, based on my hypotheses, can have a profound impact on companies' commitment to social programs. In the second part, the respondent reads the statements about the company, and from these social responsibility statements he needs to choose the ones which characterize best the activities of his company and evaluate them using the 5-point Likert scale. This provides an opportunity for leaders to prioritize social responsibility. In the third part, I was interested in the value system of company managers; here the manager of the company has to evaluate the statements of the responsible company, even if they do not apply to their own company. Here I examined the behavior of the leaders and the impact of these attitudes on the activities of the companies.

In this study, I focused on how social responsibility of SMEs in Romania is; I wasn't looking for only the "what", but also for the "how", so to say the causes and the goals were researched. That is why, after quantitative research, there was a qualitative research where I found out that I have to explore the cause of the lack of responsibility also.

Corporate features provide information on the size, management, ownership, location, sales of the goods / services produced by companies (domestic, foreign or both).

RESULTS AND DISCUSSION

The regional distribution of active companies is extremely uneven in Romania, with almost a quarter (23.71%) of operating companies are concentrated in Bucharest and its vicinity, in addition, strategically important county seats will be given priority. According to the statistics of the National Court of Registration [1], the order is as follows: Bucharest, Cluj, Constanța, Timis, Bihar, Iași, Brasov, Maros, and Sibiu.

The county I examined in this order is in the fifth place, taking into account the statistical data of the National Court of Registration, the companies of Bihor county account for almost 4% of the national ratio. The research does not provide a representative sample of the SME sector in Bihor County.

In the western region of Romania, the share of foreign capital has increased, the examined sample shows that foreign investors do not prefer the small business sector instead they favor medium-sized enterprises. 80% of the companies surveyed are domestic owned and the remaining 20% are companies belonging to an international group.

In the examined samples, the majority of those with a tertiary education are in majority, with few having secondary education and a low proportion of those with only basic education. [5] believes that the level of education of the corporate director has a significant role to play in this responsibility for society. Corporate social responsibility does not bring short-term benefits but can be used as a long-term strategy like a set of proactive actions to contribute to a sustainable economy in the future. It is expected that the level of education will influence the future results of the current decisions of corporate leaders.

Age was an open question in the research, it was not easy to summarize, because many people had chosen age, while others had given their year of birth. 65.33% of our respondents were born before 1980, and 34.66% after. This may be interesting, because the generation born before the change of regime in 1980 had completed its studies, while the "young" generation had finished primary school after the change of regime, and acquired its knowledge in the new system. According to this breakdown, it can be said that 64% of entrepreneurs born before

1980 did not study or work abroad, only the remaining 36%, but the rate for entrepreneurs born after 1980 is completely reversed, as 68% have studied and / or worked abroad and only 32% did not. [3] is assumed that age plays a significant role in the value system of small and medium-sized enterprises, which suggests that younger directors are more socially responsible than older people. Reflecting on research of [3], they thought that the younger generation is more responsible than the older, it can be assumed that this is a multiple of the situation in Romania, precisely because the number of people who have had the opportunity to gain foreign experience has become more open, to recognize new guidelines.

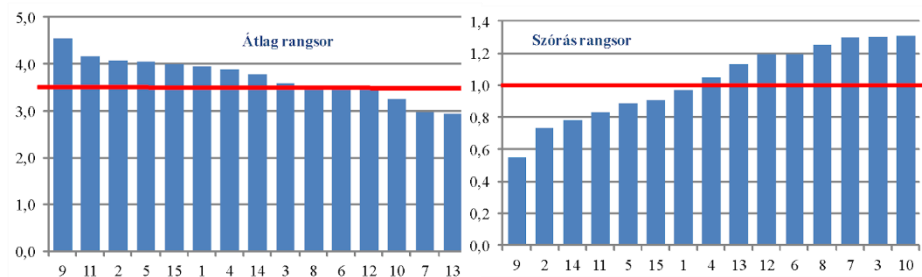
The range of corporate expectations is expanding nowadays, seen as the core tasks of companies such as increasing economic performance, creating jobs, and meeting social expectations even more than mitigating environmental impacts, ethical behavior with stakeholders, and the responsibility to do so. It will be an important determinant of competitiveness.

In the second part of the quantitative research, the respondent can read statements about the company, from these statements of social responsibility the respondent had to choose, those that characterize the best the company's activities and evaluate them using the 5-point Likert scale. Taking into account the specificities of small and medium-sized enterprises as well as the Romanian features, I formulated 15 questions concerning the practical social responsibility of the companies and 18 questions to measure the personal opinion of the managers on social issues.

Issues related to corporate social responsibility are grouped according to the following categories: human factors (occupational safety, the assurance of equal opportunities, the use of motivational tools, career planning opportunities); relationship with stakeholders (towards consumers, authorities, appropriate communication towards the suppliers, support for local communities); environment (pollution control, saving on the used raw materials); business environment (economic effects, ethical behavior, social pressure, competitive behavior, government tasks).

The two figures illustrate the respondents' responses, and what kind of measures has been taken by the managers of their companies for their CSR activities. In the case of the average ranking, I consider 3.5 points as a positive rating, the under-scores indicate that companies do not consider it important or do not take appropriate action in terms of responsibility. The higher the average value, the more progress has been made towards CSR activity. The standard deviation shows how much the average data differs from the average. In terms of standard deviation, the values under 1 are considered relevant, of course, the data can be considered adequate if the standard deviation is low. To sum up the two figures, the answers to questions 2, 5, 9, 11, and 15 can be considered outstanding from the research point of view.

1. Figure: Presentation of average and standard deviation rankings based on respondents' answers in the first block



Source: own editing

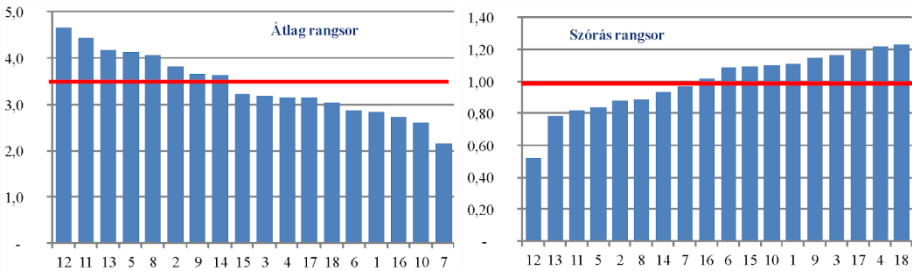
It is important for respondents to inform local residents, consumers, customers, authorities, suppliers, and the communication with stakeholders, none of the respondents evaluated negatively this statement, as shown in question 2. Answers to question 5 reveal that respondents pay attention to controlling pollution, reducing harmful natural impacts, the three quarters of respondents said this. It is likely that the statutory requirements are very rarely met, but this concept can be considered as a responsible one. One of the most positive echoes - as I mentioned earlier in the evaluation of the questions - was question 9, 97% of respondents said they were trying to take a fair and honest stand against their partners and consumers. This position was considered by SME researchers as a distinctive feature of the responsible entrepreneur. Question 11 related to whether the company provides adequate working conditions for its employees, more than three-quarters of the respondents fully agreed with this statement.

This is probably due to the fact that respondents consider employees to be the most important stakeholders, and as the answers to other questions show that their financial capabilities limit them to other CSR activities, they value their employees in order to maintain employee satisfaction and loyalty. Question 15 was about saving the tools and raw materials used by the company. More than 70% of respondents gave a positive answer to this question. With use of a more economical of the raw materials, tools (energy, water, paper, office supplies) used, the company contributes to improving the environment and reducing the exploitation of natural resources, even though it can be described as responsible behavior, I believe that the lack of resources is in the most of all cases in the background of a positive behavior. Of course a deeper conviction cannot be ruled out, which walks hand in hand with commitment towards society and the environment.

The second figures illustrates, based on the answers of the respondents, that corporate executives, apart from their own company, how they picture a responsible entrepreneur, the company manager had to evaluate the statements of the responsible company, even if these did not relate to the company he / she

managed. Summarizing the two figures, evaluations for statements 2, 5, 8, 11, 12, and 13 can be considered outstanding from the research's point of view.

2. Figure: Presentation of average and standard deviation rankings based on respondents' answers in the second block



Source: own editing

Statement 2 concerned that corporate programs coordinated by companies increase the image of the business in different media. 78% of respondents agree and partly agree with this statement, few claiming the opposite. These responses confirm the constructive nature of the community image of CSR activities in research. 77% of the respondents answered that a responsible company reduces the negative environmental impact through production / service procedures, as evidenced by the evaluation of question 5. Respondents' assessments are supported by the answers to questions 5 and 15 in the second part of the questionnaire, which were also related to saving and reduction of pollution. Owners / managers of companies consider the use of raw materials, tools and the use of environmentally friendly procedures as important for their own company as for other companies. The evaluation of claim 8 indicates that 77% of respondents expect government tax relief and support, if companies help to solve social problems. It is also noticeable in this assessment that company owners / managers attribute CSR, partly to governmental competence, and on the other hand their responsibility is expressed through ownership or motivation.

When evaluating clause 11 respondents believe that, employees prefer to work for a company that respects social, environmental and ethical standards. 88% of the surveyed found this statement clear. As it turned out from the eleventh question of the previous section, it is important to create the right working conditions for the employees, employee satisfaction contributes to the good reputation and positive evaluation of the company, which is an important result of CSR activity. Clause 12 concerned one aspect of a responsible company, namely regular pay and adequate working conditions. With a few exceptions, respondents agree with this statement. Although the pay system is required by law, corporate practice often involves avoiding employment and payroll tax, if the company is legally responsible for it. The 13th statement was rated 42% partly

and 38% positively by the respondents, according to this belief CSR is perceived by companies as socially responsible marketing tool.

In the second part of the research I used qualitative research tools, during which I interviewed 10 company managers. Qualitative researches are rarer on this subject, but these are necessary because they can reveal social relationships that are difficult to identify through quantitative tools. The companies involved in the research represent different industries: 4 are production companies, 1 is from the field of trading, two of them are agricultural companies and 3 service companies. All of them are in Bihor County, Romania, the oldest one was established in 1953, the youngest in 2009.

The questions of the in-depth interview were divided into four parts: first the company itself was presented, with its activity and the manager's responsibilities; in the second part, I asked the managers about CSR issues, in the third part I was curious about the behavior of business leaders in CSR; in the last part, there were other questions used as auxiliary ones that supplemented, (where in need), what was said earlier.

I used research [2] to prepare the framework for the interview, in which I measured and evaluated the attitudes and perceptions of corporate leaders towards CSR in different organizational contexts.

Quantitative researches in this subject are also looking for a "what" answer, but in order to get a full picture of the CSR activities of companies, we need to understand "hows" and "whys" through qualitative research.

Starting from the basic assumption for what purpose the in-depth interview was made, the interviewed leaders in many cases chose the third (neutral) answer in the quantitative research. The results show that the manager's affinity for CSR is not enough; there is also a need for a financial framework to finance it. On the other hand, for many, the theoretical framework is not known, as definitions; it is not always meaning that they do not execute it in practice. In the case of SMEs, their responsibility for society is in most cases related to their activity, and the neutral response is also due to the fact that they are unable to state what is not known to them or what they are not doing.

The CSR concept has no universal definition [4], because the relationships are different and not everyone is equally exposed to CSR during its activities. The results of qualitative research have shown that the involvement of companies in different industries determines their CSR activity. In addition to this, the commitment and future orientation of corporate executives determines the CSR policy of the company. By examining the views of business leaders in companies with different activities, it is clear that the core activity determines the direction of social responsibility. Production companies also tend to "remedy" environmental problems through their activities, which can also be attributed to

the fact that through their activities they can cause environmental damage, which they mitigate as a good corporate citizen through their subsidies. Furthermore, maintaining the right working environment and employee loyalty is one of their main CSR activities.

Agricultural companies have less of their own land than they rent from private or local governments, because of their activity, social embeddedness is high, and they see support from local communities as their responsibility. In the case of a trading company that deals with book trade and book publishing, it is a basic everyday activity, but in his case it is also a commitment to increase the love of reading and literature of the growing generation. In the case of service companies, it can be stated once again that the profile defines the basis of CSR activities, and here the focus is on well-functioning partnerships, honest, transparent business relationships. In addition, they support foundations, some consistency can be perceived in the case of companies which are under investigation.

The business leaders / owners who participated in the in-depth interview identified the following areas of their CSR activities: providing adequate working conditions, employee loyalty and satisfaction, steps to reduce pollution, support local communities on a case-by-case basis when it is needed, support of the culture, building and nurturing excellent partnerships, proper communication with customers, achieving customer satisfaction, supporting disadvantaged people, donating.

Support for the aforementioned areas is influenced by the industry's affiliation. The commitment of Producer 1, Producer 2, Producer 3, and Producer 4 is more towards internal stakeholders, for them it is important to create the right working conditions and to maintain the loyalty of the employees. Industry involvement and scope determines responsibility, in the case of Producer 3, we can also talk about outward CSR activities as reducing pollution, which means storing and managing waste which is produced during the company's basic activity. Producer 2 also carries out externally responsible activities by supporting the local community, but there is also the need to comply with parent company standards.

In case of Agriculture 1 and Agriculture 2 businesses we can talk about the support of local communities, building and maintaining good relationships with CSR activities that can be designated by municipalities, this can also be attributed to the causes of the activity (renting land from locals and local authorities). In the case of a Trading Company, support for culture appears as a result of the owner's responsible attitude, supports schoolchildren or school competitions in order to increase their love for literature.

Service Provider 1, Service Provider 2, Service Provider 3 focuses on employee and customer satisfaction, building excellent partnerships and

occasionally supporting foundations making something for the social responsibility. For each of the companies involved in qualitative research, it is important to note that their financial situation affects their CSR activities.

In summary, in most cases, neutral behavior is determined by the lack or scarcity of their financial assets, they should therefore consider, where appropriate, the level, timing and orientation of the aid.

CONCLUSION

The results of empirical research show that the importance of CSR is growing in our country as well. Large companies and SMEs have the same sense of need for change, despite the fact that they use different implementation options.

In conclusion it can be said that the leaders of SMEs, despite having no theoretical background, as is the case with the leaders of large companies, where in many cases a separate department performs CSR activity, nevertheless, they try their best to meet the standards they set for themselves, to comply with certain moral order and values. Due to the fact that in many cases these SMEs are directly linked to the leader's country of residence, the relationship between the leader and the employees is much closer, deeper; this is why these people form an important stakeholder group for the leader. Relationships are closer, and responsibility is more honest in their case. It is not possible to apply the same concept to the two groups of companies which were examined, indeed, in the case of SMEs, the literature on these studies discusses the need to come up with a new concept of responsible company or community value.

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THE MEDIATING ROLE OF A CROWDSOURCING IN THE RELATIONSHIP BETWEEN EMPLOYEE ENGAGEMENT AND INNOVATIVE BEHAVIOUR – A STUDY OF LOCAL GOVERNMENT

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ABSTRACT

The aim of the article is to investigate the mediational role of crowdsourcing in the relationship between employee engagement and innovative behaviour. The data for the study were collected using a survey questionnaire in 205 municipal offices in Poland which make use of crowdsourcing. Credibility and validity were confirmed by factor analysis. Correlation and regression analysis were used to test the hypotheses. The research results show that crowdsourcing mediates in the relationship between employee engagement and innovation behaviour. These discoveries provide useful information for local governments, especially for those which use crowdsourcing and want to maximise the benefits of this. The conclusions emphasise that employee engagement supports the implementation and use of crowdsourcing, which facilitates the shaping of innovative behaviour. The implications for future research and management practice are further discussed. The results are limited since the study was conducted only in one region, i.e. in Poland, and the data were collected from public organisations, more precisely municipal offices.

Keywords: *employee engagement, innovative behavior, crowdsourcing, local government*

INTRODUCTION

Recent management literature recognises employee engagement as a crowdsourcing factor [2]. It is suggested that employee engagement allows the implementation of crowdsourcing and the maximisation of benefits from it, especially in the context of the organisations' strategy change and employee participation in the coordination of crowdsourcing. Empirical research also indicates that crowdsourcing can also influence innovation behaviour, but also innovation behaviour can foster crowdsourcing implementation.

However, empirical studies on the relationship between employee engagement, crowdsourcing, and innovation behaviour are limited. It should be emphasised that the majority of research studies on the relationship between employee engagement and crowdsourcing were conducted in manufacturing companies, innovative and mature industries. In contrast, previous research on

crowdsourcing in public organisations was conducted in ministries, governments and government agencies and healthcare [4]. The literature emphasises, however, that research should be conducted in cities, since crowdsourcing should be inscribed in their strategies and helpful during spatial planning. It is also of key importance for the socio-economic development of cities, the creation of public policies aimed at providing basic living standards and including residents in decision-making, in particular in developed countries.

By adopting the Social Exchange Theory (SET) as a theoretical lens, the article focuses on understanding the interdependencies of employee engagement, crowdsourcing, and innovation behaviour [1]. In line with this theory, the employees' approach to novelties changes over time while maintaining trust, loyalty, and perceiving benefits as long as both parties adhere to the rules of exchange, which usually involve reciprocity and gratitude. It is assumed that there is a match between employee engagement and crowdsourcing. Moreover, employee engagement is oriented on supporting and shaping innovation behaviour. Crowdsourcing is supposed to contribute to innovation behaviour. The aim of the article is to study the mediational role of crowdsourcing in the relationship between employee engagement and innovative behaviour. In order to achieve the assumed goal, in the period from January to June 2018, research was carried out using an online survey questionnaire in 205 municipal offices in Poland.

THEORETICAL FRAMEWORK

Employee engagement

Employee engagement are generally perceived in the categories of “a positive, fulfilling, work related state of mind that is characterized by vigor, dedication, and absorption” [13]. Vigour refers to a high level of energy and mental resistance at work. Whereas, dedication means a sense of significance, enthusiasm, inspiration, pride, and challenge. Absorption means fully concentrated, being in a state of flow characterised by focused attention, a clear mind, effortlessness, concentration, loss of self-consciousness, distortion of time, and intrinsic enjoyment. Based on the social exchange theory (SET), one of the most influential conceptual paradigms for understanding workplace behaviour [7] and employee engagement is a mutually beneficial type of reciprocal relationship, where the employer and employee undertake actions towards one another that go far beyond their mutual formal commitments. In this context: one way for individuals to repay their organization is through their level of engagement. That is, employees will choose to engage themselves to varying degrees and in response to the resources they receive from their organization.

Crowdsourcing

There are many different definitions of crowdsourcing in the literature, both English and native. The most-cited is that by Howe [10] who states that crowdsourcing is “the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call”. In another approach, Howe’s continuator, Brabham [3] defines crowdsourcing as an “online, distributed problem-solving and production model that leverages the collective intelligence of online communities to serve specific organizational goals”. An analysis of the multiplicity of definitions allowed proposing an original definition of crowdsourcing. According to the original definition, crowdsourcing is an organisation’s activity consisting in the inclusion of virtual communities in the form of an open call using an online platform, in problem solving, implementation of innovations or creating ideas or other tasks so far only implemented by the organisation’s employees.

Innovation behaviour

Innovation behaviour signifies a process in which new ideas are generated, created, developed, applied, promoted, realised, and modified by employees to benefit their role performance within the organization. Thus, the manifestation of innovation behaviour is recognising problems, generating ideas or solutions, building support for ideas and their implementation and the application by the employees of new ideas to perform their duties. It comes down to the ability and skills to take a risk and seek innovative solutions, a possibility of creating novelties, their implementation and generativity [11].

Employee engagement and innovation behaviour

Innovation behaviour is connected with voluntariness to engage in innovative activity. This means that in order to be innovative, employees must generate better ideas and solutions without external pressure. Apart from knowledge, skills, and abilities, it was argued that innovation behaviour is largely dependent on the attitude and motivation of employees. According to the Social Exchange Theory (SET), when employees receive values by strengthening their position and training, they feel a sense of consideration and they repay the organisation by showing engaged behaviour connected with doing something more than just obligatory tasks. This results in innovation in the organisation.

The existing studies have shown a positive relationship between employee engagement and innovation behaviour. The literature states that employee engagement can strengthen support through innovation as part of job responsibilities. According to Abraham [1], employee engagement strengthens innovation behaviour, productivity, readiness to devote extra time to work and pride in the work performed. Employee engagement is one of the key factors of

creativity and innovation. In addition, statements can be found that say that excessive employee engagement leads to destructive behaviour. Some researchers rely on the assumptions that innovation behaviour contributes to employee engagement. Currently, there is an increasing pressure on innovation and innovation behaviour in public organisations, in particular local governments [14]. Taking into consideration the huge role of innovation behaviour in these organisations, it is surprising that the context of employee engagement has not been included in empirical research on a wider scale. This makes the problem of innovation behaviour very interesting for the researchers dealing with employee engagement. In the face of demands and pressure of innovation behaviour, governments are trying to find ways to be more innovative by encouraging employees to implement new and innovative ideas and change existing habits. Therefore, a positive relationship is expected between employee engagement and innovation behaviour:

Hypothesis 1: Employee engagement is positively correlated with innovation behaviour.

The mediatory role of crowdsourcing in the relationship between employee engagement and innovation behaviour

In recent years, researchers recognise that the pursuit of the implications and benefits of crowdsourcing requires proper design of the entire endeavour, focusing on creating an organisational environment conducive to crowdsourcing, necessary to effectively acquire knowledge from virtual communities and a change in the approach to work [6].

Extensive analyses suggest that not only the infrastructure and functionality of the crowdsourcing platform, appropriate designing and assigning of tasks to members of the virtual community, trust [5] are important for crowdsourcing, but also the engagement of the organisation's employees. It is assumed that employee engagement plays a key role in the implementation of crowdsourcing. This particularly affects the acceptance of ideas acquired through crowdsourcing, the perception of benefits and their use in professional work. Without this, crowdsourcing will not be accepted by employees, and knowledge gained in this way will not be used by them.

Previous research showed a positive impact of crowdsourcing on innovation behaviour [15]. It can be argued that crowdsourcing fits very well with innovation behaviour. Crowdsourcing is also recognised as a strategic model of the organisation that allows the involvement of a motivated and interested crowd. Moreover, it is recognised that members of the virtual community can generate more original ideas than professionals. On the other hand, organisations can make better use of the knowledge, skills, and resources acquired from virtual communities. Crowdsourcing can promote and strengthen innovative behaviour. First of all, knowledge gained through crowdsourcing can be conducive to the

process of introducing new ideas for problem solving. Secondly, crowdsourcing, through the engagement of employees in its implementation, contributes to taking actions by them oriented on creating, presenting and successfully introducing new products at every level of the organisation, in particular developing ideas regarding new products, technologies, and administrative procedures the aim of which is to improve the relationships at work and significantly improve their effectiveness [15]. Since both employee engagement and crowdsourcing have an impact on changing innovation behaviour, it can be expected that employee engagement contributes to crowdsourcing. In addition, crowdsourcing is expected to contribute to shaping and enhancing innovation behaviour. The following hypothesis can be formulated:

Hypothesis 2: Crowdsourcing positively mediates employee engagement and innovation behaviour.

DATA AND METHOD

Sample and procedures

The data used in the research come from an online survey conducted among a representative sample of the managerial staff of municipal offices in Poland. The research was carried out from January 2018 to June 2018. At that time, an e-mail invitation was sent to complete an online survey to all 930 municipal offices in Poland. In total, 501 correctly completed survey questionnaires were received (response rate of 53.87%). Basing on the responses obtained, the offices that have not implemented and have not been using crowdsourcing were excluded from further analysis. As a result, 205 municipal offices in Poland reaching for crowdsourcing were identified. The municipal offices participating in the survey were located in cities with up to 20,000 inhabitants (55.49%), employing between 50 and 99 people (45.51%). The respondents were women (59.68%) in the age group of 41-50 years, (33.73%), employed in managerial positions (79.44 %), with seniority over 10 years (68.26%), with higher education (97.00%).

Variables and measures

Independent variable. To measure employee engagement, a shortened 9-item Utrecht Work Engagement Scale (UWES) was used. All elements were measured using a 5-point Likert scale ranging from 1 (definitely disagree) to 5 (definitely agree). The short scale includes nine items and examines the three dimensions of vigour, dedication, and absorption. Reliability and accuracy of the UWES questionnaire was analysed by the authors in research in various cultural conditions. Thus, vigour was assessed with three items and reliability was 0.74, dedication was measured with three items and reliability was 0.64, absorption was assessed with three items and reliability was 0.79. Cronbach's alpha value for the final scale construction for organisational engagement is reliable ($\alpha = 0.89$).

Mediator variable. To measure crowdsourcing the approach of Xu, Ribeiro-Soriano, and Gonzalez-Garcia [15] was applied. It includes 8 items. For the current study, the scale only included five points ranging from 1 (strongly disagree) to 5 (strongly agree) to remain consistent with other test items. Cronbach's alpha for crowdsourcing measured with 8 points is very satisfying because it achieves a result of 0.82.

Dependent variable. Innovation behaviour is measured by the scale created by Janssen [11]. This scale consists of three parts of each 3 questions: idea generation, idea promotion, and idea implementation. Each question is answered on a 5-points Likert scale from 1 - never to 5 - always. Cronbach's alpha for this item is 0.82. The results of the tests demonstrated that the scale was reliable and valid.

The scales used consist of questions formulated positively grouped according to individual dimensions of organisational engagement, which may involve the risk of a typical methodological error [12]. In order to identify this effect, the level of the common method variance was estimated. Due to the limitations of available techniques, Harman's single factor test was used. The single factor test showed that the variance of the univariate solution does not exceed 50% and amounts to 26.00%.

RESULTS

Hypotheses testing

This study examined the moderating effects of crowdsourcing on the relationship between employee engagement and firm innovation behavior. Table I shows the means, standard deviations, and correlations for all measured variables in the study. The results of correlation analysis determine the degree and direction of relationships among the research variables. The results show that there is a high level of positive correlation between overall crowdsourcing and innovation behavior ($r = 0.301$; $p < 0.001$), between crowdsourcing and idea generation ($r = 0.292$; $p < 0.001$), between idea promotion ($r = 0.297$; $p < 0.001$) and between crowdsourcing and idea realization ($r = 0.239$; $p < 0.001$). These results provide an import support for the relationships studies in research hypotheses.

Table I. Descriptive Statistics, Reliability Measures and Correlation

Variables/ dimensions	Reliability (α)	Mean	SD	EE	VI	DE	AB	C	IB	IG	IP
Employee engagement (EE)	0,90	3,79	0,72	1							
Vigor (VI)	0.94	3,53	0,84	0.935**	1						
Dedication (DE)	0.94	3,90	0,71	0.915**	,806**	1					
Absorption (AB)	0.95	3,94	0,79	0.906**	,757**	,735**	1				
Crowdsourcing (C)	0.82	3,34	0,88	0.061	,041	,065	,065	1			
Innovative behavior (IB)	0.93	3,93	0,73	0.043	,024	,036	,058	,301**	1		
Idea generation (IG)	0.94	3,99	0,84	0.009	-,004	,001	,028	,292**	,925**	1	
Idea promotion (IP)	0.94	3,85	0,79	0.073	,060	,066	,077	,297**	,927**	,792**	1
Idea realization (IR)	0.95	3,94	0,76	0.037	,012	,035	,056	,239**	,907**	,747**	,766**

** (2-tailed) at the level of 0.01.

We used conditional process modeling to test for moderated mediation as outlined by Hayes [9] using the PROCESS macro. Specifically, we tested to see whether crowdsourcing, moderated the relationships among employee engagement, and innovation behavior (this model corresponds to Model 4 in Hayes, 2013). Moderated mediation occurs when either path a (from employee engagement to crowdsourcing) or path b (from crowdsourcing to innovation behavior), or both are moderated [8]. One-tailed tests were used for all moderation hypotheses because they were directional. Power analyses are not defined for complex conditional process models. Analysis of the moderation effect indicated that the relationship between employee engagement and innovation behavior was not significant ($\beta = 0.04$). Contrary to expectations, no significant effects emerged for crowdsourcing as moderators of the relationships among variables ($\beta = 0.30$), crowdsourcing did not moderate the relationship between employee engagement and innovation behavior. Therefore, considering path a there was no statistically significant relationship between level of employee engagement and crowdsourcing. Therefore, we can conclude that crowdsourcing isn't a mediator in the relationship between employee engagement and innovation behavior.

DISCUSSION AND CONCLUSION

Nowadays, local governments are under enormous pressure and the need to implement trends related to digitization, open government, co-management, and the use of information and communication technologies. In addition, the growing expectations of citizens towards local governments, the need to respond to external turbulences, the pressure of learning, with a simultaneous negative image of the governments, a general decline in confidence in public organizations are indicated.

Employee engagement has become one of the important factors thanks to which organizations can enhance their efficiency, the quality of services offered and achieve organizational goals. An engaged employee is more open to accepting novelties and using them at their workplace. This may further contribute to shaping innovation. Organizations, including the public ones, are more and more inclined to include crowdsourcing in their strategies, thanks to which they can create new solutions, respond to organizational problems, shape organizational learning and innovative behavior may be demonstrated by employees. This leads to the development of new ideas and solutions for an identified problem and the development of support for new ideas and solutions, so that they become a part of the organization. The article focuses on examining the mediational role of crowdsourcing in the relationship between employee engagement and innovative behavior. The general assumption of the tested model was, according to the Social Exchange Theory, the importance of crowdsourcing as a mediator in the relationship between employee engagement and innovative behavior, which means that employee engagement can have an influence on crowdsourcing, which in turn would entail innovative behavior. The obtained results suggest that crowdsourcing allows the organization to shape innovative behavior, in particular idea generation, idea promotion, and idea realization, in accordance with the findings of Marjanovic et al. (2012).

The study conducted also supports the previous literature on the importance of employee engagement for crowdsourcing. The literature indicates that employee engagement is support and a requirement for crowdsourcing activities. The findings obtained do not confirm the opinions presented in the literature, employee engagement as a mutually beneficial type of mutual relations, where the employer and employee undertake actions that go far beyond mutual formal commitments - directly contributes to the acceptance and willingness to use crowdsourcing solutions by employees. What is more, according to the theory of social exchange, it is necessary for both parties to observe the rules of exchange, which usually entail reciprocity and repaying. That is why crowdsourcing requires more than just employee engagement. This study contributes to the literature in two ways. First, it deals with a gap in literature, responding to recent problems connected with employee engagement and crowdsourcing. Second, it fills the gap between literature on employee engagement and innovative behavior, providing empirical evidence, suggesting that crowdsourcing is, in the context of public organizations, not contributing to the growth of these relationships.

The tests conducted have some limitations. First of all, the results are limited since the study was conducted only in one region, i.e. in Poland, and the data were collected from public organisations, more precisely municipal offices. Although our study of the literature in this area leads us to expect that our findings are likely to be applicable to some other national contexts and other organizations, future research should test the hypothesis with data from other contexts. Nevertheless, the conducted research may and, according to the author, should be a starting point for further analyses connected with the issue of employee engagement. Future research can test the impact of other structures, such as employee motivation and employee commitment in the relationship between employee engagement and innovation behaviour.

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Section

ECONOMICS AND TOURISM

EVOLUTION OF IMMIGRANT INTEGRATION INTO THE LABOR MARKET IN THE EU COUNTRIES

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ABSTRACT

The migrant's integration on the labor market is an important problematic for every immigration country. Having a job constitutes the main source of revenue for immigrants and contributes to foster their integration inside society for example by facilitating access to decent housing, by fostering interactions with other people on the job place, by accelerating the learning of language in the host country. An active participation in the labor market is also necessary to assure that the population of the host country accepts more immigrants. The paper begins by examining immigrants' skills. It then examines the situation of immigrants in the labor market and analyses the development of their employment and unemployment rates as well as the development of indicators relating to exclusion from the labor market - long-term unemployment. It continues by examining characteristics of jobs occupied by immigrants: types of contracts and level of qualification required for those jobs. It also examines the evolution of the over-qualification process. Two methods will be used to evaluate the results of the target group (i.e. immigrants) compared to the results of the reference group (i.e., those born in the host country): calculate the gaps between both results (presented in percentage points) and establish changes in percentage points in 2007 and 2017. Statistical data show that in every country of the EU, differences on the labor market exist between nationals and foreigners. Integration strategies on the labor market can help to guarantee equality of chances.

Keywords: *migrant, integration, labor market, EU countries*

INTRODUCTION

Humans live within a society and their integration inside of it is stronger if they create links with various social groups (family, school, company) which are part of it. In European societies, working is a general activity which contributes to the constitution of a social link and social cohesion.

The question of individual integration on the labor market is even more important concerning migrants, because work constitutes the main source of revenue of most migrants. In this context, we can consider the total exclusion of migrants from the labor market as the main obstacle for integration. However, legal access to the labor market, under rational conditions, helps preventing clandestine work and migrants' exploitation.

Nevertheless, to integrate migrants on the labor market is not important only on the economic point of view. It also contributes to foster their integration in the society as a whole, for example by facilitating access to living places, contacts with native population, etc. [1].

Yet, in most EU countries, migrants have worse results on the job level than natives (see below).

MAIN DETERMINANTS FOR MIGRANTS' INTEGRATION ON THE LABOR MARKET

We can divide determinants affecting migrants' integration on the labor market in individual determinants (which means sociodemographic characteristics of migrants) and institutional determinants (integration strategies on the labor market).

Sociodemographic characteristics of migrants

Concerning sociodemographic characteristic, we can see that in most EU countries, the employment rate for migrant women is below the employment rate for native women. The causes for this situation are plenty. We can mention among them two which are especially accurate. First, a lot of migrant women were motivated to come to foreign countries to join their husband (so the main motivation was not working). Secondly, in their origin country, the women employment rate is generally very low.

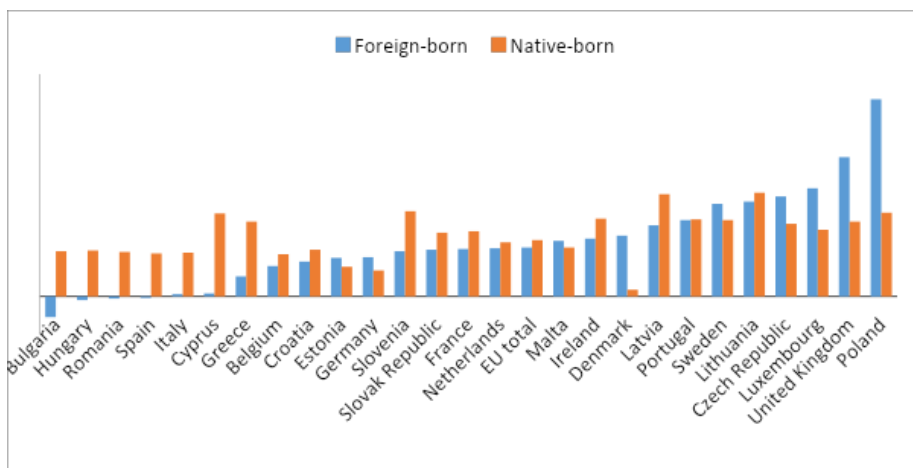
Amongst these sociodemographic characteristics, the education level plays an important role. Migrants in general are overrepresented among people having an education level below the second cycle of secondary studies. In many countries, a non-neglecting proportion of this population didn't reach the first cycle of secondary studies, generally considered as the minimum level to be operational on the labor market [4].

The part of immigrant population having a weak education level represents a third of immigrants in the whole EU – 39% of immigrants coming from countries outside the EU, and about 26% of people born inside EU – against 23% people born in the country. We count 13 million immigrants having a weak education level inside EU. They are more than their pairs graduates from superior studies (11 million people, which makes 19% of total population).

Immigrants having a high education level are plenty in countries like Poland, Ireland, and the United Kingdom. In traditional immigration European countries, on the opposite, as for South Europe and Swede, immigrants are mainly over-represented among people having a weak education level, their part being higher than 35% in South European countries, in Belgium and France. In EU countries,

12% of people born in foreign countries have a very weak education level (15% among immigrants born outside EU), against 5% of native people [5].

The part of superior graduates amongst immigrants has grown of 7 percentage points for the last ten years in EU (see table 1). In half of countries, however, this rise has been weaker than the native people one. It was most pronounced in Poland, in the United Kingdom and in Luxembourg. These increases are mainly due to the fact that recent immigrants have higher education levels than ancient immigrants, in almost the totality of the country.



*Figure 1 – Changes in the share of the highly qualified
Changes in percentage points, 15 to 64 year-old, 2007 to 2017*

Source: Own elaboration based on the Eurostat data

Language mastery in the host country is the main skill immigrants need to come on the job market. Two thirds of people born in foreign countries who live in an EU country declare having at least a good mastery of the language. Nearly 30% of immigrants have the host country's language as a mother tongue.

To facilitate the learning of the host country's language to immigrants having limited resources, it is necessary to offer them a linguistic formation financed by public funds. Most of EU countries now propose such formations. In this context, we can explore the case of Sweden. In this country, migrant workers have the right to learn Swedish during their working hours.

In most other countries, like Italy or Spain, language formations and social integration systems for migrants and their participation to common life are taken

care by local collectivities or by non-governmental organizations, sometimes financed by the state.

Linguistic skills go further than mastery of the host country's language. Immigrants use daily more languages than native people. Within the EU, 76% immigrants master quite well at least one foreign language, against only 52% native people.

After the worldwide economic crisis, the unemployment rate has increased in the whole EU. It has however fallen back today. However, this recovery was less profitable for immigrants than for natives. South European countries having a lot of recent immigrants and lower education levels – for example Spain, Greece, or Italy – have been more damaged by the crisis, with Ireland.

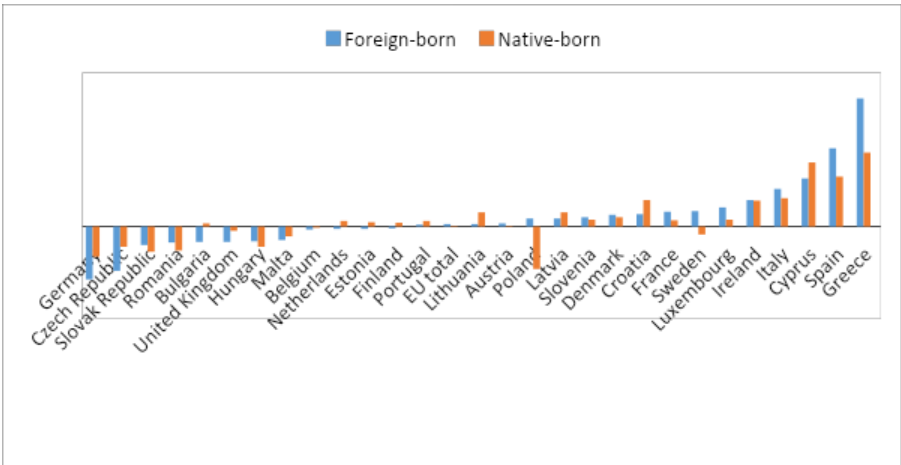


Figure 2 – Changes in the unemployment rates

Changes in percentage points, 15 to 64 year-old, 2007 to 2017

Source: Own elaboration based on the Eurostat data

Ten years ago, immigrants were less susceptible than native people to be jobless more than 12 months, in EU countries. Long lasting unemployment rate is now similar to native's one, after a rise of 7 percentage points in the EU, which represents three times more than the one of native people. The proportion of immigrants being long lasting jobless, among all jobless population, has grown of more than 20 points in countries which were strongly hit by the worldwide economic crisis, such as Ireland, Latvia, Greece and Spain. This proportion has significantly dropped in a few countries only, like Estonia and Czech Republic. Long Lasting unemployment is more frequent among people born in foreign countries in two thirds of EU countries, especially Nordic countries. In Denmark, Sweden or Lithuania, this rate is higher from more than 10 percentage points than

the one for native people. On the opposite, jobless people born in foreign countries suffer less from long lasting unemployment than people born in South European countries, Ireland and United Kingdom.

Inside the EU, 15% people born in foreign countries working have a temporary job, against 12% native workers. In the EU, the proportion of temporary workers is even higher amongst immigrants coming from outside the EU (18%).

Likewise, in about half EU countries, the proportion of temporary workers born in foreign countries is higher of at least 5 points than native people and this gap is even more important in Nordic countries and traditional immigration destination having a lot of immigrants with weak education levels. This gap is also important in Spain, Greece, and Poland. On the opposite, temporary work represents less than 10% migrants' employment in most of Central or Eastern Europe, and in European countries having recently welcomed a lot of migrants having high education levels.

In EU countries, 20% of migrant workers have low-level jobs, or "elementary professions", against 8% natives. Indeed, in almost all countries, migrant workers concentrate on low-level jobs. In South Europe (except Portugal), at least 30% migrants have such jobs, which represents three times native people.

Only in Portugal, Malta and in several Central European countries (like Bulgaria and Slovakia) migrants are not overrepresented in elementary professions. In these countries, migrants are more to occupy high-level jobs than native people, the gap reaching no less than 10 percentage points in Poland.

In the whole EU, more than a third of migrants with a high education level are downgraded in the job they occupy – a rate higher of 13 percentage points than native EU people (see Figure 3).

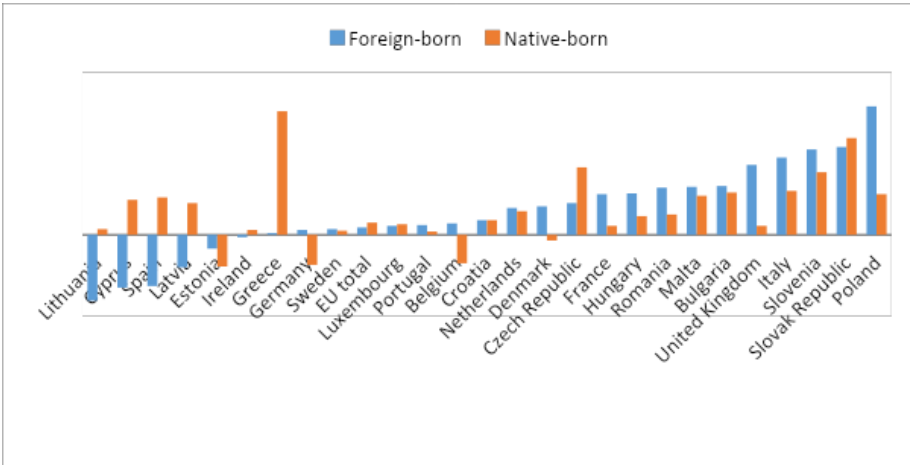


Figure 3 – Changes in the over-qualification rates

Changes in percentage points among highly qualified, 15 to 64 year-old, 2007 to 2017

Source: Own elaboration based on the Eurostat data

Migrants recently arrived are particularly touched by downgrading, with a rate higher of 7 percentage points to settled migrants in the EU. However, even settled migrants living in their host country for at least 10 years have a downgrading rate higher than 6 points than native people. Another group very reached by downgrading problem is people born in foreign countries and graduated in foreign countries. The downgrading rate of foreign-graduated migrants is twice higher than their graduated pairs in South Europe, Nordic countries, France, Germany, and the Netherlands.

In most South European countries and Baltic countries, native people have more risk to be downgraded than before the crisis, while this problem seems to reach less migrants. That could be due to the fact that downgraded migrants have lost their job before the crisis, which reduced their downgrading rate but increased their unemployment rate [3].

Integration strategies on the labour market

Among EU countries, huge differences between national immigration policies exist. We can mention policies having a negative effect on integration. For example, in Austria (but also in Slovakia) several measures create a lack of safety for the resident status in case of unemployment. Being jobless during a long time leads to a no-renewal of the residence permit, which means, to a forced return

into the origin state. This measure brings an important pressure on the worker losing his job. He must find a new job very fast and very often he has to accept any job he is proposed, even if it has a low salary and doesn't match with his formation or with his expectations.

Other countries have policies encouraging immigration. Among them, we can mention programs allowing migrants a true integration (for example, language formation programs).

We can remark that integration strategies for migrants on the labour market imply a large amount of measures [2]. These measures include, amongst others, a better adequacy between migrants' competencies and jobs thanks to more efficient evaluation and foreign competencies recognition procedures, and to the implementation of active policies for the labour market [6].

In the context of foreign diplomas recognition, we have to mention that recently, a lot of EU countries have adopted measures fostering immigration of highly qualified workers (EU Blue Card).

CONCLUSION

An active participation to the labour market is necessary to assure social cohesion and so that the host country population accepts more migrants.

We can say that the unemployment rate is an indicator (quite viable) putting in evidence difficulties to integrate migrants on the labour market.

We can see that in all EU countries, except Czech Republic, the unemployment rate for migrants is higher than the one for natives. In Austria, Finland, Luxembourg, the Netherlands, and Sweden, the unemployment rate is even twice higher than the one for natives.

What are the causes of this situation? First of all, they are types of jobs occupied by migrants: very often, they are less stable and require low qualifications, which means that they are more sensitive to the economic situation. Secondly, migrants work very often in sectors very sensitive to conjuncture, for example the building sector.

Further, according to recent statistical data, in every country welcoming an important migrant population, migrants having a high education level have lower employment rates than native populations. Moreover, about 35% EU people with tertiary education are employed in low – or middle-level professions. This phenomenon represents a loss for mobile workers themselves and for destination and origin countries. This leads us to consider that qualifications and professional experience obtained in foreign countries are significantly under-evaluated on the labour market.

We can explain this situation partly by the fact that employers sometimes have the feeling that diplomas from foreign countries are not fully “equivalent” to those obtained in the national area. Moreover, Language mastery in the host country is considered as the key factor if the job requires a high level of education. For these reasons, migrant in most EU countries are touched a disproportional way by the phenomenon of “overqualified” – which means the fact, for highly qualified people, to have a low – or middle-qualified jobs. In this context we have to say that actually a lot of native workers also are in “overqualified” situation. This information is very important to avoid too optimistic expectations from high qualified migrants.

Statistical data show too that important differences exist between migrants’ integration policies for the labour market. Each European state has to take into consideration its own special conditions.

Integration strategies on the labour market can help to guarantee equality of chances.

ACKNOWLEDGEMENTS

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IMPACT OF THE ECONOMIC SYSTEM ON THE ECONOMIC DEVELOPMENT OF THE SLOVAK REPUBLIC

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ABSTRACT

The economic system is the result of the interaction of economic, political, ideological, social, cultural and other elements. It consists of businesses, institutions, management and control mechanisms, motivation factors, information flows, and so on. It also depends on the geopolitical position in the world, the cultural level and traditions, the originality of development, the different levels of national property status, the size of the territory, the size of the markets, the population, the extent of natural resources, and so on. The economic system (ES) is subject to constant changes in its elements and structures due to changing climate, political, social, environmental conditions. The adaptive ability of the ES, the building of flexible institutional structures and the ability to adapt to changed conditions is the key to long-term sustainable growth. The development of information and communication technologies, the global integration of goods and services markets as well as financial markets, the growing specialization of companies in the field of activities with an emphasis on added value, new demanding organizational forms and the increasing differentiation of demand, represent a challenge for the world. The Slovak Republic has gone through a difficult path of transition from a centrally controlled to a market-based economic system, implying a fundamental transformation of the economic, legal and institutional framework. A precondition for economic development is the efficient functioning of markets that require institutional quality, ensuring the fairness of transactions between entities, protection of property relations, compliance with contracts and law enforcement. The aim of the paper is to analyze the economic development of the Slovak economy on the basis of the development of selected macroeconomic variables and to find out whether the Slovak Republic is ready to adapt to technological, demographic and climatic changes, and to what extent the labor market, the state or the business sphere is adequately prepared.

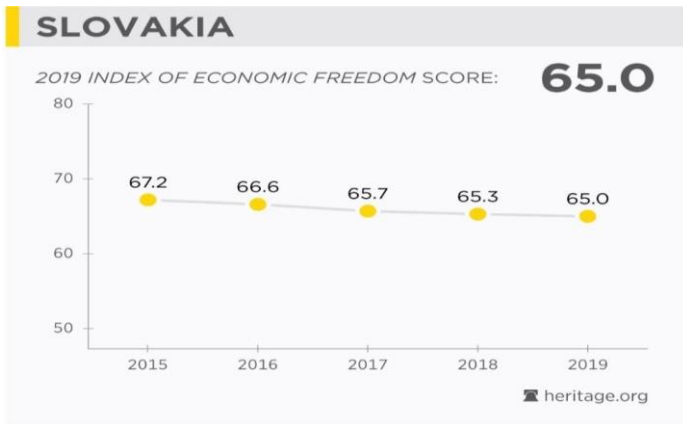
Keywords: *Economic system, economic development, Industry 4.0, technological changes*

INTRODUCTION

The development at the end of the 20th century and the beginning of the 21st century is connected with the gradual transformation of the world economy into

a single market ES. At the same time, there is a growing differentiation within this system, with differences in individual countries increasing depending on their social and economic level. The importance of international institutions is growing to ensure that global challenges are addressed more effectively, including climate change, population aging or the threat of a global economic crisis. After becoming independent, the Slovak Republic (SR) entered the path of reforms aimed at transforming the centrally managed economic system into a market-based economic system (ES) in 1993. It has gradually integrated into European economic and political structures. In particular, the accession to the European Union member countries in 2004 followed by the entry into the single monetary union and the Schengen area. The Slovak Republic is the only Visegrad Four country (V4) using the euro common currency. As a relatively small country with a high open economy, it has built up a competitive country in recent years, with one of the highest industrial share of GDP in the EU [1], mainly due to cost competitiveness and skilled labor. The European Commission forecast [2], [7] confirms the sound growth pattern of the economy and assumes that Slovakia will be among the fastest growing euro area economies in 2019 and 2020. Max Weber [3] has defined these basic prerequisites for the functioning of the market ES: firmly grounded law, personal freedom - a free workforce that has to trade its personal capital (work), limit state powers, free market economic freedom, political freedom - without it, economic freedoms are not sustainable. To what extent has the Slovak Republic succeeded in transforming the economic, legal and institutional framework creating the preconditions for the efficient functioning of the market ES can be quantified through the Economic Freedom Index, which links the economic maturity of the country with the functioning of its institutional framework, respectively. prosperity and economic freedom [4].

Graph 1 2019 Economic Freedom Index – Slovakia



Source: <https://www.heritage.org/index/ranking>

The SR economy in the 2019 index became the 65th freest. The Slovak Republic ranked 32nd among 44 countries in the European region and its overall score is below the regional average but above the world average. The acute and current problem is the long-neglected area of education and the declining level of the Slovak education system with insufficient linking of study fields to the needs of practice. The Constitution provides for an independent judiciary, but the judicial system is vulnerable to corruption. Public confidence in the courts is among the lowest in the EU. In addition to the judiciary, there is corruption in the public procurement sectors. Insufficient transparency of inflated bureaucracy is an obstacle to business. Nevertheless, it can be stated that Slovakia has a sound economic growth structure and Slovakia is expected to be among the fastest growing euro area economies in 2019 and 2020.

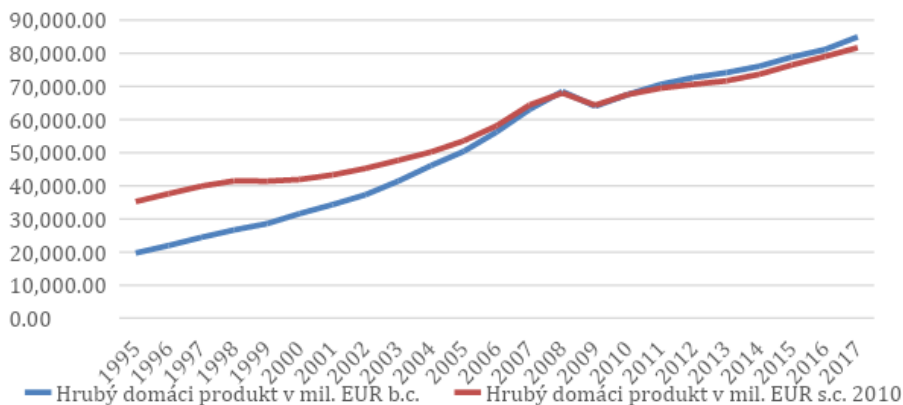
TECHNOLOGICAL CHANGE

Industry is a significant part of both European and Slovak economies, producing direct but also indirect employment and is responsible for a significant part of GDP growth. In addition to environmental concerns, it is also facing a new conceptual challenge that Industry 4.0 is seen as a new industrial revolution. Its starting point lies in the new socio-economic behavior of society, and the steps and technological preconditions of the latest technologies and methods are essential. Industry 4.0 represents a vast transformation of the entire manufacturing industry, through the interconnection of digital technologies and robotics with conventional industries (suppliers, factories, distributors, even the product itself), into a highly integrated value chain. This is a completely new philosophy bringing a societal change and affecting a whole range of areas from industry, through technical standardization, security, education system, legal framework (eg intellectual property or defining the legal status for artificial intelligence), science and research to the market work and social system. Advantages of Digitization and Migration Industry 4.0, according to the Global Industrie 4.0 Survey [5], [8] (PwC), will translate into a broader range of digital goods and services with significant added value and greater personification, quality growth, simpler logistics and faster end-to-end traffic, increased productivity and more efficient planning. Technological progress has considerable potential for productivity gains, but in order to fully exploit it, it is essential to focus primarily on education, infrastructure, regulatory and economic rules, and the consistent and effective functioning of legal instruments aimed at protecting intellectual property rights and personal data. It will be important for the Slovak economy to diversify and selectively support new investments in high-tech areas with high added value. It is also necessary to focus on building a pro-innovation infrastructure. It also intensively encourages business collaboration with science and research organizations, implement measures to stabilize quality workforce in enterprises, and improve the quality of secondary and tertiary graduates through a fundamental reform of the learning needs of learning disciplines, by promoting and improving the dual learning system as well as the business environment [6] .

ECONOMIC DEVELOPMENT OF THE SLOVAK REPUBLIC

Between 1995 and 2017, real GDP growth in Slovakia increased by 2.32-fold and nominal by more than 4.3-fold. As shown in Graph no.2 the average annual real GDP growth rate was approximately 3.73% (nominally 6.57%).

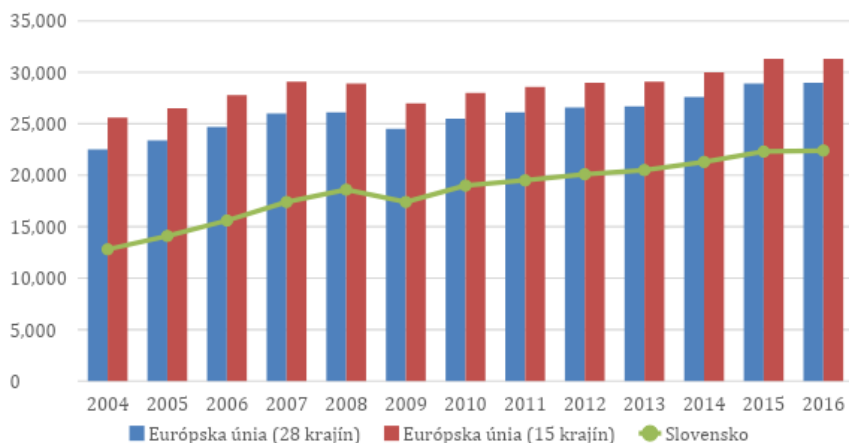
Graph 2 GDP 1995 - 2017 at constant and current prices



Source: SÚ SR; 2018

Gross domestic product per capita from 1995 to 2016 increased 2.21 times. Only in 1999 and 2009 did this indicator decrease.

Graph 3 HDP per capita in purchasing power parity 2004 – 2016

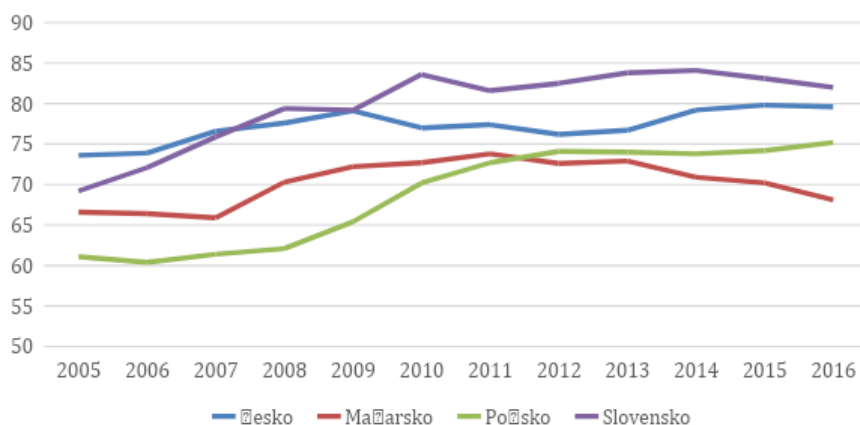


Soucre: Eurostat; 2017

In 2016 GDP per capita was EUR 14.9 thousand at current prices and EUR 22.3 thousand (available for 2015) in purchasing power parity (Eurostat). In comparison with the average of EU28 countries it reaches 51.38% in current prices and 77, 24% in purchasing power parity. A positive trend is the gradual real convergence of Slovakia towards the EU average.

Slovakia is an industrial country - industry generates a quarter of real GDP. The gross value added of Slovakia's industry in nominal terms represents more than a quarter of the total value added of the economy (26.93% in 2016). The value added structure by industry also shows that services are the second most important sector. From the point of view of the development of total GDP, as well as the added value, the share of industry and the share of services are decreasing.

Graph 4 Nominal labor productivity per capita - EU28



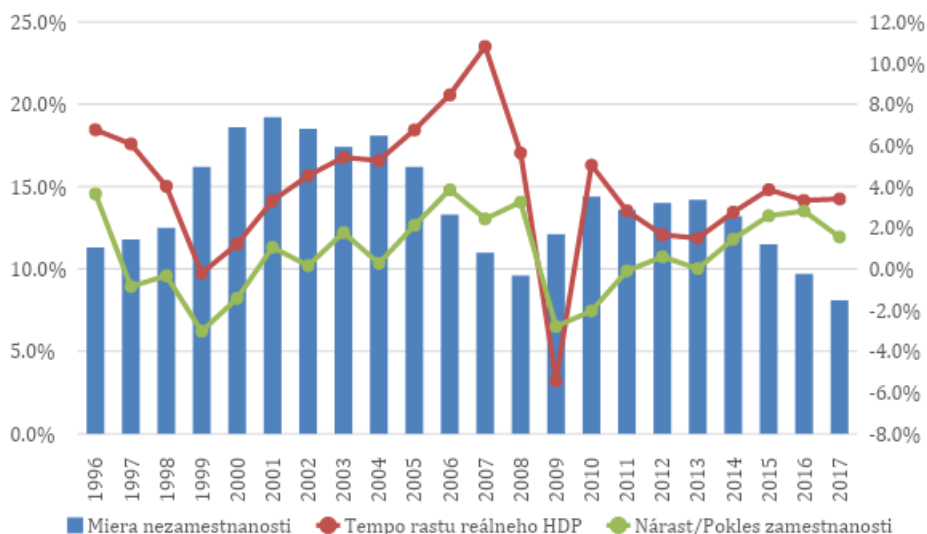
Soucre: Eurostat

However, the positive fact is that the nominal labor productivity index (per capita as well as per hour worked) has been growing in Slovakia more than in 2010, compared to the average of the V4 countries as well as the EU28 or Eurozone countries. Slovakia still does not achieve gross value added at the level of the EU28 average (expressed in purchasing power parity). In 2016, it reached 83.2% (per person) and 77.2% per hour worked. However, among the V4 countries, Slovakia is achieving the best results.

The biggest problem of the Slovak Republic almost throughout its existence is the unemployment rate. The transition to a market economy, the change in structure in connection with the emergence of an independent Slovak Republic in the early 1990s was accompanied by an increase in the number of unemployed. Graph 5 can be seen that by 2007, despite the GDP growth, the unemployment rate has only been slowing down. The rate of employment growth has risen

relatively slowly, and the pace difference has even increased. Since 2012, both indicators are beginning to converge, which means that the GDP growth rate is reflected in approximately the same employment rate.

Graph 5 Unemployment rate (left axis), real GDP growth rate and increase, respectively, decrease in employment (right axis)



Soucre: ŠÚ SR; 2017

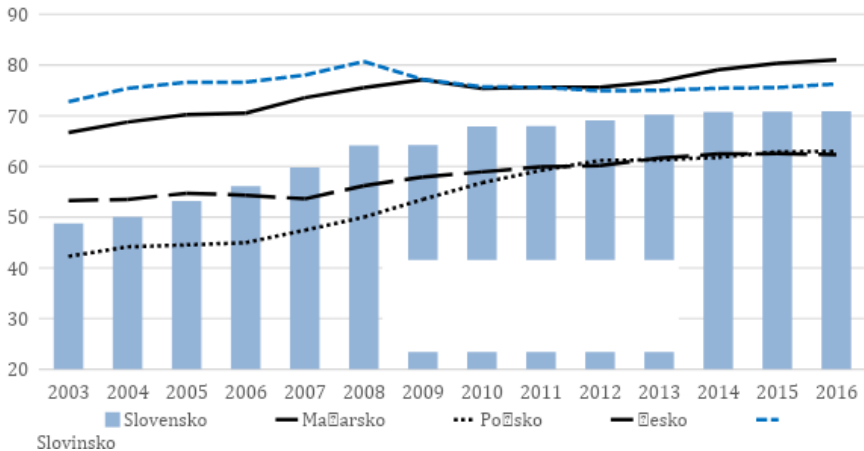
Based on the above, we can conclude that the nature of GDP growth was different in the pre-crisis and post-crisis periods, and the labor market also had different characteristics. Although the unemployment rate has been falling since 2010, it is still one of the highest in the EU. Its specificity is the relatively high number of hard-to-employ groups of the population (unwillingness to work, high rates of execution, marginalized groups, or low educational level). This is a challenge for education policies, work with marginalized populations and legal regulation of executions.

Graph 6 we see the course of real V4 convergence. It is possible to observe a slowdown in the rate at which the Slovak economy catches up with the level of the most developed European countries. It is not excluded that the applied growth trajectory (based on the existing competitiveness factors, especially low labor costs) will gradually be exhausted as it is increasingly hitting its limits.

We are arguing that after reaching a certain threshold, growth stops. Despite economic growth, Slovakia is one of the poorer ones and there is a risk of so-called. middle income trap. For example, Spain, Portugal and Greece have stuck in such a trap, with Ireland being the only country to overcome it. The

catching-up of poorer EU countries will stop around 80-90% of the EU average GDP by purchasing power parity. Although Slovakia is currently growing faster, there is still a risk that growth will stop when it reaches the mentioned threshold and will always be among the poorer EU members. Among the V4 countries, Slovakia is the only country that pays the euro, but also has the slowest wage growth.

Graph 6 Convergence of real convergence (GDP per capita in PPS, EU 15 = 100)



Source: Eurostat

CONCLUSION

A new perspective on economic growth and its factors can be the basis for building a modern and competitive economy today. As our analysis of the development of selected macroeconomic data has shown, the Slovak economy has created good baseline assumptions. Further development should be determined by the benefits of an innovative economy, the exploitation of an educated workforce, the reduction of negative environmental impacts, the sustainable use of natural resources. It is a structural reallocation of production factors towards sectors with higher labor productivity and higher added value, which means generating new, technically and research-intensive research, development and innovation activities in order to strengthen research links and production. Sustainable economic growth is associated with the ability to diversify the domestic production structure, where labor productivity is declining as a result of continuous labor productivity increases. The level of innovation performance of the Slovak Republic, characterized by the IUS (Innovation Union Scoreboard), is low in comparison with other EU countries. Slovakia is still among the countries of moderate innovators with the lowest innovation performance, far below the EU average. Among the 28 EU countries, the Slovak Republic ranked 21st in terms

of innovation performance for 2016 (a slight deterioration compared to 2015 by 1). The lack of skilled labor, in addition to demographic trends, is mainly due to the long-neglected field of education and the declining level of the Slovak education system with insufficient linking of the unions to the needs of practice, which represents its acute and current problem. Looking ahead to the Slovak government, the challenge is to adapt the education area to the dynamically changing needs of the modern labor market and the fourth industrial revolution. However, the development of the share of R&D expenditure in GDP is deplorable in this respect, with only 1.18% in 2015 and even falling to 0.79% in 2016. One of the most important challenges is the fourth industrial revolution that has already begun. The Slovak Republic will face the necessity of adapting it to all levels, from the level and system of education, through innovation and the digitization of sectors, to impacts on the labor market, or the demands on the quality of the business environment.

ACKNOWLEDGEMENTS

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NECESSITY AND LUXURY GOODS IN ECONOMICS

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ABSTRACT

In modern economics many well-known and popular categories still remain unclear or even out-of-date. Especially two microeconomics concepts connected with market analysis need to be refreshed and redefined: luxury goods and necessity goods. In the contemporary world the understanding of luxury and necessity is changing because of many reasons, for example: growing income level, processes of democratization of luxury and poverty, globalization of markets, mass-production and wider access to information. Therefore deeper studies seem to be interesting and necessary. In the paper there are indicated these elements of modern economic theory where these two types of goods are discussed and described and then the evolution in understanding of luxury goods and necessity goods concepts in economics is shown. Also the backgrounds of concepts creation are briefly described as well as the subsequent changes in their understanding and then the present meaning of luxury and necessity is presented. The main hypothesis states that in economics only the understanding of luxury goods has been changed while the perceiving of necessity goods remains unchanged.

Keywords: *necessity goods, luxury goods, income elasticity of demand*

INTRODUCTION

Goods are the principle elements constituting economic exchange, market economy. Therefore they are analyzed by many scholars and are described and interpreted by economic thoughts. There are many classification of goods in economics. The most well-known and basic are these which classify goods as free or economic, public or private [1] and common-pool, club, private or public [2]. Other classifications derived from the concept of elasticities. On the basis of cross-price elasticity of demand goods can be divided into substitutes, complements or not-related goods. Income elasticity of demand allows to distinguish normal, luxury, inferior and necessity goods.

Necessity goods and luxury goods are popular types of goods, but they occur simultaneously only in one well-known classification derived from concept of income elasticity of demand. In general income elasticity of demand shows the responsiveness of a consumer's choices of a particular commodity to a change in his income. In other words the income elasticity of demand is calculated as the ratio of percentage change in the quantity demanded to the percentage change in income. If a 1% change in income causes a positive change in the quantity demanded of a good, it is classified as normal good. If a 1% change in income

induces a negative change in the quantity demanded of a good, the it is called inferior good. If a 1% change in income causes a more than 1% change in quantity demanded of the good, it is known as a luxury good. If a 1% change in income causes a less than 1% change in quantity demanded of the good, the product is known as a necessity good. It means that necessity goods and luxury goods are types of normal goods. Luxury goods are these whose income elasticity exceeds unity, necessity goods are those whose income elasticity is less than unity but still positive, it means that its value ranges from 0 to 1 [3].

On the basis of income elasticity of demand luxuries and necessities can also be defined in terms of their share of a budget of typical customer. An income elasticity greater higher than 1 means that the share of an individual's budget being allocated to the product is constantly increasing. In contrast, if the elasticity is lower than 1, the budget share is decreasing.

Necessity goods and luxury goods are parts of the canon of modern economic knowledge. Despite this fact the economic literature dedicated to necessity good is very narrow and limited. This is particularly remarkable considering the fact that luxury goods are the subject of many research and papers. The paper tries to find out and indicate some of these elements of economic theory which are connected with necessity and luxury goods. It also aims to show similarities and differences in understanding of theses goods. The main hypothesis states that in economics only the understanding of luxury goods has been changed while the perceiving of necessity goods remains unchanged.

NECESSITY GOODS

In economics necessity goods are much less well-known and popular issue then luxury goods. It is difficult to find out any economic theory connected with necessity goods, just except the idea of income elasticity of demand and Engel law (sometimes called Engel relationship) [4]. This economic category is mainly connected with the classification of goods related to the concept of income elasticity of demand, which was discussed earlier.

In common use, necessity good is usually defines as an indispensable thing, something that everyone needs. Therefore necessity goods are treated as necessary to human existence, such as food, water, shelter, and clothing. In other words among them are these goods whose consumption is essential to human survival, or which are considered indispensable for maintaining a certain minimum standard-of-living. This explanation is right with economic theory. In general the income elasticity for basic, inferior goods, such as food or rent is less than 1, because as consumer incomes increase, the proportion spent on them declines, even though total expenditures usually increase. Despite the fact that food is a necessary for life, as incomes increase consumers usually spend their higher incomes on items other than food. Also food basket of typical customer changes. Poor quality goods are replaced by better quality goods, which prices are higher.

Therefore food with a negative income elasticity of demand, this which was replaced by new quality food can be treated as inferior good. It is worth to notice that more expensive food generally has higher income elasticities of demand than staple foods, which is consistent with Bennett's law [5]. In agricultural economics and development economics, Bennett's law describes the situation that as income rises, people eat relatively fewer calorie-dense starchy staple foods and relatively more nutrient-dense meats, oils, sweeteners, fruit, and vegetables [6]. It means the quality of good changes and customers substitute inferior goods by normal goods. Among the three most important staple foods across the world are corn, rice and milk. These goods are usually classified as inferior goods, which means that income elasticity of demand is negative. In poor, less-developed countries these goods can be perceived as necessity good, not inferior goods. This means that the level of development and the level of income are necessary to classify good as inferior or necessity.

Bennett's law is connected with Engel's law. Engel's Law is an economic theory which was introduced in 1857 by Ernst Engel, a German statistician. It states that the percentage of income allocated for food purchases decreases as income rises. As a household's income increases, the percentage of income spent on food decreases while the proportion spent on other goods (such as luxury goods) increases [7]. It means that income elasticity of demand of food is between 0 and 1. Application of this statistic is treating it as a reflection of the living standard of a country. As this proportion increases, the country is by nature poorer, less developed. Conversely a low Engel coefficient indicates a higher standard of living. This approach has advantage over the commonly used prosperity indicator of gross domestic product because the local price level is automatically taken into account. Engel's law is one of the best-proven empirical laws of economics.

The special character of necessity goods causes that people are more likely to buy necessity goods even their prices rises but they are less likely to buy luxury goods when their prices increase (except paradoxes). Additionally necessity goods very often do not have close substitutes and they are produced by monopolies, especially state-owned. According to principles of market economy, the market price of goods depends on quantity demanded and quantity supplied. If quantity demanded is growing and production possibilities aren't limited, the price level should rise. Therefore some customers can be excluded from the market. In case of ordinary, basic goods states usually subsidize their production or monopolize the production process. This intervention guarantees low prices and availability of goods to all customers, but often results in lowering the quality of products.

Necessities (understood as a group of goods) are not very often analysed by statistical offices. One of exceptions is Gallup Group. Gallup polls have tracked Americans' access to "basic necessities," such as food, shelter, clean

water, and healthcare. Gallup's list of basic necessities includes 13 items, which can be grouped into three broad categories: food, housing and health.

LUXURY GOODS IN ECONOMICS

Luxury and luxury goods are popular issues in economics. In economic literature there are many synonyms or expression closely related to luxury goods as premium goods, status goods, discretionary goods, superior goods or Veblen goods. Despite many synonyms still term "luxury goods" are the most popular and recognizable expression, this is also the term with the broadest meaning. It is mainly because of long history of usage of "luxury" term in economics. Etymologically, the word luxury derives from the Latin word "lux" which means light, luminosity or luminance and traditionally luxury has been associated with exclusivity, status and quality but during history the connotation of term „luxury" was changeable and very often also negative.

Before the middle of the 18th century, most commentators believed that working-class aspirations were severely limited and incentives to work weren't widely advocated. The main change in understanding of luxury and its social justification took place between the 17th and the 19th centuries [8]. It was started by discussion between David Hume and his contemporaries which illustrated the level of disagreement in economic discourse during that time [9]. Later on the issue of luxury was considered by many scholars as far back as in the XIX-XX centuries, namely by: K. Marx, T. Veblen, G. Simmel, W. Sombart, M. Weber, J. Locke, A. Smith and others.

Long history, changeable attitude to luxury from total acceptance to total negation of its justification in economy and subjective character of the concept have influenced the lack of consensus regarding the widely accepted definition of luxury. Luxury is "constantly on the move" [10] and its meaning changes according to person, place or time.

As mentioned above luxury goods are type of normal goods which are characterized by income elasticity of demand higher than 1. It means that customers buy proportionately more of a particular good compared to a percentage change in their income. In other words: increase in income is accompanied by a proportionally larger increase in quantity demanded. The special example of luxury goods are Veblen goods. Veblen goods are types of luxury goods for which the quantity demanded increases as the price increases which is an apparent contradiction of the law of demand [11]. Therefore this situation is called in economics: "paradox" or "effect", because in case of Veblen goods law of demand doesn't work. There are many explanation of this situation. A higher price may make a product more desirable as it becomes the symbol of higher status and social position, it is also explained by the human behavior called conspicuous consumption and conspicuous leisure [12]. Among luxury goods there are also positional goods, goods which are available to a few. The founder

of this concept was Fred Hirsch who explained that the positional economy is composed of " (...) all aspects of goods, services, work positions and other social relationships that are either scarce in some absolute or socially imposed sense or subject to congestion and crowding through more extensive use" [13]

Luxury is usually defined as something that is desirable and more than necessary and ordinary. It means that it is the opposition to necessity goods. Possessing luxuries satisfies people rather than simply trying to alleviate a state of discomfort, like in the case of necessities. However the decision of what is desirable, more than necessary and ordinary is relative and depends on many factors, such as: level of country's development, level of income, cultural and social conditions, individual preferences, etc.

Compared with the traditional buyers, new consumers of luxury goods usually have different characteristics, lifestyles, desires, and purchasing behavior. Therefore, they also have different consumption motives and purchase intentions. Vigneron and Johnson [14] indicate that consumer behavior regarding luxury goods is the result of multiple motivations, namely three types of interpersonal effects on luxury goods consumption: specifically the Veblen effect (Conspicuous Perception), Snob effect (Uniqueness Perception), and Bandwagon effect (Social Value Perception), and two types of personal effects, namely the Hedonism effect (Emotional Value Perception), and Perfectionism effect (Quality Value Perception) [12].

LUXURIES VERSUS NECESSITIES

Despite the fact that both luxury goods and necessity goods are types of normal goods, these two types of goods are very different.

Luxury goods are produced for particular type of consumers, who are from the top of income distribution. While necessities can be possessed by virtually everyone, luxuries are available exclusively to only a few people or at least only on rare occasions.

Unlike necessities, individuals buy luxuries not only for their intrinsic quality but also to confirm and show their social and economic status. Bearden and Etzel [15] described the necessity-luxury dimension as a continuum ranging from absolute necessity to absolute luxury. They created the six-point Likert scale ranging from "a necessity for everyone" to "a luxury for everyone" in order to measure the luxuriousness of many product categories. They defined luxury [15] as good not needed for ordinary, necessary day-to-day living, so in opposition to necessities.

People purchase necessities to satisfy basic, mainly material needs. The necessity goods are usually standardized, they are produced in big numbers and their buyers are taking into account the relation between quality and price but

usually the price is the main indicator of choice. In opposition individuals buy luxuries not only for their intrinsic quality but also to signal their wealth and confirm social status. Value perception of luxury goods depends on their rarity and uniqueness.

Luxury goods are produced to satisfy individual needs. Their price is the symbol of status but the most important is extraordinary quality, aesthetics and polysensuality. Literature often associates the demand for luxury goods with the desire for distinction, where individual valuation of a given good decreases as the number of individuals purchasing it increases. The quality is extremely important and this excellent quality can be obtained usually by two ways: by using high-quality raw materials and by detailed workmanship (which made luxuries more rare and unique).

CONCLUSION

The paper tries to find out and indicate some of these elements of economic theory which are connected with necessity and luxury goods. It is impossible to indicate all points in history of economic thought where necessities and luxuries appeared, so the choice is very subjective. The paper focuses on description of the nature of analyzed economic categories and tries to indicate their theoretical background. It also indicates the main similarities and differences between necessities and luxuries in economics.

The main hypothesis of the paper states that in economics the understanding of luxury goods has been changed while the perceiving of necessity goods remains unchanged. As it is shown, in the past the understanding of luxury was changing along with the change in attitude to it. Classical economics justified the existence of luxury and human desire to getting richer. This need is understood as a necessary factor of progress and development. Nowadays scholars argue over the limits of wealth and reducing income inequalities because the distance between the poorest and the riches increases.

The understanding of necessity goods didn't evaluate over economic history. Even the examples of these goods didn't change so much. For survive people still need basic food and clean water. It suggest that distance between the poor and the rich is still huge and economic policy is not able to reduce it. Poverty remain unchanged, the wealth grows, income inequalities increases.

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POSSIBILITIES AND LIMITS OF THE USE OF COUNTER-CYCLICAL FISCAL POLICY IN EURO AREA COUNTRIES

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ABSTRACT

If a country becomes part of a monetary union, it loses one of the key macroeconomic stabilization instruments, the monetary policy. Fiscal policy, therefore, appears to be an ideal tool in the event of asymmetric shocks and should fully replace monetary policy instruments. In general, fiscal policy should act counter-cyclically. This means that at a time of economic slowdown, when household incomes are low, corporate profits are declining and consumption is low, tax revenues are falling, and unemployment support spending and other social benefits are increasing. As a result, expenditures in the state budget are growing and fiscal policy is automatically expansive. The 2008 crisis has had a negative impact on euro area economies. The euro area governments' stimulus measures were to complement the role of automatic stabilizers, taking into account that they were in line with the Stability and Growth Pact and the Lisbon Strategy for Growth and Jobs. In the event of a cyclical downturn, automatic stabilizers provide an automatic bumper for private demand through state budget measures. They mainly reflect rising unemployment and other social security benefits on the expenditure side and a decline in tax revenue on the revenue side. On the contrary, they operate in the case of a cyclical recovery, when automatic budget measures hinder private demand. In our paper, we analyze the situation, if automatic stabilizers provide an automatic bumper for private demand through built-in state budget measures in the case of a cyclical downturn. From the methodological point of view, we used mainly the comparison method, on the basis of which we compare the use of countercyclical fiscal policy in individual selected euro area countries. A fiscal position is commonly used to measure the impact of discrete fiscal policies on government finances. Fiscal stimulus packages adopted by individual governments in response to the economic crisis are a subset of discrete fiscal policies. However, the fiscal position is also influenced by political factors that are beyond government control. Correct measurement of the fiscal position may be disrupted by an incorrect estimation of the output gap in the real time, which complicates the distinction between cyclical and politically related changes.

Keywords: *fiscal policy, counter-cyclical measures, fiscal position, fiscal stimulus*

INTRODUCTION

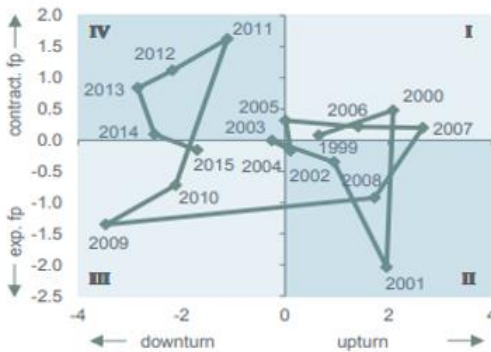
The issue of financial crises and fluctuations in economic performance has brought more attention to both economists and politicians, as well as to the general public in the context of the financial and economic crisis of 2008. After the emergence of economic and monetary union in Europe, with respect to the economic cycle and cyclical developments, fiscal policy is increasingly playing crucial role. Our contribution is focused on assessing the impact and effects of fiscal policy instruments on the economic cycle in the euro area.

PROTICYCLIC VERSUS PROCYCLIC FISCAL POLICY

There is a very large amount of fiscal policy literature, but it is difficult to characterize what type of fiscal policy would be most appropriate during the business cycle. In general, fiscal policy should be countercyclical. This means that at a time of economic slowdown, when household incomes are low, corporate profits are declining and consumption is low, tax revenues are falling and expenditures on unemployment support as well as on other social benefits is rising, the fiscal policy should be executed in the direction of boosting economic growth and employment. As a result, budget spending is growing and fiscal policy is automatically expansive. However, in many cases, fiscal policy is actually procyclical, aggravating the economic cycle and making monetary policy more difficult. In analyzing the cyclical behavior of fiscal policy, we must understand that the resulting fiscal policy is the result of a combination of automatic stabilizers and discretionary policy. Discretionary fiscal policies are generally seen as a weak instrument of macroeconomic stabilization during normal economic cycles. Firstly, fiscal measures, in particular new programs, need to be adopted and implemented. Secondly, fiscal measures to support the economy are usually difficult to reverse. After they had been implemented, their cancellation faces disagreement from the group of people that have had previously supported these fiscal measures. Thirdly, it is difficult to estimate the size and timing of fiscal stimuli. There is therefore a risk that the economic impact of discrete fiscal stimulus will begin to manifest itself as the economy is already in the growth phase, causing the instrument to be pro-cyclical instead of countercyclical. In exceptional circumstances, automatic stabilizers themselves may also be considered insufficient to mitigate the very harmful and long-lasting impact of deep cycling fluctuations. Deviations from optimum fiscal policy performance are manifested by leading to an excessive deficit and a tendency for fiscal policy to be pro-cyclical. Fiscal policy could in principle be pro-cyclical without leading to a deficit, but it is largely the result of an inability to control spending increases and tax cuts in "good times" and are therefore it is closely linked with budget deficit. Figure 1 shows the euro area fiscal position and hence the impact of fiscal policy on its economy between 1999 and 2014. Quadrants I and IV show years of fiscal consolidation, while quadrants II and III years show expansionary fiscal policy. The fiscal position is compared with the economic situation measured by the output gap. Quadrants I and III identify years of countercyclical fiscal policy.

In these cases, the economic upturn coincided with fiscal consolidation (quadrant I) and declined with fiscal expansion (quadrant III). A coordinated fiscal response would probably alleviate the difficulties of the recession in countries affected by the crisis, but fiscal consolidation in all countries, including those that did not, has aggravated the situation. Figure 1 shows how fiscal policy was strongly procyclical in 2011-2013, worsening the general recession in the euro area. Veld and Rennarberg estimate that fiscal consolidation in 2011-2013 has caused euro area GDP loss of between 8% to 20%, depending on the countries under review [4].

Figure 1: Procyclical fiscal policy in times of debt crisis

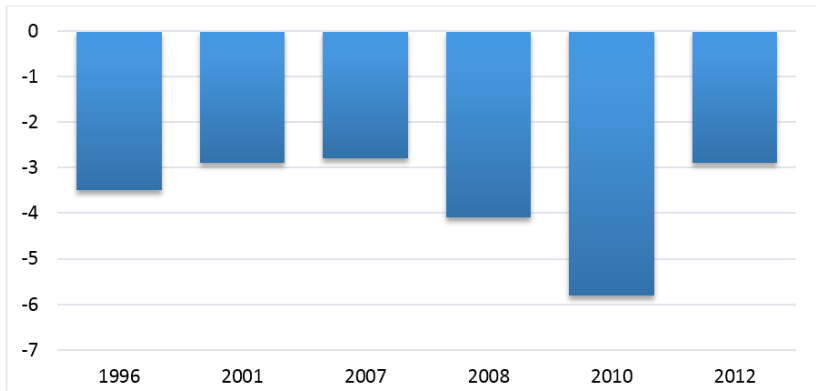


X-axis - output gap of the euro area, % of potential GDP,

Y-axis: change in the cyclically-adjusted euro area surplus, p. b. year on year. Source: EHMER, P. 2016. Fiscal policy in the euro area – greater focus on the economic cycle and closer coordination between member states. In

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Figure 2: Cyclically-adjusted euro area budget balance in previous expansion and contraction



Source: European Central Bank [5]

A period of prolonged expansion persisted in the euro area between 1996 and 2007. The slight pro-cyclicality or neutral attitude that prevailed during the expansionary phase before the financial crisis did not lead to the creation of the necessary buffers for the future recession. During the whole period of expansion that preceded the economic crisis, insufficient fiscal reserves were created. In Figure 2, we see that the euro area has entered into a crisis with a cyclically adjusted balance - 2.8%, which deteriorated even further in 2008-2010 by almost 3% of GDP points. It reached -5.8% in 2010 and the debt-to-GDP ratio increased by almost 20 percentage points of GDP.

FISCAL IMPULSE AND ITS COMPONENTS

The 2008 crisis has had a negative impact on economies around the world. The difficulties were in the financial sector as well as the growing mistrust of private consumption, investment and international trade. National governments have responded by increasing their activity, in two ways, through automatic stabilizers and fiscal stimuli through discrete spending or tax cuts. G20 leaders decided to use fiscal measures to stimulate domestic demand, given the expected economic downturn due to the financial crisis, at the Washington Summit on 15 November 2008. On 16 November 2008, the European Commission launched a European Economic Recovery Plan to ensure a coordinated short-term budgetary impulse for demand, while strengthening competitiveness and potential growth. The total package of measures was EUR 200 billion, representing 1.5% of the European Union's GDP. Member States were invited to contribute about € 170 billion, or 1.2% of GDP, while the European Union and the European Investment Bank amounted to some € 30 billion, 0.3% of GDP. Stimulation measures should complement the role of automatic stabilizers, taking into account that they were in line with the Stability and Growth Pact and the Lisbon strategy for growth and jobs. Budget support or a fiscal impulse that the government can realize in the economy reflects the initial dynamics of public support for the economy, which is largely reflected in the year-on-year change in the general government budget balance as a share of GDP. Fiscal impulse can be divided into three categories. The first is the operation of automatic fiscal stabilizers linked to the business cycle, which is equivalent to changing the cyclical component of the budget. The second category is a fictitious position consisting of discretionary fiscal policy measures and more than political factors captured by changes in the cyclically-adjusted (or structural) primary balance. The last third category is interest payments, which represent the financial flow between the government and other sectors in the economy and can therefore be seen as part of a fictitious impulse. In the event of a cyclical downturn, automatic stabilizers provide an automatic bumper for private demand through state budget measures. They mainly reflect rising unemployment and other social security benefits on the expenditure side and a decline in tax revenue on the revenue side. On the contrary, they act in the case of a cyclical recovery, when automatic budget measures hinder private demand. A fiscal position is commonly used to measure the impact of discrete fiscal policies on government finances. Fiscal stimulus packages adopted by

individual governments in response to the economic crisis are a subset of discretionary fiscal policies. However, the fiscal position is also influenced by political factors that are beyond government control. Correct measurement of the fiscal position may disrupt the estimation of the output gap in real time, which complicates the separation of cyclical and politically related changes. Details based on the estimated size of the fiscal impulse and its components for the euro area are presented in Table 1. The analysis of the components of the fiscal impulse at the bottom of the table is based on annual changes in the GDP ratio, with the deterioration of the relevant balance indicating a positive stimulus. The overall fiscal impulse for the euro area is projected to rise substantially by around 4.4 percentage points of GDP in 2009, as a result of the decline in the government budget balance, and by 0.5 percentage points more in 2010. The impact of automatic stabilizers from the overall fiscal impulse is about half, at 2.4 percentage points of GDP, while the other half is more relaxed.

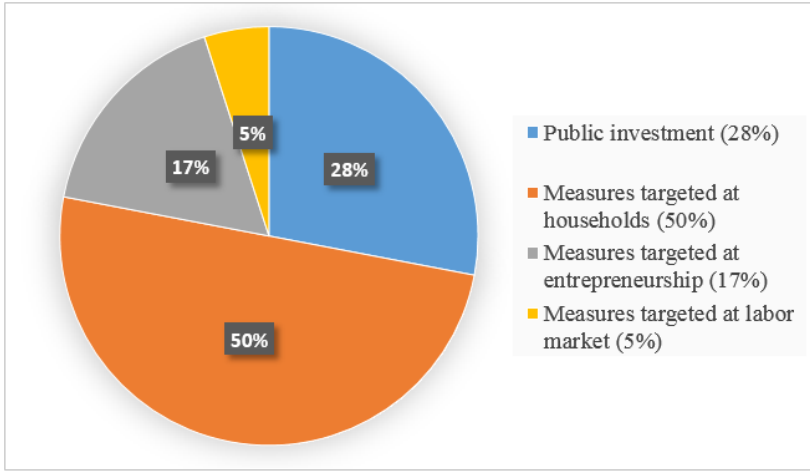
Table 1: Fiscal impulse and its components in the Euro area

	2008	2009	2010
FISCAL POSITION (% of GDP)			
State budget balance	-2	-6.4	-6.9
The cyclical component of the state budget	0.9	-1.4	-1.4
Cyclically adjusted state budget	-2.9	-5	-5.4
Interest expenditure	3	3	3.2
Cyclically adjusted primary balance	0.1	-2	-2.2
Fiscal stimulus packages		1.1	0.8
FISCAL IMPULSE (ANNUAL CHANGE OF P.P. GDP)			
Change in the state budget balance	-1.4	-4.4	-1.5
Fiscal impulse	1.4	4.4	1.5
cyclic component - automatic stabilizers	0.3	2.4	0
cyclically adjusted primary balance	1	2.1	0.2
interest expenditure	0.1	0	0.2
Change in fiscal stimulus packages		1.1	-0.3

Source: European Central Bank [6]

A detailed composition of the fiscal stimulus packages for the euro area is shown in Figure 3.

Figure 3: Fiscal stimulus measures 2009-2010



Source: European Central Bank [6]

The graph shows the composition of fiscal stimulus measures in 2009-2010 in terms of budgetary impact. In these years, four categories of euro area countries were supported. Most governments have taken measures to support household purchasing power, notably through the reduction of direct taxes, social security contributions and VAT, as well as through direct aid, such as income support for households.

CONCLUSION

Eurozone countries have used different combinations of government spending and tax cuts to boost economic growth in response to the 2008 crisis. In our opinion, national fiscal policy measures produce effects that have an international impact, especially in the area of the common currency, such as the euro area. Thus, cross-border tax penetrations linked to trade ties, a high degree of financial market integration and a consistent monetary policy response are also important factors to be considered in the euro area. There is also very limited harmonization of spending and tax policies. Through these channels, a Member State's fiscal imbalance can affect the fiscal position of other Member States. These side effects can act in two ways. They either result in an improvement or deterioration in the fiscal position of neighboring countries. Negative side effects have been addressed by several authors, such as Caporale and Girardi [2]. They point out that the governmental yields of individual euro area countries are very closely linked and that the deterioration of one country's fiscal position can be passed on to borrowing costs of other Member States. But fiscal impacts can also be positive. Fiscal prosperity in one country can benefit its business partners by increasing demand for goods and services exports. This view is based on several

empirical documents such as Giuliodori and Beetsma [1] and others. In my opinion the problem with national fiscal policy is that only the impact on the economy is usually taken into account and the wider effects are being neglected. The result is a great divergence in the fiscal policy stance of the various economies. This results in less effective fiscal policy in the euro area as a whole.

ACKNOWLEDGEMENTS

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REMOTE WORK – ADVANTAGES AND DISADVANTAGES ON THE EXAMPLE IN IT ORGANISATION

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ABSTRACT

With the development of the Internet, the possibilities of communication at a distance have grown, and the exchange of work results and information has become simpler. The topic of the research is of great importance, because worldwide remote work is no longer a trend of the new age, but a modern form of employment; it is an opportunity not to depend on location, saving employee's time and company's money; for some it is a flexible schedule possibility, and for others - the only way to get a job. The concept of remote work was introduced into Russian legislation in 2013, and amendments regulating this form of work relations were made. However, after six years, very few Russian employers have remote workers on their staff and carry out remote personnel management. Some employers do not even know that something like it is possible and what are the advantages they and workers can get from it. Therefore, at present the question of whether remote work is effective and what its advantages and disadvantages are is topical. The purpose of this study is to ascertain the advantages and disadvantages of remote work for the employee. The key questions of the research are as follows: what are the advantages and disadvantages of remote work, is the remote work effective, is there a connection between transferring a certain group of workers to remote work and economic and other indicators of the organization's activities, is there a connection between remote work and job satisfaction? Methods used in the study: a survey on job satisfaction before transition to remote work, a survey for employees on awareness of remote work, a survey for employees and managers about job satisfaction after transition to remote work, a survey for employees about remote work after transition to such form of work and a survey for managers about remote work after transition, developed by the authors. The results of the study showed that remote work has more advantages than disadvantages for both the employer and the employee. There is connection between the transfer of a group of workers to remote work and the economic indicators of the organization. There is relationship between remote work and job satisfaction.

Keywords: *remote work, job satisfaction*

INTRODUCTION

“A world without an office” is not the future, it is the present, and there is an opportunity to live like this [1]. History of remote work in the world dates back to 1972, when the American scientist Nilles expressed the idea that it is not necessary to keep employees in the office, since modern means of communication allow maintaining contact between employees at a distance. In 1979, the head of the Committee for Economic Development of the USA Schiff became interested in the works of Nilles. He continued the ideas of the scientist and it was Schiff who invented the new term “flexible workplace”. His article “Working from home can save gasoline” was published in *The Washington Post*, in which he pointed out the advantages that both the company and its employees and the country as a whole can benefit from the development of remote work. His article had great resonance and ended with the phrase “Why not try it?” [2]. Now remote work is an opportunity not to depend on location, saving the employee’s time and company’s money; for some it is the possibility of a flexible schedule, and for others - the only way to get a job [3]. With the development of the internet, the possibilities of communication at a distance have grown, and the exchange of work results and information has become simpler. Also, remote work opens up new job opportunities for people with disabilities. Such an employee, working remotely, is in a comfortable environment for themselves, and the employer does not need to spend additional funds to equip a special workplace for the employment of such an employee. In the modern world, earning via internet is widespread - writing articles, advertising, the services of translators and designers. According to the statement of the founder of the company *The Virgin Group* Richard Branson, “technologies are developing so fast that in thirty years people, looking back, will wonder how offices could exist at all” [1]. Certainly, this hardly means that an office in its traditional sense will soon completely disappear. But it becomes obvious that most people will prefer remote work, the fact that it gives you the opportunity to choose when and where to work, to spend more time with your family, and to receive stable wages and professional growth. According to a study on remote work conducted in the European Union in 2005, it was found that in 27 countries of the European Economic Area about 7% of employees work partly remotely and only for one quarter of their working time, and 1.7% of workers work remotely almost all their work time. According to a study [4] in the United States, the number of remote workers from 2005 to 2011 increased by 73% or up to 3,000,000 people. And from 2005 to 2012, it increased by 79.7% or up to 3.3 million workers. According to a Reuters poll [5], about one in five workers in the world, especially in Latin America, the Middle East and Asia, worked partly remotely and almost 10% worked remotely on a permanent basis. Remote work had the least popularity in the following countries: Germany, France, Hungary, Sweden, Canada, Italy, where the number of remote workers was less than 10%. According to a study, the largest number of companies accepting remote jobs were in the USA - 55%, in Europe - 25%, in Asia - 15%, in Australia - 5%. And if you look at the age range, then 46% of remote employees are 28-35 years old, 28% are 24-28 years old, 23% are 35-46 years old, 3% are up

to 24 years old. The study involved 11,383 people from 24 countries. According to this survey, more than half of respondents from Russia, Argentina and South Africa expressed their willingness to fully switch to remote work, if such an opportunity was provided, while respondents in Japan, the United Kingdom, Sweden, Canada and Australia were far from the perspective of working remotely. In Russia, the concept of "remote working" was included in the Labor Code in 2013 [6]. As of 2014, the share of remote workers in Russia was no more than 1% of the economically active population. Currently in Russia, 63% of employers do not have remote workers, 20% of employers have remote workers, 10% of employers have remote workers, but are outsourced, 7% of employers find it difficult to answer, and the most popular specialties with remote employees are in the field of information technology - 24%, sales - 18%, accounting and financial services - 10%, design - 9%. Employers in Russia in most cases relate towards the transfer of workers to remote form of work with caution [7]. It should also be noted that in Russia, remote workers are less protected by law, as proven by judicial practice [8]. Perhaps this is why remote work in Russia is less popular than in the USA and Europe [9]. For the employer, there are more advantages than disadvantages from remote working, in addition to saving on office expenses, the geography of the labor market is expanding to find candidates; the main advantages for employees are: saving time and money on the road, more free time for family, opportunity to find work in another city [10]. In Russia, the undoubted advantage for a remote worker is the ability to search for work in any city without having to move, since most of the vacancies are open in large cities, and there are cities in which there is practically no work [11]. In practice, companies successfully practicing remote work are as follows: IBM, Philips, Microsoft, ABBYY, Aetna, Stack Overflow, Virgin Group, Sun Microsystems, Zenger Folkman, Basecamp, PwC (PricewaterhouseCoopers International Limited). In Russia, these are the companies: Svyaznoy, Sotmarket, QuattroLab, Megaplan, Resource, Business Profi, VimpelCom and others.

DESCRIPTION OF RESEARCH METHODS

The purpose of this study is to ascertain the advantages and disadvantages of remote work for the employee. The key questions of the research are as follows: what are the advantages and disadvantages of remote work, is the remote work effective, is there a connection between transferring a certain group of workers to remote work and economic and other indicators of the organization's activities, is there a connection between remote work and job satisfaction? Methods used in the study: a survey on job satisfaction before transition to remote work, a survey for employees on awareness of remote work, a survey for employees about job satisfaction after transition to remote work, a survey for employees about remote work after transition to such form of work, developed by the authors. Form of distribution of questionnaires - mailing (the questionnaires were conducted on the organization's intranet portal, the employee received corporate email links to the questionnaires), number of respondents - group (only IT specialists), coverage - entire (all IT specialists). The total number of respondents in the study was 73

people. Respondents had been transferred to remote work at the time of completion of the survey. Mathematical statistics: Pearson correlation coefficient, the study of differences - t-Test.

DATA ANALYSIS

Evaluation of survey results conducted prior to the transition to remote work showed that more than one third of respondents were dissatisfied with the existing form and organization of work, the main problems preventing effective and efficient work were uneven workload during the working day, stress, excessive workload, current working conditions - problems that can be solved by transferring to remote work; besides the level of remuneration and working on agreement, the respondents identified the main factors motivating them to work effectively: comfortable atmosphere, work and rest balance, flexible hours - factors that are peculiar to remote work. Respondents (64%) agreed with the following advantages that can be obtained by transferring to remote work: saving time and money on the road, the opportunity to get the desired balance between work and personal life, the ability to manage your time, a decrease in stress levels; most respondents noted the advantage of the possibility of moving, however, they did not consider such perspective for themselves.

Evaluation of the results of the employee survey conducted after the transition to remote work showed that 23% of respondents had problems with communication with the manager, as there appeared more free time, there was a need for more self-control, and the manager started paying less attention. Almost ¾ of respondents (74%) noted a decrease and a rather decrease in the level of stress after switching to remote work. Evaluation of the results of employer survey conducted after the transition of employees to remote work showed that 65% of respondents started or rather started having difficulty communicating with their subordinates. All respondents noted that the transition to remote work was justified or rather justified, and as a result, noted the advantages of remote work for employees and employers.

Is there a connection between the remote form of work and employee job satisfaction?

Table 1. The results of a two-sample t-Test with the same variances.

	Job satisfaction before transition to remote work	Job satisfaction after transition to remote work
Average	5,380952381	7,551020408
Dispersion	2,658986175	3,294217687
Observations	65	65
Combined dispersion	2,936178108	
Hypothetical mean value	0	
df	48	
t-statistics	-2,063534497	
P(T<=t) one-sided	0,022245864	
one-sided critical t value	1,677224196	
P(T<=t) two-sided	0,044491728	
two-sided critical t value	2,010634758	

Result analysis show that with 5% probability we can conclude that the results of both groups differ. The arithmetic mean result of job satisfaction after the transition to the remote work is 7.55, which is higher than job satisfaction before the transition, and given that the t-Test is negative = -2.063, we can speak about a statistically significant difference. The corresponding p-value is 0.044. Since the p-value is <0.05 (since 0.044 <0.05), it can be concluded that the differences between the studied groups are statistically significant, that is, there are statistically significant differences between job satisfaction in remote work and job satisfaction in work in the office.

Table 2. The results of the calculation of the Pearson correlation coefficient.

	Employee satisfaction before transition	Employee satisfaction after transition
Employee satisfaction before transition	1	
Employee satisfaction after transition	0,999162692	1

Pearson's correlation coefficient ($r = 0.99$), which is a very strong correlation. Thus, it can be concluded that with the remote form of work, satisfaction / motivation of employees has grown.

Is there a link between the transfer of a certain group of employees to remote work and the economic and other indicators of the organization?

Table 3. Results of the two-sample t-Test with the same variances.

	Office maintenance costs before transition (per month)	Office maintenance costs after transition (per month)
Average	299250	110500
Dispersion	285695583333,33	41273666667
Observations	7	7
Combined dispersion	163484625000,00	
Hypothetical mean value	0	
df	6	
t-statistics	0,660181728	
P(T<=t) one-sided	0,266823071	
one-sidedcritical t value	1,943180281	
P(T<=t) two-sided	0,049364614	
Average	2,446911851	

Result analysis show that with 5% probability we can conclude that the results of both groups differ.

Since the p-value is <0.05 (as 0.049 <0.05), it can be concluded that the differences between the studied groups are statistically significant, that is, there are statistically significant differences between the costs of maintaining office space before and after transition to remote work.

Table 4. Results of the calculation of the Pearson correlation coefficient.

	Office maintenance costs before transition (per month)	Office maintenance costs after transition (per month)
Office maintenance costs before transition (per month)	1	
Office maintenance costs after transition (per month)	0,999922208	1

Result analysis show that the Pearson correlation coefficient is ($r = 0.99$), which is a very strong correlation. From this we can conclude: the reduction of office maintenance costs depends on the employee transferring to the remote form of work, while the sales figures have not changed, that is, considering the reduction of expenses and the level of income at the same level, it can be concluded that the economic indicators of the organization have improved after the introduction of remote form of work for certain categories of employees.

CONCLUSION

The main advantages of remote work are: for the organization - reducing the costs of maintaining the office, wider geography for finding candidates; for employees - obtaining the desired balance between work and personal life, reducing time and material costs for the road, reducing emotional stress, the appearance of additional free time, the ability to consider work in another region without having to move. The disadvantages of remote work for the organization include a more complex mechanism for the selection of remote employees. The main disadvantage of remote work for an employee is that the remote worker in Russia is less protected by law than the others - special reasons for dismissal can be applied to them, while for employees working in the office such reasons do not apply, which indicates that remote work is less attractive to employees in terms of stability and security of their rights. Also, the disadvantages include bigger self-management for employees due to the reduction of their interaction with colleagues and the manager/employer. Remote work is effective with properly developed communication process and well-coordinated interaction of managers and remote employees. In the example of the IT organization studied in this work, there is a connection between the transfer of a certain group of employees to the remote form of work and the organization's performance indicators, namely, office expenses have been significantly reduced, which has a positive effect on economic performance. A two-sample t-Test with the same variances and a correlation study also confirmed that there are statistically significant differences between economic indicators (reduction of costs for the maintenance of office space) before and after transition to remote work. According to a study conducted in the IT organization, there is a connection between remote work and employee satisfaction with working conditions. As a result of the survey, data on increased employee job satisfaction after transition to remote work were obtained; the majority also noted that the level of stress had decreased, which was also confirmed by a two-sample t-Test with the same variances and correlation study. The data obtained from literature studies showed that, unlike the United States and Europe, the number of remote employees in Russia is low, many employers are not even aware of this possibility. Employees in the Middle East and Asia, which is most likely connected with the cultural and socio-political characteristics of the society, in contrast to employees from Europe and the United States are more reserved towards the possibility of transition to remote work.

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RESEARCH ON THE BEHAVIOR OF AN ASSORTMENT OF BELL PEPPER ON THE SANDY SOILS IN SOUTH- WEST OLTENIA ACCORDING TO THE CULTIVATION METHOD USED

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ABSTRACT

The pedo-climatic conditions specific to sandy soils in south-west Oltenia determine differences in performing different phenophases of growth and development of plants, both between varieties and in the physiological behavior of the same variety under different yield conditions. Therefore, at the Dăbuleni Research and Development Station for Plant Culture on Sands, research was carried out on some physiological, biochemical and production processes at five varieties of bell peppers cultivated in open field and solar. Determinations of photosynthesis, foliar transpiration, biochemical composition of fruits, quantity and quality of bell pepper production were performed. The physiological and biochemical processes studied were influenced by the environmental conditions specific to each cultivation method, but also by the studied variety. Of the 5 varieties studied, the best results on the biochemical composition of the fruits were recorded at the *Artim* variety (8.83% total dry substance, 4.60% soluble dry substance, 0.19% acidity, 3.80% carbohydrate and 36.96% vitamin C). The production was between 15,387 t / ha for open-field plants and 108,574 t / ha for plants grown in the solar, the differences between the two cultivation methods being statistically assured as distinctly significant.

Keywords: *bell pepper, photosynthesis, foliar transpiration, biochemical composition, production*

INTRODUCTION

Global climate change, customized at regional level, requires a competent revision of the structure of vegetable crops and the implicitly used cultivars, with high adaptability to the new conditions generated by climate change. Replacing old cultivars with new, performant ones should be limited to the interest of agricultural producers to cultivate the most valuable, without the risk of their non-

adaptability either to the specific climatic and soil conditions or to the technology practised. The normal conduct of metabolic processes in plants is carried out only if environmental conditions are provided for the requirements of each species, for each species taking into account an environmentally friendly optimum as a whole of the conditions under which the plants grow and develop normally (temperature, light, humidity, air, soil). The pedo-climatic conditions specific to the sandy soils of Southern Oltenia (sandy soils with reduced natural fertility, high temperatures and insufficient precipitation during the vegetation period, spread unevenly) determine differences in the various phenophases of growth and development, both between varieties and the behaviour of the same variety in different conditions of culture [4]. Internationally, in the field of vegetable growing research has been geared towards diversifying the assortment of species, creating high-performance cultivars, with great productivity and continuous improvement of cultivation technologies. There is a series of research on the influence of environmental factors (temperature, water, luminous intensity, mineral substances, etc.) on the conduct of physiological processes in plants, as well as on production obtained. If the level of these factors does not fall within the optimum limits, they are sources of stress, the emphasis of research being placed on physiological disorders occurring in the vegetal organisms subjected to abiotic stress. After Hall (2001) [3] heat stress is caused by the temperature whose level, duration of exposure and growth rate can cause damage to plants. Klueva et al (2001) [5] considers that the upper temperature limits to which plants can survive are between 40-55 °C and vary according to species and duration of exposure. Exposure of peppers to temperatures higher than 38-40 °C determines, after Rabinowitch et al [7], the generation of superoxide radicals, by the action of light on chlorophyll. The lesions are characterized by the appearance of a whitish color and some small blisters, on the epicarp of the fruit. In a more advanced phase, water loss and tissue death are found. Cell death provides good conditions for the development of parasitic microorganisms, especially for *Alternaria* spp. Exposure of peppers at a temperature of 40 °C for 6 hours resulted in the reduction of this physiological disease [6]. Elena Ciuciuc and Marieta Ploae (2012) [1] have shown that by protecting the crops of bell pepper and eggplant, there are different conditions of microclimate with influence on the conduct of the main physiological processes in plants. Starting from the premise that the technology ensures the productive and qualitative potential of the variety, research carried out within the Research and Development Station for Plant Culture on Sands Dăbuleni on pepper culture on the sandy soils of south-west Oltenia acquires a great importance in the scientific substantiation of cultivation technologies with detailed physiological and biochemical studies on the resistance or tolerance of plants to abiotic stress factors can be established.

MATERIALS AND METHODOLOGY

In order to scientifically substantiate the technologies of culture through physiological researches, both in open field and in protected space (solar) culture in 2018, physiological, biochemical and production studies were initiated on 5

cultivars of bell pepper following to be recommended most valuable, both in terms of resistance to area-specific stressors, as well as quantitatively and qualitatively.

The experience was bifactorial, based on the subdivision parcel method, in 3 repetitions.

In each variant, were planted at the beginning of May 10 plants/row at a distance of 70 cm between the rows and 30 cm between plants per row, the surface area of one variant being 2.1 m².

It has been applied the cultivation technology of the bell pepper, developed by Research and Development Station for Plant Culture on Sands Dăbuleni.

The variants of the experience were:

Factor A - Method of cultivation:

- a₁ - open field culture;
- a₂ - protected culture (in the solar).

Factor B – the cultivar:

- b₁ – Artim;
- b₂ – Barbara;
- b₃ – Işalniţa 85V;
- b₄ – Karola;
- b₅ – Şimnic.

One month after planting, determinations of the diurnal variation of photosynthesis, foliar transpiration, stomatal conductance were performed in five moments of the day, using the portable LC Pro+ photosynthesis assay system. To determine the quality of the bell pepper, the fruit was harvested at the technological maturity, and in the laboratory the following determinations were made:

- water and total dry matter (%) - gravimetric method;
- soluble dry substance (%) - refractometric method;
- vitamin C (mg/100 g fresh substance) - iodometric method;
- titratable acidity (g malic acid at 100 g fresh substance) - titrimetric method;
- carbohydrate content (%) - Fehling-Soxlet method.

The determination of production was made in dynamics as the bell pepper fruits matured, the data obtained being calculated and interpreted statistically by analysis of the variance and by the mathematical functions.

Climate conditions were monitored using the weather station of the Research and Development Station for Plant Culture on Sands Dăbuleni.

RESULTS AND DISCUSSIONS

From a climatic point of view, 2018 was a warm year, rich in rainfall, the monthly sums being much higher compared to the multi-annual sum of precipitation. The data recorded at the meteorological station of the Research and Development Station for Plant Culture on Sands Dăbuleni are presented in *table 1*.

Generally Capsicum annum is pretentious to light, temperature and humidity. The climatic conditions specific to May, June and July 2018 have particularly influenced the unprotected pepper culture. The large amount of rainfall recorded, compared to the multiannual amount of rainfall recorded between 1956 and 2016, led to the intensification of the physiological processes at the foliar level, but the high number of warm and humid days also showed a number of disadvantages related to the higher frequency of disease and pests, with direct influence on the production obtained in unprotected plants. On the other hand, one month after planting, precipitations were accompanied by hail, which caused leaf damage, with major implications for the normal development of the metabolism of plants grown in the open field (*Figure 1, a, b*).

Table 1.Climatic conditions recorded during the growing season of bell pepper (2018)

Year	Climatic element	Month				
		May	June	July	August	September
2018	Medium temperature (°C)	20,7	22,5	23,6	25,1	21,6
	Minimum temperature (°C)	10,6	9,0	14,1	14,1	14,0
	Maximum temperature (°C)	31,8	35,7	34,9	35,7	30,7
	Precipitations (mm)	106,6	195,2	147,9	30	12,6
	Atmospheric relative humidity (%)	73	79	79,2	73,2	67,8
Multiannual medium temperature (1956-2016)		16,8	21,6	23,1	22,4	17,8
Precipitations, multiannual total (1956-2016)		62,12	69,30	53,15	37,28	47,83



Protected crop



Open field crop

Figure 1. Aspects in the experimental field (a. Protected crop; b. Open field crop) one month after planting

The results on the diurnal variation of photosynthesis (Figure 2) showed a slightly different behavior of the five cultivars of peppers depending on the cultivation method used. The average daily CO_2 accumulation was between $19.13 \mu\text{mol CO}_2/\text{m}^2/\text{s}$ for plants grown in the sun and $22.73 \mu\text{mol CO}_2/\text{m}^2/\text{s}$ for open-field plants.

The process of transpiration was more intense in plants grown in the open field, because during the period when the determinations were made, the leaves of the pepper were affected by the hailstones. Most varieties studied showed the maximum values of transpiration at noon, the differences between cultivars being insignificant (figure 3).

The average daily sweat was between $5.26 \text{ mmol H}_2\text{O}/\text{m}^2/\text{s}$ at protected plants and $6.80 \text{ mmol H}_2\text{O}/\text{m}^2/\text{s}$ at unprotected plants.

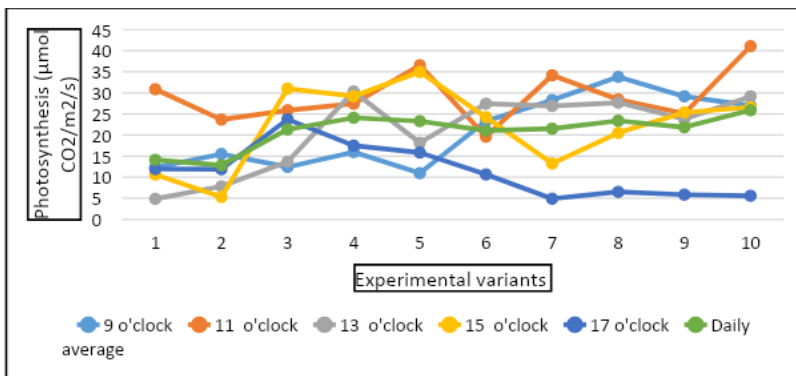


Figure 2. Daily variation of photosynthesis depending on variety and cultivation method

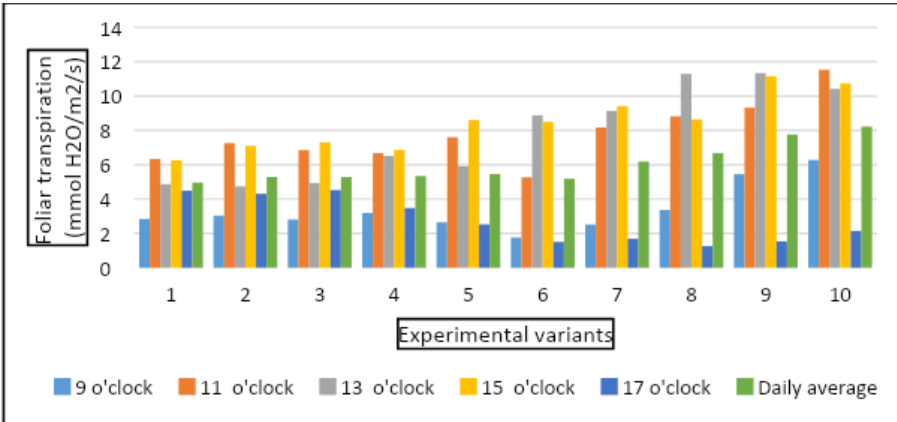


Figure 3. Daily variation of foliar transpiration depending on variety and cultivation method

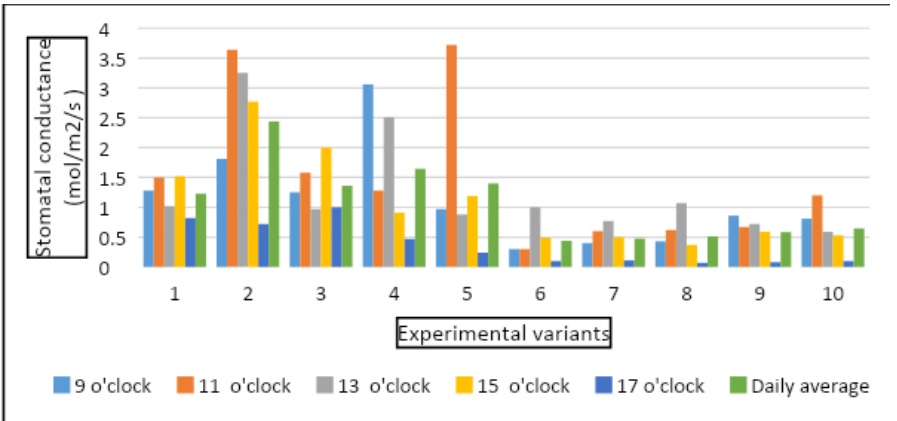


Figure 4. Daily variation of stomatal conductance depending on variety and cultivation method

Figure 4 shows results on stomatal conductance values. It can be noticed that the microclimate provided by the protection of the sweet pepper culture favored the opening of the stomata. The differences between the varieties were insignificant, but there were differentiations related to the time of the determinations and the method of cultivation used. The average stomatal conductance was between 0.52 mol/m²/s for open field plants and 1.61 mol/m²/s for protected plants.

The results of the quality indices are presented in *table 2*. These results highlight the influence of the cultivar studied and the cultivation method. The total dry substance was between 4.75% for cultivar Barbara in the protected variant and 10.05% for Artim cultivar in the protected variant.

Table 2 Influence of the cultivation method and cultivar on the biochemical composition of the bell pepper

Cultivar	Cultivation method	Dry substance (%)	Water (%)	Soluble dry substance (%)	Acidity (g of malic acid/100g fresh)	Carbohydrates (%)	C vitamin (mg/100g fresh substance)
Artim	Solar	10,05	89,95	4,60	0,23	3,80	36,96
	Open field	7,61	92,39	4,60	0,14	3,80	36,96
Barbara	Solar	4,75	95,25	4,00	0,18	3,35	29,04
	Open field	6,92	93,08	5,00	0,17	4,17	45,36
İşalnița 85V	Solar	6,88	93,12	4,20	0,24	3,50	25,52
	Open field	8,02	91,98	4,20	0,16	3,50	41,36
Karola	Solar	6,26	93,74	4,00	0,22	3,30	27,28
	Open field	6,96	93,04	4,00	0,19	3,30	30,28
Şimnic	Solar	6,78	93,22	4,20	0,20	3,47	29,92
	Open field	9,22	90,78	4,20	0,19	3,46	41,36

In all cultivars studied, less Artim cultivar, higher values of total dry substance content were obtained in unprotected variant. With the accumulation of total dry substance in peppers, the amount of water in the fruit decreases. The amount of soluble dry substance was less influenced by the protection system and ranged between 4% and 5%. The carbohydrate content of the peppers ranged from 3.30% to Karola irrespective of the protection system and 4.17% in Barbara cultivar in unprotected system.

The titratable acidity (TA) in fruit and vegetables is used together with carbohydrates as an indicator of maturity [2].

The acidity of the pepper fruit was between 0.14 g malic acid/100 g fresh substance in Artim cultivar in unprotected variant and 0.24 g malic acid/100 g fresh substance in the cultivar İşalnița 85V in the protected variant. In unprotected variants, acidity values were lower in all cultivars than in solar. The amount of pepper vitamin C was quite low. It ranged from 27.28 mg to Karola cultivar in the solar and 45.36 mg to Barbara in the unprotected variant.

Research by Zoran S. Ilić et al., 2017 [8], found in peppers that the highest concentration of soluble dry substance (SUS) was determined in open-field pepper (8.03%). Fruit peppers obtained in plastic tunnels had a significantly lower SUS content (6.58%). Total acidity was 0.19% in open field and 0.25% in fruit grown in plastic tunnels. The highest concentration of vitamin C was determined in the pepper cultivated in plastic tunnels (175.77 mg 100 g⁻¹). Only limited data has been found in the literature that has as subject the vitamin C content of pepper in response to growing conditions, especially variations in solar radiation and

temperature. Vitamin C from pepper has been affected by cultural practices (genotype and agronomic technique) on the one hand (Topuz, Ozdemir, 2007) and abiotic factors (light and temperature) on the other hand (López-Marín et al., 2011).

Unprotected plants were affected by the climatic conditions of 2018, the abundance of rainfall in May-July with negative impacts on production obtained (table 3). Between the two methods of cultivation there were distinctly significant differences, statistically ensured, detaching the Simnic cultivar, with an average production of 69 t / ha.

Table 3 Interaction of cultivar x cultivation method influence on production

Interaction of cultivar x cultivation method		Production (t/ha)	The difference (t / ha)	Signification
Artim	Open field	14,666	Control variant	
	Solar	94,022	+79,356	**
Barbara	Open field	12,951	Control variant	
	Solar	109,269	96,318	**
Işalnița 85V	Open field	18,015	Control variant	
	Solar	111,377	+93,362	**
Karola	Open field	16,253	Control variant	
	Solar	104,999	+88,746	**
Şimnic	Open field	15,05	Control variant	
	Solar	123,202	+108,152	**
DL 5% = 28,582 t/ha DL 1% = 55,974 t/ha DL 0,1% = 151,373 t/ha				

CONCLUSION

Different cultivation methods determine differences in performing different phenophases of growth and development of pepper plants cultivated on sandy soils from Romania.

The physiological and biochemical processes studied were influenced by the environmental conditions specific to each cultivation method, but also by the studied cultivars.

Of the 5 varieties studied, the best results on the biochemical composition of the fruits were recorded at the *Artim* variety (8.83% total dry substance, 4.60% soluble dry substance, 0.19% acidity, 3.80% carbohydrate and 36.96% vitamin C). The production was between 15,387 t / ha for open-field plants and 108,574 t / ha for plants grown in the solar, the differences between the two cultivation methods being statistically assured as distinctly significant.

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RESEARCHES ON REPORTING THE ATTACK OF SOME PEANUTS DISEASES CULTIVATED ON SANDY SOILS

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ABSTRACT

Peanuts (*Arachis hypogaea* L.) are widely grown as a food and oleaginous species. Cultivation of peanuts offers important economic benefits, but one of the most important challenges that growers confront is the fight against destructive diseases. Culture is susceptible to a variety of pathogens, such as bacteria, fungi, viruses and nematodes, resulting in low yields and degradation of grain quality. Among the most devastating fungal diseases of peanuts are *Cercospora arachidicola*, *Puccinia arachidis*, *Sclerotium rolfsii* which cause substantial loss of production. Loss of yields due to the incidence of peanut disease may be up to 50%. Fungicides can be used to combat fungal diseases, but there are alternative disease control options, such as cultural practices, cultivation of resistant varieties, which can be useful in combating diseases by reducing the frequency of application of fungicides.

Keywords: *peanuts, disease, fungi, control*

INTRODUCTION

Peanuts are mainly grown for human consumption, they have many uses, as whole or processed seeds to make peanut butter, oil and other products. The seeds contain 25-30% protein and 42-52% oil [3].

Cultivating peanuts offers important economic benefits, but one of the most important challenges peanut that farmers confront is disease control. Culture is susceptible to a variety of pathogens, such as bacteria, fungi, viruses and nematodes, resulting in low yields and degradation of grain quality. Among the most devastating fungal diseases of peanuts are *Cercospora arachidicola*, *Cercosporidium personatum*, *Puccinia arachidis*, *Sclerotium rolfsii* which cause substantial losses at production level. Loss of yields due to the incidence of peanut disease may be up to 50%. The damage caused depends on the stage of plant development when the disease occurs. The largest damage is recorded when the disease is on the leaves before the flowering of the plants. *Cercospora arachidicola*

greatly reduces the weight of the pods, the number of ginophores and not only the number of pods, but also the average weight of the grains. In peanut cultures in southern Oltenia, *Cercospora* occurs towards the end of the vegetation period, therefore the damage is small and varies according to the variety.

The integrated pest management system of resistant varieties, improved soil cultivation practices and cultural practices, together with the low application of chemical fungicides, can help combat fungal diseases in peanuts.

In peanuts, erect growth varieties are less susceptible to the attack of pathogens than those with a protuberant growth whose leaves can get more into contact with soil [7]. Growing erect growth varieties reduces the incidence of disease by limiting the contact between the plant and the soil mushroom spores [7].

MATERIAL AND METHODOLOGY

The study was conducted at SCDCPN Dabuleni during 2013-2015 on some peanut varieties in the germplasm collection. Biological material with fungal attack symptoms from the peanut brew field was taken.

The biologically affected material was maintained in the humid chamber until the formation of taxonomic mycelia. From these, pure cultures were obtained on the nutritive medium, which were identified by microscope according to the morphological characteristics of the specialists.

RESULTS AND DISCUSSIONS

The environmental specific conditions to sandy soils favor the spread and evolution of a wide spectrum of pathogenic fungi. Along with the known and ubicvistic species, the soils of *Fusarium*, *Rhizoctonia*, *Sclerotinia*, *Macrophomina*, *Phoma*, *Roesleria* and *Eutypa* have been reported as frequent in the area of sandy soils.

Within these genres have been identified species that produce fusarium peanuts *Fusarium oxysporum* f.sp. [8], *Roesleria hypogaea* and *Eutypa lata* [6], the drying and decline of vines (*Phoma viniferae*), *Cytospora vitis*, *Fusarium oxysporum*, *Fusarium equiseti*, *Fusarium sambucinum* [2], [7] wilting and staining of green melons - *Fusarium oxysporum*, *Fusarium equiseti* [14], Drying of castor oil - *Macrophomina phaseolina*, *Fusarium moniliforme* [1], *Fusarium oxysporum* f.sp. *niveum* [9].

In the collection of peanut germ plasm, during the period 2013-2015, SCDCPN Dăbuleni observed partial or total drying of peanut plants, more frequently in August-September.

In 2014, the drying of the plants was sporadic, evidencing the associated attack of fungi *Fusarium oxysporum* f.sp. *vasinfectum*, *Rhizoctonia solani* and *Sclerotinia minor*, and 2015 there was a frequency of dried plants with a very large amplitude of between 0.1 and 62.8% (Table 1). Depending on the genotype, the frequency of dry plants ranged from 0-6.1% for the Viviana variety (germ cell culture variety) and 13.4-62.8% (33.8% for the average / 3 repetitions) to the Brazilian Begici variety. Plant drying, variable from one genotype to another, was induced predominantly by the attack of the fungus *Fusarium oxysporum* f.sp. *vasinfectum* identified on plants in different phenological phases.

The fungus produces damage to peanuts cultivated at SCDCPN Dăbuleni [9], [10] and in all peanut cultivation countries [4].

On the nutritive medium the fungus forms white colonies with characteristic hyphae and elongated conidia. The diameter of the colony after 7 days of development measures 73 mm at 3-10 values of the pH of the nutrient medium, which means that the fungus can grow on any soil regardless of its reaction (Table 2).

Table 1. Attack of pathogenic fungi in the field of peanuts

Genotype Genotype	Frequency of dry plants(%)	
	Amplitude	Average/3repetitions
Dăbuleni	12,1-26,3	18,3
Brazilian Begici	13,4-62,8	33,8
Velican	6-9,2	8,1
Early of China	2,6-17,8	10,2
T55	7,5-41	23,5
Provenance China 1	3,9-35	17,3
Provenance China 2	7,1-19,2	13,3
Ning	3,8-8,9	5,0
Henan Province	2,3-6,8	3,5
Viviana	0-6,1	1,9
Provenance Turkish	0-6,2	2,3

Table 2. Influence of the pH values of the nutrient medium on the development of some fungal fungi after 7 days of development

Fungus	The diameter of the colony (mm) to the pH values of the nucleating medium							
	3	4	5	6	7	8	9	10
<i>Fusarium oxysporum</i> f.sp. <i>vasinfectum</i>	73	73	73	73	73	73	73	73
<i>Phoma arachidicola</i>	18	40	71	73	73	73	57	41
<i>Cylindrocladium</i> (<i>Calonectria</i>) <i>crotalariae</i>	37	48	70	73	73	73	42	26
<i>Fusarium oxysporum</i> f.sp. <i>niveum</i>	73	73	73	73	73	73	73	73

From the dried and defoliated plants of line T55, the pathogenic fungus *Phoma arachidicola* was isolated. It forms on the nutritive medium colonies white-yellowish, peach with brown-reddish reverse. Between hyphae there is a growing number of dark-brown, conspicuous picnids, which at maturity release a number of oval and hyalini picnosporids through ostiole. The attack produced by this fungus in peanuts cultivated in the USA, Japan, China, Australia was associated with a decrease in production [5], [11].

In the Early of China variety from the dried herbs was isolated *Cylindrocladium* (*Calonectria*) *crotalariae*. The dried roots of these plants showed numerous microscleroses that transferred to the nutrient medium, forming yellowish, then brown, brownish-colored colonies. The highest growth (73 mm diameter) of the colony of this fungus was recorded at the pH values of the nutrient medium ranging from 6-8 (Table 2). The attack of this fungus causes the rotting of the pods, roots and stems [13]. Since its first appearance in Georgia in 1965, the disease has spread, with significant damage being reported to peanut cultures in the USA, India and Australia [12].

The determinations made in some peanut genotypes revealed a significant reduction in the waist and production of the attacked plants. Due to the attack of the predominant fungus *Fusarium oxysporum* f.sp. *vasinfectum*, to the Provenientia China 2 genotype was determined the most significant reduction in the waist and production of the attacked plants (Table 3). The production of pods on an unattacked plant was 121.5 g compared to 26.1 g in an attacked plant.

Table 3. Pathogenic action of fungi identified in some peanut genotypes

Genotype	Dominant pathogenic fungus	The height of the plant				The production of pods			
		Unattacked plants		Attacked plants		Unattacked plants		Attacked plants	
		1	2	1	2	1	2	1	2
Däbuleni	Fusarium oxysporum f.sp. vasinfectum	41	-	26	-	37	-	0	-
Brazilian Begici	Fusarium oxysporum f.sp. vasinfectum	37	-	22	-	37,2	-	0	-
Velican	Fusarium oxysporum f.sp. vasinfectum	44	-	41	-	56	-	0	5
Early of China	Cylindrocladium (Calonectria) crotalariae	28	-	27	-	53,3	-	14,6	-
T55	Phoma arachidicola	27	-	20	2 5	35,5	-	0	16, 2
Provenence China 1	Fusarium oxysporum f.sp. vasinfectum	26	-	20	2 3	40,2	-	6,0	11, 2
Provenence China 2	Fusarium oxysporum f.sp. vasinfectum	32	-	31	-	121,5	-	26,1	-
Ning	Fusarium oxysporum f.sp. vasinfectum	42	-	18	3 3	21,2	-	0	11, 8
Henan Province	Fusarium oxysporum f.sp. vasinfectum	35	-	24	-	38,2	-	6,4	-
Viviana	Fusarium oxysporum f.sp. vasinfectum	31	-	26	2 7	42,3	-	0	12, 3
Provenence Turkish	Fusarium oxysporum f.sp. vasinfectum	41	-	40	-	55	-	0	5

*Determinations made on unleavened plants (production = 0) were completed with those from plant 2.

CONCLUSION

Under the ecological conditions of sandy soils, pathogenic fungi have been identified in peanuts: *Fusarium oxysporum* f.sp. *vasinfectum*, *Phoma arachidicola*, *Cylindrocladium* (*Calonectria*) *crotalariae*.

It has been observed that the genotypes in the peanut germ cell collection all three pathogenic species are transmissible through soil and seeds.

In order to limit the area of peanuts marked on peanuts it is necessary to cultivate resistant varieties within an integrated protection system.

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THE ENTREPRENEURSHIP IN THE FIELD OF MARKETING PRODUCTS

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ABSTRACT

The study aims to provide guidance for economist engineers in initiating and developing forms of entrepreneurship as regards the marketing of oil products (hereinafter referred to as "products"), using the case study as research method. The following techniques have been used within the architecture of the study: study questions; the study hypothesis; primary, contextual (existence of the case) and embedded analysis units; the idea of linking data to hypotheses; criteria for data interpretation. Before proceeding to a subsequent stage, a preliminary theory on the concepts discussed has been developed. The data collection stage is followed by the data analysis stage. At the end of the study, conclusions and bibliography are included. Entrepreneurship in the marketing of oil products is regarded both from its perspective as business opportunity (interest) for economist engineers and as a necessity for the market.

Keywords: *The Entrepreneurship, Economist Engineers, Field of Marketing, Oil Products*

INTRODUCTION

Economist engineers field have the opportunity to take part to activities conducted in the Laboratory for Entrepreneurial Education and Training. These activities will provide them with the basic knowledge necessary for initiating a form of business, based on a personal idea and directed at initiating entrepreneurship in a field related to their study field. In the laboratory referred to above, they have the opportunity to grasp and internalize ideas included in the "Electronic guide for activities developed within the Laboratory for Entrepreneurial Education and Training" and complete a personal ENTREPRENEURIAL Project in the field of marketing oil products, which will be the proof that they have understood and acquired the knowledge required for initiating and developing a form of entrepreneurship.

In this laboratory, students also have the opportunity to learn about the STUDY CASE method, which is considered to be the most efficient one in designing a business (entrepreneurship), based on a business idea. This method answers questions such as "how" and "why" and will also be used in these study.

From the very first chapter of the paper, the STUDY CASE method has been used because there is limited control on events and our intention is directed to the phenomenon of the existing “needs, interest and demands for oil products” on the market, which can be answered by the action of “marketing oil products” as a result of developing “the entrepreneurship of economist engineers in marketing oil products”. In other words, the case-study method is used for approaching the contextual needs defined as “needs, interest and demand for oil products on the market” with the view of initiating an appropriate form of entrepreneurship. Secondly, since phenomenon and context are always differentiated in real life, data collection and data analysis strategies are employed. The components of the research design are as follow.

The first chapter of the paper includes the description of the CASE STUDY method. It is made-up of the following sub-sections: the study questions; the study hypothesis; the study analysis units, namely the primary study unit (the marketing of oil products), the contextual analysis unit – the existence of the case (needs, interest and demand for oil products) and the embedded analysis unit (the business entrepreneurship of economist engineers in marketing oil products); linking data to hypotheses; criteria for data interpretation. The first chapter also includes preliminary theories concerning: “The marketing of oil products”; “Needs, interest and demand for oil products”; “The entrepreneurship of economist engineers in marketing oil products”.

The second chapter focuses on data collection for: “The marketing of oil products”; “Needs, interest and demand for oil products”; “The entrepreneurship of economist engineers in marketing oil products”.

The third chapter includes the data analysis and is followed by the conclusions section.

THE RESEARCH METHODOLOGY

The study questions:

- Why the idea of developing a business in the field of marketing oil products might present interest for economist engineers?
- How can one identify needs, interest and demand for oil products on the market?
- How can initiate business entrepreneurship in the field of marketing oil products?

The study hypothesis: If the needs, interest and demand for oil products have been identified on the market, it means that there is also opportunity (interest) for answering these needs, in the form of marketing oil products, as a result of initiating business entrepreneurship in marketing oil products.

The analysis units:

- **The primary analysis unit is:** The marketing of oil products on the market
- **The contextual analysis unit (the existence of the case) is:** Needs, interest and demand for oil products.
- **The embedded analysis unit is:** J Initiating entrepreneurship in business for marketing oil products,

Linking data to hypotheses: This stage anticipates the data analysis stage, but the research design must help in building solid data bases for this stage of the investigation. The linking of data to hypotheses can be done in several ways, none of which has been defined with accuracy [1]. For this reason, we have opted for a promising approach to study cases, i.e. the pattern matching technique. This analysis technique is based on “using the pattern matching logic” (as described by Donald Campbell, in 1975), [2] who has compared a pattern established on empirical bases with an anticipated pattern. If there is a pattern established on empirical bases (needs, interest, demand of oil products), which is an anticipated pattern, then the opportunity (the marketing of oil products) can be achieved by initiating entrepreneurship in the field of marketing oil products, by economist engineers. The results can contribute to the consolidation of the internal validity of the study. In this case, the patterns are linked to both the dependent and the independent variables defined above, i.e. the predicted pattern as regards the independent variable is defined before the data collection stage. The information obtained in this case can be related to the theoretically established hypothesis.

Criteria for data interpretation: The alternatives depend on the authors’ understanding as regards the conditions in which the new opportunities and discoveries of the study (the marketing of oil products by initiating the business entrepreneurship of economist engineers) can be useful in the context of the existing needs, interest and demand for oil products. We should point out here that, very often, people believe that studies don not have a practical end. This pattern-matching technique is also useful when a study is explanatory, since patterns can also be linked to both dependent variables, such as, in this case, the need, interest and demand of oil products on the market, and to independent variables, which in our case are represented by the opportunity of marketing oil products after the initiation of the business entrepreneurship of economist engineers for the field of marketing oil products. This technique is equally relevant if the study is descriptive as long as the anticipated pattern as regards certain variables is defined before the data-collection stage, which in our case is represented by the opportunity to market oil-products through the initiation of the business entrepreneurship, by economist engineers, in marketing oil products. This sub-stage, as the last component of the study design, anticipates the data analysis stage. The data obtained through the chosen strategies and techniques represents a constant challenge to perform some valuable analysis, which involved the need to pay attention to and consider all existing data related to the subject. The proofs/data are presented objectively and alternative interpretations have also been given the appropriate interest. In order to interpret findings combined criteria have been employed, especially logical models. “The

logical model purposefully stipulates a complex linking of events in time. These are included in repeated cause-effect-cause-effect patterns” [1]. In other words, a dependent variable from an initial stage (“needs, interest and demand for oil products) becomes an independent variable during a subsequent stage (the opportunity of marketing oil products through the initiation of some business entrepreneurship for marketing oil products by economist engineers). The use of the logical model involves the matching of empirically observed events (i.e. the need, interest and demand for oil products) with the theoretically-predicted events (the opportunity to market oil products through the initiation of some business entrepreneurship in marketing oil products, by economist engineers) [3], [4], [5], [6].

PRELIMINARY THEORIES

In what follows we shall approach theoretically the primary analysis unit, which includes: the marketing of oil products. Marketing is defined as the action of marketing and its results, i.e. the selling of goods and the result of this action [7], [8]. In the case of marketing oil products, the products are put into circulation as marketing objects, in our case through an entrepreneurial activity that refers to marketing oil products as part of an integrated process of looking at the needs, interest, demand for products, but also at other elements of the market (customers: individuals and companies), taking orders from customers, buying products from the providers (producers, intermediaries, importers) as economy goods, turning these goods into commodities by selling them to the customers that ordered them, collecting the value of the merchandise, evaluating the action of marketing (the profit). In essence, this is the action of marketing oil products.

Thus, the concept of the market emerges (which is represented by all customers with the same needs or desires (needs) for oil products [9], [10] along with the concept customers: those who are willing and able to engage in an exchange relationship to satisfy the above-mentioned need. In fact, the market is the last link of the chain that shapes the concept of product marketing. Here, the concept of the product is assigned to any finished oil product: gasoline, diesel, oil, l.o.g (liquefied oil gas), and other related services, aimed at meeting a need or a demand. The following concepts are included in this equation: the concept of selling, seen as one of the ways in which the entrepreneur approaches the market, and the process of marketing, which shows the solution for entrepreneurs to solve their own goals, which in turn are related to determining the needs and demands of those consumers interested in the products targeted and delivering the expected satisfaction in a more effective way that the competition is able to do.

The following conceptualization (theorization) that takes place around the Contextual Analysis Unit (existence of the case, i.e. the needs) is: Needs, interest, demand for OIL products. The marketing philosophy is based on people’s needs and desires: their need food, water, air, clothing and shelter to survive, but also on their desire to travel by car in order to relax, to have everything modern and automatic, or to travel by train, airplane etc., with well-defined preferences for

certain brands, versions of products or services. The needs of modern human beings are unimaginable. A human need is a state when one becomes aware of the lack of elementary satisfaction: the need for food, clothing, shelter, safety, etc. [9], [10].

In what follows we shall establish the theoretical underpinnings for the embedded analysis unit, which includes The initiation of some business entrepreneurship for marketing oil products, by economist engineers.

DATA COLLECTION

For this study, data have been gathered from the following sources: questionnaires, direct observation, participative observation. In each situation, the methodological procedures have been observed. The effort to collect data was based on the priority principle: “a. multiple sources of evidence (two or more sources that converge towards the same findings); b. a data base (it is about the totality of the data gathered, not the final study report); and c. a logical succession of evidence (explicit connections between the data collected, the questions raised and the conclusions drawn”. (Yin, 2005). All these principles have been observed throughout the investigation of the case, with the view of improving the quality of the investigation. All sources have been considered valuable and therefore a large series of methodology of research sources have been read. Interviews and questionnaires have also represented a major source of information for this study.

Gathering data related to the marketing of oil products: The first step in this respect was the analysis of demand for such products on the market.

Gathering data about the marketing of oil products: With the view of obtaining data about the needs, interest and demand for oil products, the questionnaire can be used.

Collecting data about initiating the entrepreneurship related to marketing oil products :

Collecting data about the initiation of entrepreneurship in the marketing of oil products is basically the design of the structure of the project before the analysis of the collected data, which will actually be the business plan of the entrepreneur.

DATA ANALYSIS

The last chapter of the Entrepreneurial Project is basically the drawing up of the business plan, based on the business idea: The action of marketing oil products, following the stage of collecting the evidence about the three units of analysis and the analysis of the information obtained, goes to the drafting of the business plan. The economist engineer - The entrepreneur, alone or with his/her consultants, basically proceeds to the elaboration of the Business Plan, which includes.

After analyzing the questionnaires and interviews (Table no. 1. Type of questionnaire) and arranging the managerial processes described above, the entrepreneur will be able to take orders from potential customers; if possible, obtaining some advance would be recommendable. Simultaneously with taking orders from potential customers, with the specified or implied requirements, the entrepreneur launches these orders to the producers (refineries), importers, trying to get the most advantageous deliveries and, if possible, a certain discount. Advance and discount are parts of financing through savings

Table no. 2. Type of questionnaire

A. CLOSE QUESTIONS		
Name	Description	Example
Dichotomy	A question with two answers.	When you made the decision of buying the oil product, did you call at an entrepreneurship selling that product? Yes <input type="checkbox"/> No <input type="checkbox"/>
Multiple choice	A question with three or more answers.	Who is going to accompany you there? None <input type="checkbox"/> , Husband/Wife <input type="checkbox"/> , The entire family <input type="checkbox"/> , Only my children <input type="checkbox"/> , Business partners <input type="checkbox"/> , Friends, relatives <input type="checkbox"/> , Tourists group <input type="checkbox"/> , Others <input type="checkbox"/>
Likert's scale	An answer that indicates the person's agreement or disagreement.	Generally speaking, do small entrepreneurship offer better services than the large ones? Total disagreement <input type="checkbox"/> Dis-agreement <input type="checkbox"/> Indifference <input type="checkbox"/> Agreement <input type="checkbox"/> Total agreement <input type="checkbox"/>
The semantic difference	A scale between two bipolar terms wherefrom the subject chooses the point that indicates his/her appreciation.	From what type of business would you like to buy the product? Large.....Small With experience.....Without experience
The scale of importance	A scale that indicates the importance of a certain feature.	I believe that instruction as regards the buying of oil products is: Extremely important <input type="checkbox"/> Very important <input type="checkbox"/> Quite important <input type="checkbox"/> Not very important <input type="checkbox"/> Not important at all <input type="checkbox"/>
The appreciation scale	A scale on which a specific feature is appreciated by a qualification ranging from „weak” to „excellent”.	The services provided by the entrepreneur are: Excellent <input type="checkbox"/> , Very good <input type="checkbox"/> , Good <input type="checkbox"/> , Average <input type="checkbox"/> , Inappropriate <input type="checkbox"/>
The scale regarding the buying intention	A scale indicating subjects' buying intention.	If the entrepreneur would provide a transport-home service, would you use it? Yes, definitely <input type="checkbox"/> , Probably yes <input type="checkbox"/> , I don't know <input type="checkbox"/> , Probably not <input type="checkbox"/> , Definitely not <input type="checkbox"/>
B. OPEN QUESTIONS		
Completely unstructured	A question to which subjects can give any answer.	What is your opinion about the entrepreneurship relating to marketing oil products?
Associations of words	Different words are given gradually and the subjects are asked to write down the first word that comes to their mind.	What is the first word you think of when you hear about: - entrepreneurship? - oil products? - automated systems services?

Section ECONOMICS AND TOURISM

Completing a sentence	Subjects are given an incomplete sentence that they are asked to continue.	When I choose a specific entrepreneur, the most important element guiding me is
Completing a story	Subjects are given an incomplete story, which they are asked to continue.	I have chosen an entrepreneur and realized that the products sold by him were perfect. That made me think of
Completing an image	Subjects receive a drawing showing two persons, one of whom makes a statement. The subjects are asked to complete the answer of the second character in the image.	
The thematic appreciation test	Subjects are presented with an image and they are asked to describe what they think is going on there.	

The marketing plan (Table no. 2. The 4 key-words: Product, Price, Market, Promotion, analyzed at the level of the business, will lead to the development of a relevant marketing plan, in the context of a general business plan.

Table no. 2 below: The General Business Plan

SECTION	OBJECTIVES
I. Introductory presentation	A study will be conducted on potential customers, with the view of selling about 50 tons of products at an estimated price of 2000 euro per shipment with handling. This target is followed by the purchase of 50 tons of products with implicit or explicit customer specifications, which will be purchased directly from the manufacturer at an estimated price of between EUR 1500-1700 per transport with a discount of at least 3%. Ensuring the tanker transport of the products at the address indicated by the customer. Manipulation of products, at the customer's request, by calculating the work according to the employee's qualification and the required work performed. Putting into storage. Receiving the value of products and labor. All this is done on the basis of a contract between the entrepreneur and the client. For purchases the contract will be signed by the entrepreneur and the producer.
II. The current situation of the market	Relevant data concerning the situation of the market, of the products and the macro-economic environment. These are presented in the data collection section, for the situation of the entrepreneurship start-up.
III. Analysis of opportunities and problems the entrepreneur has to face	Of the tests done with the help of questionnaires and interviews, on a sample of 100 potential clients, it follows that: 70 respondent gave either positive or negative answers, of which 50% responded affirmatively, thus resulting that, in the start-up situation, there are both occasions for this entrepreneurship and competition threats already on the market. The strong points of this type of entrepreneurship are the fact that it has proposed a form of financing based on savings and making use of national financial sources to finance start-ups, but also by the fact that it addresses a specific market segment. The weaknesses are generally those characteristic of the beginning of a business, such as uncertainty, hesitations, lack of experience, lack of courage, etc.
IV. Objectives	The main objective is the selling of 50 tons of oil products. During the first cycle of the start-up, a % of orders for products, with or without manipulation. Order of 50 tons from the producer and transport ensured by courier, at the address indicated by the customer. The manipulation of at least 80% of the product at the customer. The placing in a storage place of all products. Receiving the counter value for all operations.

	Payment of debts to providers and employees. Making payments to the state.
V. The marketing strategy	In order to achieve his/her own goals, the entrepreneur will resort to adequate promotional marketing, the opening of a web page, the use of all the advertising and promotional items that are cheaper. Promoting entrepreneurship from person to person. Using databases that can be bought, including email, web-pages, phone numbers, etc. to submit offers and information about entrepreneurship. Other marketing strategies.
VI. Action programs	The entrepreneur or a consultant will perform a study on the customers' needs and desires for products, starting with the first day when making the decision to initiate entrepreneurship. The costs of such an action will rise up to 10% of the management expenses. Offers will be launched to prospective customers. Orders will be issued to manufacturers, importers by the contractor and hired personnel immediately after receiving the order from the customer. Such actions are part of the service assignment of the contractor and the employee responsible for marketing, and costs fall into wage costs. The transport of the products at the address indicated by the customer will be ensured by the Marketing Officer, since such an action is part of his / her duty and the costs are included in the salary costs. Products will be manipulated and placed in the storage place, as indicated by the customer, by the Sales Officer, as part of his / her service duties, and the costs are considered part of the salary costs.
VII. Profit and expenses	The estimated capital required in the start-up phase is € 70,000 from sources such as savings and all means that can be used by the entrepreneur for attracting start-up finance. Salary costs: 600 euro / month / employee. Selling 50 tons of products / year at a price of 2000 lei per transport. Purchase of 50 tons at a price of maximum 1800 lei per transport. Estimated 10% profit on revenue minus expenses.

CONCLUSION

Entrepreneurship is the structural managerial-economic mechanism that allows economist engineers from the electric, electronic and energetic domain to turn from job seekers into job providers. The entrepreneurship in the marketing of oil products has been approached because these products relate to energy and therefore to the professional domain of economist engineers studying in the electric, electronic and energetic domain.

Economist engineers from the electric, electronic and energetic field acquire, besides technical knowledge from the engineering domain, additional competences from the managerial-economic field, that relate to structured business, during their initial training. The performance related to such competencies is further improved by their continuous training, which can take place as part of Master's programs in the field of engineering and management (specialization management and communication in engineering), or can be stimulated by initiating other Master's programs in the same field, based on entrepreneurial formation and training.

It is imperative to introduce in the curriculum of economist engineers, both at the initial (bachelor) and at the continuous (master's level) training, disciplines

such as: Entrepreneurship, The management of small and medium enterprises. It is also necessary to create the Entrepreneurship Education and Training Laboratories for economist engineers.

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TOURISM DEVELOPMENT IN ROMANIA. AN ANALYSIS FOCUSED ON EU FUNDING OPPORTUNITIES

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ABSTRACT

The tourism sector development in Romania, as in the rest of the region, is a central topic in scientific and public discourse as well. While Romania has almost two finished EU funding programming periods – there is the time for the evaluation. The study explores tourism development opportunities at the intersection of the 2007-2013 and 2014-2020 programming periods in the light of EU funding. Our goal is to contextualize and discuss the tourism development topic in Romania beyond the brief presentation of the funding opportunities offered by the two budget periods. In the analysis the following research questions are in focus: in the light of the sectoral priorities, what is the importance of the tourism sector development in Romania's development strategy; what the numbers showed, what lessons has been learned Romania from the 2007-2013 programming period; to what extent has been able Romania to eliminate the errors for the 2014-2020 programming based on the earlier conclusions and bad experiences? Firstly there is in the focus a public policy analysis, after that, during a seconder data analysis the study will give a statistical description about the volume and the nature of the tourism investments trough EU funding in Romania.

Keywords: *Romania, tourism development, EU funding*

INTRODUCTION

The development of tourism in Romania occupies a very important place in public and political discourse, but also the scientific interest is focused, as it is a highly dynamic sector. In the last two decades, the role of tourism in economic development has been increased in the development policies. In this study, we will analyze tourism development in terms of the programming periods 2007-2013 and 2014-2020 in the light of the Regional Operational Program. The study will present a shortly statistical overview about the tourism in Romania, an analysis of the strategical and political development documents' touristic dimension, a short overview of the Regional Operational Program touristic priority axes, than a secondary data analysis focusing on the EU funding for tourism investments.

THEORETICAL FRAME

The study's theoretical and analytical vision is embedded in that social scientific fact that the phenomenon around us – including tourism –are multi-dimensional and cannot be treated/analyzed exhaustively with a single cause-effect model. According to this we have chosen as a theoretical overview [7] tourism and travel theory critique. This perception has in the focus the problems with existing tourism theories – which permits for us to embed our analytical view in the mainstream tourism development analysis. The first critique is formulated in the context of growing interest for tourism, while the academic society is faced with a quantitative expansion of scientific works and points of views, but these scientific are dominated by case studies and policy-making documents. The second critique presented and discuss about the problem of the fetishized tourism as a *thing, a product, a behavior* – which highlights the temptation of the scientific sphere to threat tourism as a particularly economic “thing”. The authors highlight the importance of linking the social and cultural practices also to the scientific tourism perceptions. The third problematic issue in making tourism theory represents the way tourism is framed for study: the authors identified an obsession of taxonomies and classification, and also highlight a problematic way of analyzing the object of the tourism, the tourist as an over-rationalized economical actor [7]. Our analysis vision reflects the first critique and as a response on it, based on a multi-legged methodology, we will try to put in a new focus the tourism development policy analysis.

RESEARCH METHODOLOGY

The empirical analysis is based on secondary quantitative data. The statistical description of the ROP 2007-2013 and 2014-2020 focuses on those priority axes, which were designed for tourism development, and present the volume of EU funding in this sector. We are also using the content analysis as research method, which is focusing on strategical planning and programming documents for the both programming periods and takes into consideration also the ex-post evaluation reports. The secondary data analysis and content analysis is completed with interviews with specialists who have implemented projects through an area of intervention under Regional Operational Program. Respondents were managers of project teams from local or county governments, NGOs or the private sector.

TOURISM SECTOR IN ROMANIA - AN OVERVIEW

According to World Travel and Tourism Councils' Romania country report for 2018 (based on 2017 data) the total contribution of Travel and Tourism to GDP was 5.3% of the GDP in 2017, for 2018 is forecasted 5.5% (and 5.5% of GDP in 2028). The total contribution of Travel and Tourism to employment – including jobs indirectly supported by the tourism sector, was 6.3% of total employment (equivalent with 529,000 jobs). This dimension is forecasted to rise by 0.5% in 2018 to 532,000 jobs (and in 2028 for 536,000 jobs – 6.5% of total

employment). From our point of view an other important indicator is the Travel and Tourism investment, which was 8.1% of total investments in 2017 (EUR 2.4 bn), forecasted to rise by 6.6% in 2018, and in continuously rising with 2.2% the next ten years. Based on this indicators, in a world ranking out of 185 countries, Romania is occupying the 159th place taking into consideration the relative size. We have to mention that in the direct Travel and Tourism investments ranking Romania is on 38th place with 3.8% in 2017 (EU average 6.3% and World Average 4.8%), preceding countries like Greece (3.6%), Hungary (1.4%), Bulgaria (0.8%). It should be emphasized that in 2017, in terms of tourism investments, Romania is on the 63rd place with 8.1%, far above the European average of 5.1%, ahead of Hungary, Bulgaria, Austria, Slovakia, Italy and the predicted 6.6% for ranks Romania on the 39th place in the world ranking. The contradiction is obvious: while the total contribution of the tourism sector to GDP barely shows an upward trend (5.5% in 2017, EU average 10.3%), the tourism investments have been on the rise. In this context, we can formulate one of our working hypotheses that tourism investments in Romania have been measurably increased thanks to the European Union funding, but the direct consequences for the economic contribution of tourism do not yet occur. [6]. In the following we examined how Romania stands for accommodation infrastructure and what capacities cover these statistics – for didactic reasons, we projected it for the years 2007, 2013, 2015 and 2017, so the indirect contributions from the 2007-2013 and 2014-2020 programming periods in tourism investments can also be illustrated. The figure below shows the tourism infrastructure capacity of Romania, the reference year is 1990.

Table 1: Accommodation infrastructure and capacity in Romania

	1990	2007	2013	2015	2017
No. of tourism establishments	3,213	4,694	6,009	6,821	7,905
Capacity (no. of beds)	353,236	283,701	305,707	328,313	343,720
Capacity (no. of beds - days)	77,022,268	57,137,649	77,028,488	81,872,539	87,655,762

Source: National Statistics Institution www.insse.ro Accessed on 06.06.2019.

It can be seen from the table above that Romania was able to produce more capacity with fewer accommodation in the period immediately following the change of regime. By 2013, the number of accommodations has doubled, but capacity is barely above the reference year. At the same time, it is also clear from the absolute numbers, that there has been an exponential increase in this area in 2007-2013 period. The question in the context of this study is whether and how the impact of EU funds on this issue is.

RESEARCH RESULTS

TOURISM DEVELOPMENT AT THE LEVEL OF STRATEGIC PROGRAM DOCUMENTS

In the following we briefly examine the extent to which the development of tourism as a development objective is reflected in the strategic documents of the 2007-2013 and 2014-2020 programming periods.

The global objective of the National Development Plan for the 2007-2013 programming period is to reduce the socio-economic development gap with the European Union. The specific objectives are to increase economic competitiveness, infrastructure development in line with European standards and increasing the employment of human capital. The development priorities corresponding to the goals are: economic competitiveness and a knowledge-based society, rural productivity and economic development, transport, environment, balanced development of regions (here can be identified in a sub-chapter the regional and local tourism development) and human resource development [4]. Subordinated to this strategic document, and not only, the Regional Operational Program 2007-2013 fifth Priority Axis, namely sustainable development and tourism promotion, has targeted the development of tourism through community funding in three areas: support for cultural – historic heritage restoration, modernization of tourism infrastructure (5.1); improvement of the quality of infrastructure in the nature areas that could attract tourists (5.2); promoting tourism potential and creating the necessary infrastructure, increasing the attractiveness of Romania as a potential tourist destination (5.3). [1]

In the introductory part of the Partnership Agreement for the 2014-2020 programming period, the analysis of the tourism sector is more prominent, it is identified as one of the drivers of local and regional economic development. The 11 Thematic Objectives set out in the document do not explicitly speak about tourism development but indirectly appear in the objectives for small and medium-sized enterprises, transport infrastructure and employment. The Regional Operational Program 2014-2020 targets tourism development directly through the fifth and seventh priority axis: Improving the urban environment, protecting and sustainable valorification of the cultural heritage; diversification of local economies through sustainable tourism development. The activities to be financed include: development of balneotherapy tourism infrastructure, creation and / or development of recreational and basic infrastructure, landscaping of natural tourism objects and development of basic infrastructure, small-scale basic infrastructure development aimed at increasing the attractiveness of tourism, marketing and promotion of financed tourism objects [5]. It is obvious that the importance of the tertiary sector, and in particular the tourism development, in the development policy documents, is not insignificant – the realistic emphasis in source allocation is much more direct, and we will analyze it further.

2007-2013 AND 2014-2020 IN THE LIGHT OF THE NUMBERS

In the following we would like to highlight how the Regional Operational Program 's priority axis for tourism development looks in the perspective of the the number and value of the projects and in terms of the available total cohesion policy interventions (European Regional Development Fund - ERDF, Cohesion Fund and European Social Fund) for both programming periods.

Table 2: Projects of the Regional Operational Program 2007-2013 Priority Axis 5 and their value in million EUR

Priority axes	No. of projects	Total value of the projects	ERDF 84%	National contribution	Beneficiary contribution	Non eligible costs
5.1	95	424.6	278.9	36.2	10.7	98.6
5.2	138	575.4	278.1	9.9	151.9	135.4
5.3	439	158.2	114.8	7.1	10.1	26.3
Total	672	1,158.4	671.9	53.2	172.7	260.4

Source: www.inforegio.ro Accessed on 06.10.2015.

Based on the data in the table above, we can say that the 672 contracted projects (with a total value of 1.1 billion euro) represent 671.9 million euro from the European Regional Development Fund (ERDF). This represents 3.53% of 19 billion of euro which was foreseen for Romania for the period 2007-2013. At the same time, these 672 touristic project represent 16.9% of the 3.9 billion euros available in the Regional Operational Program. We also know from the program document that the ex ante allocation of resources to Priority Axis 5 has been provided for 14% of the total available budget, but due to continuous reallocation (almost 100 million euro transfer to the Tourism Development Axis) this proportion could have exceeded to 16.5%.

Table 3: Projects of the Regional Operational Program 2014-2020 Priority Axis 5 and 7 and their value in million EUR

Priority axes	No. of projects	Total value of the projects	ERDF	National contribution	Beneficiary private contribution	Non eligible costs
5	234	527.7	429.4	67.1	13	16.6
7	37	115.5	97.1	14.8	2.3	1.2
Total	271	643.2	526.5	81.9	15.3	17.8

Source: www.inforegio.ro Accessed on 06..2019.

Based on the same data source available for the programming period 2014-2020 we made the same calculations as for the 2007-2013 programming period. Here we can see, that lower project number represent almost the same ERDF total value. We have to mention that the total ERDF allocation of the whole program

represent 8250.04 millions of euro, the fifth priority axis has 5.65% (466.5 millions of euro) and the seventh priority axes has 1.44% (118.9 millions of euro) of the total allocation. Directly tourism development through the Regional Operational Program is realized almost at the same value from the total allocation as in 2007-2013. But according to the percentage distribution of the different development priorities we can also conclude, that the tourism development does not appear with the same importance.

RESULTS OF SECONDARY ANALYSIS

In this section we will focus mostly on the evaluation of the 2007-2013 period, having some remarks on 2014-2020 as well. Based on program evaluation documents, a synthesized content analysis of the Regional Operational Program 2007-2013 axis on tourism development is outlined below. The evaluation documents of the Regional Operational Program do not discuss the institutional constraints of the implementation of the program. Due to the logic of the program they examine the content aspects, like number of projects, value, implementation of project indicators, their contribution to the implementation of the program indicators, sustainability, external factors that may have influenced the implementation of the projects and indirectly the program.

The following can be noted with regard to intervention area 5.1: the financed projects achieved the planned values at the level of result indicator. The economic crisis has had a major impact on the tourism sector and this has to be taken into account in terms of job creation as an indicator and sustainability (in addition, restrictions have been introduced in the public sector so projects under municipal management could not always produce the planned indicators). Overall, the number of visitors of renovated A category monuments has doubled in 2014 thanks to projects. In terms of the quality impact of the intervention area, the tourist season has been significantly expanded, new cultural tourism networks have been established and the quality of cultural tourism services in Romania has improved. The most important conclusion with regard to the sustainability of results and indicators: there is a potential in terms of institutional capacity to achieve and "deliver" the expected results. In the case of sustainability we have to mention the lack of a coherent built heritage plan prepared in accordance with the National Tourism Development Plan in the programming period: such a plan could function as a link between local needs and development opportunities to increase impact and sustainability; the usefulness of the intervention. [2] Following the same logic, the content comments on intervention area 5.2 can be grasped in the following headlines: despite the fact that there is a growing tendency in the statistics - the increase number of accommodation, the creation of new accommodation, the number of arrivals, the number of nights spent, is not a reason for over-optimism – there is only a slow increase. It would be important to develop a more rigorous evaluation procedure for future funding of this type projects, which would take into account the full context of putting the project into practice (existence of other services, infrastructure, tourist attraction inventory,

accommodation and public services); tourism investments and the impact could be more measurable. It should be possible to measure the impact of the project on the future profits of the applicant companies. Synergies were not fully realized as the projects were not linked to local or regional tourism development strategies. The concept of an integrated project needs to be reviewed and well defined, as in the current programming period is not well understandable this concept in project evaluation and selection, and is failed the combination of its components at program and project level. Strategic and project management skills, conducting promotional campaigns for tourism projects are three essential components for the positive impact of financed projects. [3] For intervention area 5.3, the following content conclusions were synthesized based on the secondary data: for the component promotion of the national tourism brand: further data collection is needed before decisions on future interventions; re-evaluation of the national brand concept in accordance with the new methodology; the importance of promoting typical domestic products on foreign media and community communication platforms; more active implication of interested actors in promoting Romania's image. In the case of the local promotion component: the most important benefit is the promotion of tourism products, knowledge transfer for similar projects, the use of specific tourism marketing tools for specific products. In this context, the proposal also refers to the need to reflect more carefully on the use of tourism marketing tools and to measure the results in future similar funding opportunities. For the component of national information and tourism promotion centers: here we are talking about infrastructure investments and effective national and international tourism marketing. However, in the context of measurability of indicators, it must be underlined the importance of local or national tourism marketing activities to fit into the national tourism strategy, and to ensure the evaluation, monitoring and measurability of the indicators, and thus closer cooperation between the relevant institutions.[3]

The above brief content reflection covers the areas of intervention of priority Axis 5 of the ROP but does not talk about the discrepancies in the management system from the perspective of the Managing Authority, the Intermediate Bodies or the beneficiaries. On the other hand, the evaluation documents also formulate recommendations only in terms of content and not in system / operational terms. In the next part of the analysis this discrepancies may be partially dissolved by a brief summary of interviews with beneficiaries. The semi-structured interview had question blocks addressed the following main topics: problems from the beneficiary point of view in the course of the implementation of the projects, problems on the side of the managing authority and the intermediary organizations according to the beneficiaries. [8]. The direct problems of the beneficiaries concern several dimensions that are commonly found in the management of European-funded projects: over-bureaucratic program and project management; delays in project evaluation procedures and effective payments; lack of proper coordination between implied institutions; discrepancies and losses directly arising from inconsistencies in the legislative / legal framework; deficiencies in own administrative capacity; shortcomings in the implementation of projects

(lack of management, financial and legal expertise among beneficiary project teams and contracted service providers). Entering the 2007-2013 programming period only with the experience of the pre-accession funds generated huge institutional discrepancies in Romania. The surveyed beneficiaries themselves realize that the aspects they define as problems are unavoidable, as implicit the institutions themselves face a number of similar problems: internal administrative capacity, legal background, public procurement problems, problems related to national and European legal harmonization, project management knowledge and human resources problems, lack of expertise, etc.

CONCLUSION

In conclusion, from our point of view, there is an absolute contradiction between the secondary analysis of the official program evaluation and the primary data collected by the beneficiaries. The program evaluation documents seem to discuss only discretely the implicit institution-related discrepancies, rather they are intended to be captured through the content dimensions of programming, and the described case studies present complete success projects. During the interviews with the beneficiaries, we were able to highlight some of the types of errors beyond the content of the programming documents. This suggests further research and analysis in order to obtain a more nuanced picture on this issue. [9] We started with two experimental hypotheses and will reflect on this. Firstly, thanks to EU funding, there has been a significant increase in tourism investment in Romania, but the direct consequences for the economic contribution of tourism are not (yet) visible. Secondly, whether and to what extent European Union funds have an impact in this context, we can say that the direct founding have significantly increased the investment in tourism infrastructure, and this fact is confirmed by the examination of the indicators. However, both secondary analysis and qualitative analysis clearly show shortcomings in the level of implied actors (institutions, beneficiaries, audit authorities, etc.) in Romania in terms of the knowledge required for investments, management, sustainability, tourism marketing.

As we pointed out at the beginning of the study, but several times during the analysis process as well, we are aware of the limitations of the current thesis, which, mainly due to the lack of data, failed to fully exploit the potential of the topic. However, it is important to note that the tourism issue will become more relevant in the future, as we are constantly involved in a funding period. As we get closer to finalizing one period and putting it into practice in the other, we hope to have more accurate data sources that not only allow for exploratory analysis like this, but also allow for model-based program evaluation calculations. So far, however, the range of conclusions that can be drawn from case study-based, combined methodology analysis is not insignificant: first, it is worth looking at the details of official planning programming documents and actual implementation data, looking behind the numbers. In addition, hoping to develop an increasingly transparent, user-friendly IT system, we will look at each project

as well, so that we can draw conclusions about the content of the program. The effectiveness of stakeholder interviewing methods is not negligible, as many small case studies provide an opportunity to develop a more nuanced picture.

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Section FINANCE

CURRENT ISSUES OF ANTIMONOPOLY LAW AND ANTIMONOPOLY REGULATION IN THE SLOVAK REPUBLIC

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ABSTRACT

Without healthy competition the market can't function optimally. The protection of competition through the legislation and antitrust regulation is therefore essential. The aim of this article is to evaluate the success of the antitrust policy in the Slovak Republic in selected areas of its implementation. The basic rules of competition in the Slovak Republic is based on the Constitution of the Slovak Republic. Other laws governing this area of the economy are the Commercial code, and in particular the Act No. 136/2001 Coll. on the Protection of Competition. Besides the Slovak competition law, is applied also European law that is an essential part of Slovak legislation.

The Antimonopoly Office of the Slovak Republic in year 2017 proved cartels concluded in the area of aerial measuring photographing, also in the sale of motor vehicles and in the market with meal and benefit vouchers. Furthermore, they pointed to vertical agreements restricting competition in relation to the sale and servicing of motor vehicles, where imposed on the undertakings the obligation to accept commitments in order to eliminate competition problems in a short time and at lower administrative costs.

Keywords: *competition, antimonopoly law, antimonopoly regulation*

INTRODUCTION

Competition is a natural and at the same time essential phenomenon in the market. Without healthy competition market could not operate optimally. We can mark it as a drive motor which motivates entrepreneurs to make progress, improve and be able to offer something different, better than their competitors, so will consumers prefer and buy their product. They achieve so one of their major goals, which is to maximize profit. The improvement may lie in the new product design, increase its quality, implementation of new technologies in the production, etc. what may have ultimately beneficial effect on consumers, who have the opportunity to choose from the many diverse products and it will also positive affect the market.

On the basis of these reasons, we can conclude that the protection of competition through legislation and antitrust regulation is of major importance

and is undoubtedly needed. Particularly in the case of market structures as a monopoly and oligopoly, where the incidence of anti-competitive behavior is not unusual [3]. The aim of this article is to evaluate the success of the antitrust policy in the Slovak Republic in selected areas of its implementation.

ANTIMONOPOLY LEGISLATION

One of the fundamental objectives of the European Union (EU) is support and development of economic life in the community. This objective is achieved through the establishment of the common market and economic and monetary union. The basic premise of the existence and functioning of internal market, as any other, is an effective competition, which is a fundamental value protected by the law of the EU [1], [2].

The concept of competition law can be defined as a summary of legal norms that regulate the processes of competition from various points of view, govern competition between actors operating on the market and enter into the competitive relationships.

Among the main objectives of this legal sector can be included the consumer welfare, efficiency, protection of competitors and integration and protection of the EU internal market. The subject of competition law is to protect competition against its distortion. The actual disruption may lie in the proceedings of entrepreneurs or even in activities of public or state institutions. On this basis, we can divide the competition law into four areas, as follows: the area of agreements restricting competition, the area of abuse of dominant position, control of concentrations and state aid control [2].

Legislation for the protection of competition in the Slovak Republic

The basic legal regulation of competition is based on the Constitution of the Slovak Republic: „The Slovak Republic protects and promotes competition. The law shall lay down the details.“ [8]. Under the laws mentioned in this constitutional article we can consider The Commercial Code, which in part II confront unfair competition, and Act No.136/2001 Coll., on Protection of Competition. In addition to this legislation, we must also take into account European law, that is, since the entry of the Slovak Republic to the EU, an integral part of the Slovak legal order [5].

The Act No. 136/2001 Coll. on Protection of Competition is special legislation, which we include in the public legal practice [4]. Its content is divided into 10 parts. The first part contains basic provisions such as the purpose and scope of the Act. We find here also definition some of the concepts (for example, entrepreneur, relevant market, turnover, etc.). The following sections are devoted to forms of illegal restrictions of competition which are similar to European law the agreements restricting competition and abuse of dominant position. It also

includes legislation of concentrations. The third and fourth part introduces us with the Office and its jurisdiction. In condition of the Slovak Republic this Act applies and on its compliance supervises the Antimonopoly Office of the Slovak Republic (AMO SR). The fifth section deals with the issue of proceedings for the illegal restriction of competition. Provisions of the six section outline fines as such, their storage, their maximum height [9]. It also includes the leniency programme which, under certain conditions allows to reduce or not to impose a fine for participating in a cartel [6]. It also defines the concepts such as the settlement (possibility of the fine reduction, if the entity takes responsibility), the obligations (imposition them in order to remove possible threat to competition) and remuneration for the bringing evidence of an competition restricting agreement. Part seven is devoted to other forms of illegal restrictions of competition.

ANTIMONOPOLY REGULATION

Regulation in the case of cartels

Cartel is an agreement between entrepreneurs, who are each other's competitors. Mutual agreement of the competitors will remove competition and pressure on entrepreneurs, resulting in a significant price increase, a smaller selection of goods and services and a slowdown in innovations. As a result, consumers pay more for less quality. This negative impact on the consumers will finally be reflected even in the economy as a whole. Therefore, the cartels are prohibited at all times and in all circumstances.

The Council of the Antimonopoly Office of the Slovak Republic in 2018 confirmed the correctness of the first-instance decision of the OMU SR, the Division of Cartels, which on the five entrepreneurs operating in the market for the issuance, distribution and sale of meal and benefit vouchers, impose a fine for two cartels agreements. Entrepreneurs have committed two of the anti-competitive proceedings:

- market sharing cartel agreement and
- cartel agreement based on limiting the maximum number of meal vouchers accepted in retail chains.

By the decision of the Council of the Office, the fines for individual entrepreneurs were confirmed in the following amount: DOXX, Žilina: EUR 486 158; Edenred Slovakia: EUR 845 237; LE CHEQUE DEJEUNER, Bratislava: EUR 1 127 401; SODEXO PASS SR, Bratislava: EUR 20 307; VAŠA Slovensko, Bratislava: EUR 503 248.

In accordance with the Act on Protection of Competition, the entrepreneurs got a ban to participate in public procurement for a period of three years [7].

The Antimonopoly Office of the SR in 2018 also has imposed over EUR 9 million fine on 15 entrepreneurs for cartel agreement in the sale of motor vehicles [6]. The cartel agreement was based on negotiations on prices, market allocation, the exchange of sensitive business information and coordination in the process of public procurement, public tenders or other similar competition. The agreement concerned the sale of passenger cars and light commercial vehicles.

Over the last few years, the Office has received many complaints relating to the practice of agreements restricting competition. They were received from state administrative authorities and related to public procurements financed by the European Structural and Investment Funds. Cartel agreements in public procurements remained the Office's priority, since the existence of these agreements thwarts the purpose and the aim of public procurements. The cooperation between tender participants may occur in various forms, for example as agreements on price, contracts allocation or other forms of coordination, agreements on non-submitting bids or contract rotation.

Table 1 Balance of the activities of the Antimonopoly Office in the area of cartels

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Sum of decisions	5	10	9	3	4
Sum of administrative proceedings	12	20	15	7	5
Sum of general investigations	9	24	47	60	40
Sum of received complaints	-	94	86	58	41

Source: Annual Report of the Antimonopoly Office of the SR 2018

Regulation in the case of dominant position abuse and vertical agreements

Dominant position as such is not prohibited. Entrepreneurs, however, don't be allowed to abuse their dominant position and so restrict the competitive pressure and make harder for competitors entering the market. We can talk about the dominant position of the entrepreneurs, if an entrepreneur has a space for independent manners in relation to competitors, customers and consumers, which enables him to influence the price, output, innovation, etc.

Negative effect have not only the agreements among direct competitors (horizontal agreements) but also vertical agreements among entrepreneurs operating on the other stages of the distribution chain, for example, a relationship of supplier-costumer. These can be the exclusive distribution agreements or agreements whose conclusion is conditional on the adoption of additional obligations that have no connection with the subject of such contracts. Not all vertical agreements are in conflict with the Act on Protection of Competition.

The Council of the AMO SR in 2018 confirmed the decision of the AMO SR, the Division of Abuse of Dominant Position and Vertical Agreement, by which the Office imposed fines on the entrepreneurs RAJO, a.s., Bratislava and its distributors - 8 chain stores. They committed in the years 2014 to 2018 anticompetitive conduct in the form of vertical agreements restricting competition. Their common purpose should be resale price maintenance (RPM) in the area of supply and sale of products of the brand Rajo in the categories of milk, butter, cream for end consumers in the territory of the Slovak Republic. The fines were set according to the gravity of the infringement at a rate of 5% of the relevant turnover, which was then multiplied by the number of years of infringement, that is, from one to five years. In the case of the company BILLA, s.r.o., Bratislava, the fine was reduced by 50% based on the successful settlement process. The Office has imposed here fines totalling EUR 10 million [6].

Table 2 Balance of the activities of the Antimonopoly Office in the area of abuse of dominant position and vertical agreements

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Sum of decisions	0	0	0	0	1
Sum of administrative proceedings	0	0	0	1	2
Sum of general investigations	2	3	5	7	8
Sum of received complaints	29	78	42	61	46

Source: Annual report of the Antimonopoly Office of the SR 2018

In 2018, there was a decrease in the number of complaints in the area of abuse of dominant position compared to 2017. This is a common phenomenon, as the number of complaints in this area may vary significantly each year. Despite the lower number of complaints, the Office conducted the highest number of investigations in this area in 2018 compared to last few years.

Regulation in the case of concentrations

The concentration (merger) is a process of economical merger of entrepreneurs. The joining of enterprises is a common phenomenon of free enterprising in the condition of market economy. However, such joining are able to restrict competition. Not all joining among entrepreneurs shall be subject to inspection by the Antimonopoly Office of the SR, but only those which meet the turnover criteria determined by law.

AMO SR, the Division of Concentrations, in 2018 issued a decision imposing fines on the entrepreneur "JFTG", Czech Republic in the total amount of EUR 600 000 and the entrepreneur "LB", Slovak Republic in the total amount of EUR 7 571. The parties to the proceedings infringed the Act on Protection of Competition by failing to notify the merger grounded in the acquisition of the joint control of the entrepreneur JFTG and LB over the entrepreneur Panta Rhei.

They infringed the Act also by exercising rights and obligations arising from the merger before it was finally decided on it by the Office, while there has been the full implementation of the merger, i.e. the acquisition of the business share in the company Panta Rhei. Both parties, having regard to the Office's findings, made the settlement, resulting in the reduction of the fine by 50% [7].

Table 3 Balance of the activities of the Antimonopoly Office in the area of concentrations

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Sum of decisions (fines)	0	1	1	1	1
Sum of decisions (approval of merger)	21	21	24	22	26
Sum of general investigations	19	7	3	5	2
Sum of administrative proceedings	26	30	29	28	34

Source: Annual report of the Antimonopoly Office of the Slovak republic 2018

The number of administrative proceedings as well as the number of decisions on mergers have been steady over last few years. It is evident that the Office's activity towards sanctioning the failures to notify mergers and their implementation without the Office's approval has increased throughout the recent years.

CONCLUSION

The Antimonopoly Office of the Slovak Republic intervenes in the case of cartels, abuse of dominant position, vertical agreements. It controls the mergers and assess the conduct of state administration bodies and local self-government in the case that they has been committed by the restriction of the competition. It also ensures the protection of competition in the field of state aid. AMO SR applied in addition to the Slovak also the European competition law. It also proposes measures for the protection and promotion of competition.

Cartel agreements rank among the most serious infringements of the competition rules, which bring benefits only to their participants. The Division of Cartels and Division of Abuse of Dominant Position and Vertical Agreements in 2018 dealt with more than 100 complaints of possible anti-competitive behaviour in various sectors. Sanctions in the form of fines have reached the total amount of more than EUR 10.6 million.

The Act on Protection of Competition allows the Office don't impose a fine or reduce this fine cartelists for participation in cartel, which would otherwise have been imposed. Don't impose a fine is possible only to one and the first entrepreneur who ask the Office on his own initiative don't impose fine, and at

the same time submit decisive evidence of the cartel's existence, or submit information and evidence crucial for the conduct of the inspection. "Leniency program" contributes significantly to the detection and sanctioning of cartels, encourages entrepreneurs to cooperate with the Office and so helps to effectively fight the cartels. This program is built on the same principles as the program of the European Commission.

An alternative option to the imposition of a fine is the use of the institute of "commitments". The entrepreneur can propose commitments to the Office that will eliminate the competitive problem in the market. In such a case, the Office don't find a violation of the ban, but directly committed to the entrepreneur for the implementation of the measures, which will remove the problem identified in the market.

Another entrepreneur's option in the case of abuse of dominant position in the market is the use of institute of "settlement". The settlement allows the person who has infringed the Act on Protection of Competition, to get the benefit in the form of a reduced fine up to 30% in the case that this person voluntarily admits to the lawbreaking, and at the same time assumes the responsibility for such violations.

AMO SR focuses on the prioritization of the Office's activities. Its objective is to address the personnel and financial capacity of the Office, in particular, to the solution of fundamental competitive problems. This means that from the number of suspicion on the lawbreaking, the Office solves those that affect a large circle of consumers, respectively, concern a very serious anticompetitive conduct. It is a Europe-wide trend of transition from a formal assessment of the competition cases to the so-called economic approach. In terms of sectors, the Office considers a priority for the next period the public passenger transport, sector of motor vehicles and food-processing industry.

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FATCA AND COMMON REPORTING STANDARD: THE END OF THE ERA OF BANK SECRECY

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ABSTRACT

In the conditions of the formation of the information society doctrine, the study of the applicability of such an institution as bank secrecy becomes an urgent topic for research. However, the interpretation of this category of banking, like many others, today differs from the traditional one.

The first significant attack on the institution of banking secrecy began with a campaign organized by Washington to combat the so-called "international terrorism". The second event (financial crisis) exposed such a financial problem as tax evasion of individuals and legal entities. An even more powerful tool to erode bank secrecy followed - the US Foreign Investment Tax Compliance Act (FATCA). Since 2012, similar work has begun in the OECD countries to develop standards for the automatic exchange of financial information for tax purposes (Common Reporting Standard, CRS). In practice, this agreement means the end of the era of bank secrecy, which lasted more than 300 years.

The Russian Federation has joined these international programs. Following the results of 2018, the organizations of the financial market of the Russian Federation should send their first reports under this system in 2019.

From the point of view of tradition, the considered legal acts obviously invade the private sphere of relations between the bank and the client, regulated by the agreement on opening a bank account and bank deposit, in the interests of the fiscal authorities. If the scope of state support is constantly diminishing, then civil society itself must become an apologist for banking secrecy, otherwise it will lose one of the pillars of autonomous law.

In the paper concern critical problems, which constitute global challenges to the definition and preservation of the institution of bank secrecy. The research methods applied in the paper are based on the study of the literature on the subject.

Keywords: *bank secrecy, loss of confidence in banks, Foreign Account Tax Compliance Act, Common Reporting Standard*

INTRODUCTION

The modern world finance system is a significant factor in the evolution of human civilization. Back in the 1950-1960-ies the majority of economists considered the financial institutions as something secondary for the economic development and well-being of the nation. In the neoclassical theory of general equilibrium financial institutions simply had no place. Practically the same can be said about the theories of economic growth (Neo-Keynesian in the traditions of Harrod - Domar or neoclassical ones in the spirit of the Solow - Swan model) [1]. There "capital" is not the financial resources, but physical assets. This one-sided approach reflected the realities of the economy in the first half of the XX.

Today it can be noted that the modern economy is a financial economy, where financial system is the main object of the state's regulation. In the conditions of the formation of the information society doctrine, the study of the applicability of such an institution as bank secrecy becomes an urgent topic for research. However, the interpretation of this category of banking, like many others, today differs from the traditional one.

METHODOLOGY

The role of the financial system in a modern economy

The rapid development of financial markets in the last two decades of the XX century contributed to the increased interest of the scientific community to the role of the financial system in the economy, the mechanisms of its impact on economic growth, the reasons for the differences in the levels of development of financial systems and their structure in different countries.

Financial system in this paper refers to the system of economic relations and institutions associated with the redistribution of cash savings between lenders and borrowers (in the macroeconomic significance of these terms, ie, between the economic actors who have a free cash flow, and economic actors who are experiencing cash requirements). For example, R. Goldsmith, determines the financial system (using the term of financial structure) as a set of financial instruments, markets and institutions [2]. F. Mishkin understands the financial system set of financial institutions: banks, finance companies, insurance companies, etc. [3]

Financial market institutions belong to the so-called tertiary sector of the economy (or services). It is known that in a number of developing countries the tertiary sectors is growing faster than other sectors: in the mid-1980s in developed countries of OECD the share of services in employment and GDP was 55-65%, and by the end of the first decade of this century it has increased, reaching 65-75%. In most developed countries financial and business services sectors generate 20 to 30% of GDP (actually in financial - 8%, in Russia - 4%). The financial sector

share in the produced GDP is significantly higher than its share in the structure of employment, which is obviously due to higher income in this industry [4].

The global financial and economic crisis of 2007-2009 highlighted the need to reform global financial system and to strengthen coordination between national regulators. The new reality associated with the crisis has revealed the inadequacy of existing mechanisms. In response to the challenges became the revitalization of a number of international forums and organizations, the expansion of the number of participants.

It is the financial system and financial markets were in the middle of this crisis (and to a very large extent provoked it), and not by accident their reform and "readjustment" were discussed at the meetings of the State Heads and Governments of the "Group of Twenty". By the way, this fact is a very clear evidence of the role of financial sector in the modern economy. It can be noted that the modern economy is a financial economy, where financial system is the main object of the state's regulation.

The role of financial system is a consequence of the economic development of its functions. There are different classifications of functions of a financial system.

Ross Levine identifies five functions of financial system [7]:

- 1). information (providing information on possible investments and capital allocation);
- 2). control and monitoring (monitoring of investments after providing financing);
- 3). risk management (reduction, diversification and risk management);
- 4). savings accumulation (mobilization of savings of economic agents);
- 5). reduction of distribution costs (facilitates the exchange of goods and services)

Robert C. Merton and Zvi Body identify six basic functions of the financial system [5]:

- Function 1: Clearing and Settling Payments;
- Function 2: Pooling Resources and Subdividing Shares;
- Function 3: Transferring Resources across Time and Space;
- Function 4: Managing Risk;
- Function 5: Providing Information;
- Function 6: Dealing with Incentive Problems.

Financial system is unable to perform these functions, if it does not perform the main of them. Robert Merton and Z. Body considered that the main function is temporary, inter-sectoral and inter-country transferring economic resources.

THEORY

Institute of bank secrecy: the concept and problems of its practical application

In the conditions of the formation of the information society doctrine, the study of the applicability of such an institution as bank secrecy becomes an urgent topic for research. However, the interpretation of this category of banking, like many others, today differs from the traditional one.

Although banking secrecy operated in ancient Greece, its first legislative regulation was recorded in Switzerland in 1713. Later, other countries adopted their own acts regulating banking secrecy, which in many respects repeated the aforementioned Swiss law.

Representatives of the classical school saw in this legal institution, first of all, the mechanism of ensuring client confidence in the bank in the interests of concentrating considerable monetary capital in the banking sector. At the same time, banking secrecy itself was understood to mean “the protection of banking operations from accounting by financial bodies, which was carried out for the purpose of taxation” [6]. After all, the banking system redistributes money in the economy, increasing capitalization in the most promising sectors of the economy. As a result, this leads to an increase in GDP and fiscal result [5], [7]. The loss of confidence in banks due to the violation of the regime of bank secrecy entails irreversible consequences of a public nature. And fiscal transparency can only reduce the administrative costs of financial institutions, but does not guarantee high revenues for the state budget.

In discussions about banking secrecy, internal political conflicts of interests of various executive bodies are exposed. This is what encourages the legislator to adopt new legal acts that narrow the term “banking secrecy” and impair the capabilities of clients of credit institutions and the banking system as a whole.

The first significant attack on the institution of banking secrecy began with a campaign organized by Washington to combat the so-called “international terrorism”. The law, called the Patriot Act [8], adopted shortly after September 11, 2001, already in 2002, provided the US intelligence agencies with full access to the once-confidential banking information in America without special permits from the prosecutor's office and the judiciary.

The second event (financial crisis) exposed such a financial problem as tax evasion of individuals and legal entities. The American tax system is complicated,

and tax rates are high. This led to the fact that successful companies, mainly representatives of the IT industry, chose the jurisdiction of other countries where tax regimes were more favorable. The financial crisis gave impetus to the beginning of an active struggle against offshore and bank secrecy.

This was followed by an even more powerful tool for breaking bank secrecy. In order to increase the volume of tax revenues in 2010, the American Law FATCA (Foreign Account Tax Compliance Act) was adopted, the purpose of which was to prevent individuals and legal entities working and residing in other states from avoiding tax payments [9]. It requires banks in all countries to submit to the US tax authorities' information about customers that fall under the category of "US taxpayer". In fact, the FATCA law can be qualified as an attempt by Washington's direct demand on banks from all countries of the world to eliminate bank secrecy.

Of course, behind official statements, as always, there is an unclaimed goal. And such a goal is the establishment by Washington of direct control over the global financial and banking system.

Since 2012, similar work has begun in the OECD countries to develop standards for the automatic exchange of financial information for tax purposes (Common Reporting Standard, CRS) [10]. As part of the CRS, information for automatic exchange will be required to disclose:

- banks;
- pension funds;
- insurance companies;
- financial organizations;
- investment companies;
- companies whose substantial part of activities is the provision of services of a nominal holder of financial assets;
- investment trusts;
- investment advisors and investment managers.

The exchange of information in the FATCA format is much broader than the exchange of information that was provided for in the EU countries before the adoption of CRS. According to the agreements concluded between the EU member states and the USA, banks and other financial institutions are obliged to transfer any information in their jurisdiction on individuals and legal entities to the US Tax Administration (IRS). The purpose of adopting a new standard in the EU was to expand the scope of information to be automatically exchanged. This applies to dividends, capital gains, any types of income and account balances held in any bank or other financial institution in respect of any direct, indirect or actual owner. The absence of bank secrecy in the presence of automatic exchange of information will be applied in the broadest form.

RESULTS AND DISCUSSION

The Russian Federation has joined these international programs. Following the results of 2018, the organizations of the financial market of the Russian Federation should send their first reports under this system in 2019.

The current state of banking legislation reveals the absence of a systematic approach to the content, institution and application of bank secrecy. Any considerations of a political and economic nature allow the legislator to impose further restrictions. The content of the term "bank secrecy" is very vague; the Russian legislator has not defined the purpose of introducing this institution.

The Civil Code of the Russian Federation, giving the concept of "bank secrecy", includes in it the secret of a bank account and bank deposit, account transactions and customer information [11]. The Federal Law "On Banks and Banking" includes in the concept of "banking secrecy" secrecy about transactions, accounts and deposits of its clients and correspondents [12]. Thus, it can be concluded that the concepts of "bank secrecy" in these fundamental legal acts do not coincide.

One of the hallmarks of a democratic society is the expectation of privacy, an integral part of which is the secret of a bank deposit and a bank account. Bank secrecy should be protected as much as possible from access by third parties. At the same time, information constituting bank secrecy should not be used to damage the state. There is a conflict of interest between the interests of bank customers, on the one hand, and the state represented by the authorities, on the other.

The procedure for providing the above information to the competent authorities should protect the information provided from access by other persons and be regulated in detail.

According to the law, in the event of a bank disclosing information constituting a banking secret, a client (whose rights are violated) has the right to demand compensation from the bank for losses caused to it. In connection with the above, it is important that the information constituting bank secrecy is not provided to persons who do not have the right to receive it, and in this connection, the credit institution is not damaged.

Under the new rules of automatic information exchange are subject to:

- most financial accounts of individuals;
- financial accounts of legal entities (under certain conditions);
- all newly opened accounts and accounts opened on the date of the introduction of CRS (with some exceptions).

For all individuals and legal entities, clients of banks, the planned changes concerning bank secrecy have already made significant adjustments to the current work with accounts. For example, it has become much more difficult to open new accounts - banks ask for more detailed information about the beneficial owners of the account; about the company that opens the account; about the scheme of transactions conducted through the account; about the origin of funds and the structure of account management. Bank requirements are increased if the account owner or company for some reason cannot provide a more complete picture of its assets. After opening an account, all financial transactions in bank accounts are tracked very carefully.

From the point of view of tradition, the considered legal acts obviously invade the private sphere of relations between the bank and the client, regulated by the agreement on opening a bank account and bank deposit, in the interests of the fiscal authorities. If the scope of state support is constantly diminishing, then civil society itself must become an apologist for banking secrecy, otherwise it will lose one of the pillars of autonomous law.

In practice, this agreement means the end of the era of bank secrecy, which lasted more than 300 years.

CONCLUSION

The considered legal acts obviously invade the private sphere of relations between the bank and its clients, which is governed by the agreement on opening a bank account and bank deposit. This is done primarily in the interests of the fiscal authorities.

Under the new rules of automatic information exchange are subject to:

- most financial accounts of individuals;
- financial accounts of legal entities (under certain conditions);
- all newly opened accounts and accounts opened on the date of the introduction of CRS (with some exceptions).

Thus, the inclusion of the Russian Federation in the Multilateral Agreement is the most significant recent initiative aimed at financial control of legal entities and individuals living and working outside the country.

In a civil society, the private sphere should be provided with legal measures of state protection, on the one hand, and active reaction of citizens, on the other. If the scope of state support is constantly diminishing, then civil society itself must become an apologist for banking secrecy, otherwise it will lose one of the pillars of autonomous law.

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FINANCIAL LITERACY AND PROTECTION OF RIGHTS OF CONSUMERS OF FINANCIAL SERVICES

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ABSTRACT

Financial literacy is a certain level of knowledge and skills in the financial sector, which in conditions of market economy enables the citizen to rationally assess the real situation and make the right life decisions. The problem of increasing the level of financial literacy in recent years and especially after the aggravation of the global financial crisis has become one of the priority tasks for governments in many countries, including the Russian Federation.

The results of the conducted studies indicate that the level of financial literacy of the Russian population is quite low, as most citizens are poorly oriented in the financial environment and few use the products and services offered by financial institutions. Improving the financial literacy in the Russian Federation will accelerate the development of certain financial instruments and segments of the market economy, implementation of national, regional and municipal programs.

The aim of this article is to present the results of the project on the development and implementation of programs to improve financial literacy at the level of municipal formation (City district of Dzerzhinsk, Nizhny Novgorod region, Russia).

Keywords: *financial literacy, financial inclusion, protection of the rights of consumers of financial services*

INTRODUCTION

The financial aspect is currently one of the leading aspects of human life. It is closely connected with all spheres of civil activity.

The problem of increasing the level of financial literacy in recent years and especially after the aggravation of the global financial crisis has become one of the priority tasks for governments in many countries [1], including the Russian Federation. In Russia started the implementation of medium-term national Strategy to improve financial literacy [3]. The program was developed by the Ministry of Finance of the Russian Federation.

OECD/INFE defines financial literacy as “a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” [2]. Thus, financial literacy is a certain level of knowledge and skills in the financial sector, which in conditions of market economy enables the citizen to rationally assess the real situation and make the right life decisions.

The results of the conducted studies [4], [5] indicate that the level of financial literacy of the Russian population is quite low, as most citizens are poorly oriented in the financial environment and few use the products and services offered by financial institutions. The problem of financial literacy becomes especially relevant in the context of further development of market relations in the economy. The strengthening and growth of the Russian economy (especially in the context of international economic and financial sanctions) to a greater extent depends on the ability of the population to effectively use the resources of a modern financial and industrial technology.

METHODOLOGY

The development and implementation of programs to improve financial literacy at the level of municipal formation

The aim of this article is to present the results of the project on the development and implementation of programs to improve financial literacy at the level of municipal formation (City district of Dzerzhinsk, Nizhny Novgorod region, Russia).

OECD Recommendations define financial education as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice develop the skills and confidence to become more aware of (financial) risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being”[6].

First and foremost, financial literacy involves the formation of people's general knowledge base:

- about the needs of a person (different at different stages of his life) and the standard ways of meeting them through the use of financial market instruments while observing financial discipline;
- about the main products and services of the financial market, as well as the risks accompanying their use;
- on how to obtain information about suppliers, products and services of the financial market; On the evaluation of the information received;

- about the causes and consequences of decisions of monetary authorities in the field of monetary-credit regulation;
- on the available opportunities to protect their rights in the financial market.

According to international standards [9], the basic provisions of consumer protection include: effective disclosure, protection against misconduct, and appeal mechanisms to effectively resolve errors, claims and disagreements. At the same time, financial literacy presupposes not only obtaining theoretical knowledge, but also developing basic skills in the practical use of financial market instruments.

In accordance with the OECD Recommendations and pursuant to National strategy for financial education, the Center of Patriotic upbringing "Fatherland" (the city of Dzerzhinsk, Nizhny Novgorod region) develops the Project "ABC of Finance". The main objectives of the Project are:

- increasing the financial literacy of the population (especially young people);
- the formation of their prudent financial behavior;
- learning to make sound financial decisions;
- educating a responsible attitude to personal Finance;
- improving the efficiency in the sphere of protection of the rights of consumers of financial services.

The project target groups - schoolchildren, students of colleges and higher educational institutions, young workers with low and middle income, as well as older people. Why were these populations chosen as a special cluster in the field of financial education:

1. *Secondary school pupils.* In the city increases the proportion of pupils who begin to make financial decisions at an earlier age ("pocket money", the cost of mobile phones and Internet, gifts for friends, etc.). However, in most cases, children who have mastered the technical innovations do not understand where the money comes from and how the money is spent. School age - is the entry point into the world of Finance. Over half of adolescents have savings and a third of the teenagers take money in debt. 800 million rubles per week – the total amount of pocket money children in the largest cities in the Russian Federation. Most popular financial services among 14-17-year-olds are cash, credit cards and e-wallets. The main source of money comes from domestic resources – about 80% indicate that they receive the money from parents to pay for specific needs and for their own expenses. External sources are observed much less often. The older is the student - the higher is the involvement in the use of banking services. [7].

2. *Pupils of orphanages and boarding schools.* Members of this group are in a particularly difficult situation. Most of them have little experience with cash,

do not know the elementary basics of Finance and "coming to life" from the custody of the state, very often find themselves in difficult life situations.

3. *Students of colleges and universities.* The members of these groups in the near future will be economically active and face problems of decision-making in the financial area. These groups are more susceptible to developing the necessary attitudes, skills financial planning and rational behaviour.

4. *Young workers with low and middle income.* Members of this group represent the bulk of the city's youth. They are the mass consumers of financial products, including consumer loans banks and cash loans; however, they often are exposed to advertising, make impulsive spending. Members of this group have inadequate knowledge and skills; they are most prone to inappropriate solutions in the field of personal Finance management that painfully affect their living standards.

5. *The people of the older generation.* They hold conservative views; do not know what investment is. They do not have enough information on changes in pension reform, on tax concessions, utility bills. Financial literacy of retirees is so low that, according to a survey, 14% of older people said they did not know how to use ATMs and did not contact the bank. Using financial ignorance, fraudsters annually deceive retirees.

THEORY

Also the choice of these target groups was determined by the fact that young people are more flexible in learning than adults. International studies [8] show that the best stage of the life cycle in which a person may be given the opportunity to acquire the skills of financial literacy is the stage of education. Basic habits of a person are formed from the age of 7, so the implementation of programs of additional education through schools is most effective. On the other hand, the members of these groups provide a channel of influence on the adult population – their parents.

But it is necessary to note the following: we teach students and school pupils, and more – they come in a family where rational behaviour is not formed. In most cases, the parents themselves do not possess the necessary knowledge and, accordingly, the skills learned by the child are inadequate to reality. There is a negative effect - the phenomenon of "blind financial literacy". The environment behaves incorrectly: inefficient use of funds, are turning to microloans to expensive, buy unnecessary products... Therefore, to eliminate this problem it is necessary to develop chain programs to improve competences – for elementary school, middle school, higher education, financial training in the corporate sector.

For the successful implementation of this Project, the authors had to provide direct access to target audience in the education system and to create a positive

attitude of students to the studied phenomena. Therefore, as a method of training was selected "edutainment" - a modern communications approach that combines educational and entertainment elements, including quizzes and role plays, social advertising, educational videos and television shows. The essence of this method of learning is that knowledge must be transmitted in a clear, simple and interesting way. Edutainment involves the use of various channels and ways of presenting information, conducting master classes and business games, the use of case-study. Classes for students are free of charge.

The most acute problems identified in the implementation process of the Project:

- Lack of planning of the family budget. Among those surveyed, many tend to be illiterate financial behavior in real life, using extremely expensive financial products often not for their intended purpose.
- Lack of understanding of the key financial mechanisms and financial terms (such concepts as: risk - profitability, time value of money, "strength" of compound interest, etc.). There is a significant discrepancy between self-assessments of the level of financial knowledge among respondents and more realistic assessments of knowledge obtained through simple tests with specific financial objectives.
- Lack of awareness on investment opportunities. According to experts, at the beginning of 2019, the number of resident individuals conducting, directly or through collective investment instruments, transactions in the securities market is only about 1% of the economically active population.
- The inability of the population to make informed financial decisions based on an analysis of all available information. Citizens have little understanding of the principles of functioning of financial markets and the possibilities of investing; have a lack of confidence in the institutions of financial markets. Just having knowledge is not enough; we need the skills of actually applying this knowledge in solving practical financial problems.
- Propensity to make impulse purchases. Many respondents do not have the skills to manage personal savings to achieve personal financial well-being. They have problems of excessive debt load, lack of savings on the "rainy day", inability to take rational actions aimed at protecting their savings.
- The desire to shift the responsibility for financial decisions to the state (paternalism). During the years of Soviet power a stable stereotype of "dependent" behavior of a part of the population was formed, which all the time awaits help from the state and is confident that the state should solve all their problems.
- Weak knowledge in the field of protection of the rights of consumers of financial services. Increased attention to the protection of the

rights of consumers of financial services is caused by the trends towards the commercialization of this sphere, which attracts organizations with a low level of social responsibility to this market. The situation in the sphere of financial services is aggravated by low incomes of the population. On the one hand, citizens continue to experience persistent distrust of all financial institutions, on the other hand, many citizens, under the influence of advertising, overestimate their capabilities and, as a result, fall into the category of deceived consumers of financial services (depositors, interest holders, etc.).

Ensuring consumer access to financial services (financial inclusion)

The issues should concern not only financial education but also ensure access to financial services (especially in small towns and to people with low income, including people with disabilities), but also problems of protection of rights of consumers of financial services.

International institutions for the development of standards in the financial sector consider financial inclusion a significant factor in raising the standard of living of the population [9]. Financial inclusion is a state of the financial market in which the entire population of the country, as well as small and medium-sized businesses, have the full opportunity to receive a basic set of financial services (to credit, savings, payments, and insurance).

More is needed to ensure access to services not only in Russia, but also in most OECD countries. Government at a Glance 2017 [10] shows that there are persisting inequalities in access, responsiveness and quality of services by population groups. For example, in all OECD countries socio-economically disadvantaged students are almost three times more likely than advantaged students not to attain the baseline level of proficiency in science.

At the same time, the possibility of obtaining financial services is expressed not only in physical access to financial products (the availability of financial services infrastructure), but also in their understandability, quality and utility for consumers.

Thus, increased financial inclusion should be considered in terms of a comprehensive increase in its four components: price, physical, assortment and mental availability.

RESULTS AND DISCUSSION

As a result of implementation of the Project, we can formulate the following suggestions:

- the introduction of a compulsory subject of study "Financial literacy" in the national education program;
- the formation of a civil service for financial (cash) consultation;
- wide coverage (priority – children and young people);
- creation of tools for measuring the level of financial literacy and assessing the effectiveness of various channels for its promotion.

We need a clear goal of the state program of financial literacy, preferably established by law. The governing body must have responsibility. The plans and priorities of the program should be agreed with all stakeholders.

Ensuring equal inclusion to financial services for all citizens should include the following issues:

1. Access (accessibility of buildings, navigation, information, arrangement of rooms inside).
2. Interface (ease of receiving various services provided with the use of special equipment, ATMs, terminals, computer equipment, mobile devices, Internet without loss of quality and safety of financial transactions).
3. The implementation of a CRM-system (organization of interaction of staff of financial institutions with "special" clients).
4. Financial literacy (understanding of the nature and risks of financial services, knowledge of financial institutions offer services).
5. The cost (the cost of the service or product should not raise solely because of a disability or illness, or living in remote areas).

When improving the system of access to products and services of the financial market, it is important to simultaneously ensure their relevance and usefulness to consumers. In the financial market, financial products and services that are understandable to consumers should be presented so that a citizen can assess the degree of their positive or negative impact on meeting their needs and quality of life.

Such financial products should enjoy steady demand from the public and small and medium-sized businesses. This task is closely related to financial literacy and involves creating opportunities for consumers of financial services to learn and gain additional knowledge about the financial market.

CONCLUSION

Improving the financial literacy in the Russian Federation will accelerate the development of certain financial instruments and segments of the market economy, implementation of national, regional and municipal programs:

- reduction of trends of payment in cash;
- development of the sector of cashless financial transaction;
- improving pension reform;
- increase in demand for services of pension and insurance funds;
- increase budget transparency and control over the institutions of the financial sector.

The results of the study during the implementation of the regional Project talk about the need to implement policy to improve financial literacy in the long-term context:

- Growth of living standards and welfare of population increases the need of training in the basics of budgeting, saving and interaction with the financial sector.
- The development of savings and insurance principles in pension security, health, education and housing suggests that the population has a basic knowledge of financial literacy.
- The increasing complexity of financial products requires the growth of literacy, so that people can recognize and avoid unfair and high-risk products (services) and thus reduced the risk of financial loss.
- Feature in Russia – inflated expectations of state support (state paternalism in the field of social protection) and poor knowledge of the basic principles of market Finance.

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INTERNAL CONTROL AND AUDIT AND THEIR ROLE IN THE DEDUCTION OF ADMINISTRATIVE AND FINANCIAL CORRUPTION

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ABSTRACT

Control and auditing play a significant role in detecting financial and administrative deviations, identifying problems and deviations that accompany the work of administrative and economic units, through the process of supervision and scrutiny. More crucially, the supervisory role is based on experience and practice in terms of importance in rules, assets and accounting systems, the accounting standards and the latest scientific theories in the administrative and financial work and the important oversight role that should be played by audit bodies in the internal environment as well as bodies in the external environment. Control has an important leadership role in monitoring the work of the administrative and economic units through the programmed and surprising field visits to ascertain the reality of the administrative and financial processes in the various organs of the state and diagnose the ills, deviations and corruption that may occur in them and take practical and deterrent measures to preserve the integrity of the administrative and financial process, Security of information and thus maintain the state and its organs of administrative and financial corruption. Hence, the attempt to expose these errors is one of the important terms in the work of these bodies and the prevention of fraud and embezzlement and manipulation that can occur in them.

Keywords: *Control, Auditing, Administrative, Financial, Corruption*

INTRODUCTION

Audit is necessary for any human activity has been found in the oldest human civilizations as evidenced by archaeological discoveries and historical. Governmental organizations can perform their duties in best away from corruption of administrative and financial, this depends on strength of its internal organization in general and very large extent, it is necessary to find an effective control system that includes completion of organizations work on a regular and accurate basis. Most important thing that led us to write this research topic is: Elimination of administrative and financial corruption and try to clear some of successful remedies for these problems and provide a modest effort in this direction, and we have chosen the subject as we will show its importance and given dependence of audit act itself administrative and economic work and it's closed association with it is not logical to be a working without a censor or else it

became a matter of chaos and without a goal. As a first step, we clarify the following: There are multi-level supervisory bodies that supervise, inspect, audit or control internal administrative and financial organizations. And that these foundations are doing their duty to the fullest in order to prevent them from deviating or administrative and financial corruption from the target required and to evaluate or maintain policies of senior management, which set objectives of these branches in general, but this may not apply in a practical and significant, but we tried as much as possible to we deal with the theoretical and practical aspects of its available limits.

METHODOLOGY

STUDY PROBLEM

The auditor is often seeing by public service staff with suspicion, fear, and doubt as being found to monitor errors that public service personnel may have their commitment and quality of performance, therefore, auditor seeks to perform his work duties in the best possible manner by exercising utmost care for the professional ethics required when expressing a neutral technical opinion that shows the beneficiary parties that financial statements of organization express truthfully, fairly, impartially and distinctly from their current reality of monitoring and auditing.

THE STUDY HYPOTHESIS

The main hypothesis is: (Hypothesis Ho) of the research there are no significant differences between control and audit in the internal environment with the control and audit of external control and that the external audit should identify the strengths and weaknesses of the applicable internal control systems and to give corrective advice and change to decision makers within the organization and achieve the objectives set in the service of the overall objective and continuous improvement of performance. The auditor's report is a tool of force on management in order to improve performance of the internal control system of organization and that effectiveness of the internal control system affects the scope of the external audit. While the secondary hypothesis: (Hypothesis Alternative H1) is represented on the existence of significant differences between control and scrutiny in the internal and external environment.

THE GOALS OF THIS STUDY

The main objectives of the study can be summarized as follows:

- A)** To identify the important relationships between control and auditing in the internal and external environment of the administrative or economic unit and confirm the positive features and identify the

negative aspects if found and the problems resulting from them in order to contribute in development of appropriate solutions.

- B)** Identify performance of auditor in detecting or monitoring errors and deviations that may occur in the administrative and economic process as they perform their duty towards society and the society must to cooperate with them and support them by all possible means.
- C)** To develop a comprehensive and integrated framework for determining the factors affecting in quality of auditor's assessment.
- D)** Emphasizing that the auditor is fully independent, since the more independence he enjoys, the greater the ability to practice his work accurately and impartially in detecting the manipulation and mistakes.
- E)** Planning the process of monitoring and auditing before the start of the process of control and auditing to conduct and determine the scope of inspection and guide the assistants who carry out the process of control and audit and to achieve its objectives properly.

THE IMPORTANCE OF THIS STUDY

The relative importance of the study can be illustrated by the following:

- A)** Examine factors that affect quality of performance auditor's and taking into consideration performance of audit.
- B)** Contribute seriously to give a true picture of quality of the relationship between control and auditing in the internal environment with its counterpart in the external environment.
- C)** The study is a modest practical contribution to the presentation of moral and behavioral theses of observers and auditors in the internal environment and their surroundings and their clients.
- D)** The importance of the auditor in performing the tasks entrusted to him better by expressing a neutral technical opinion on the conformity of the financial statements prepared by the administrative or economic unit in line with the quality standards of its performance.
- E)** The monitoring and auditing process aims to detect cases of irregularities, errors, fraud, manipulation, fraud and theft that may be caused by some employees of the administrative or economic unit, especially that the control and auditing procedures depend on the comprehensive and complete examination of all administrative and economic events within the unit.

THE STUDY METHODOLOGY

To validate the hypothesis, the researcher relied on comparative descriptive analysis.

THE STUDY MODEL

Figure 1 shows the research model that was selected to show the search variables on the internal audit and to clarify nature of the interrelationships that link the search variables with each other as follows:

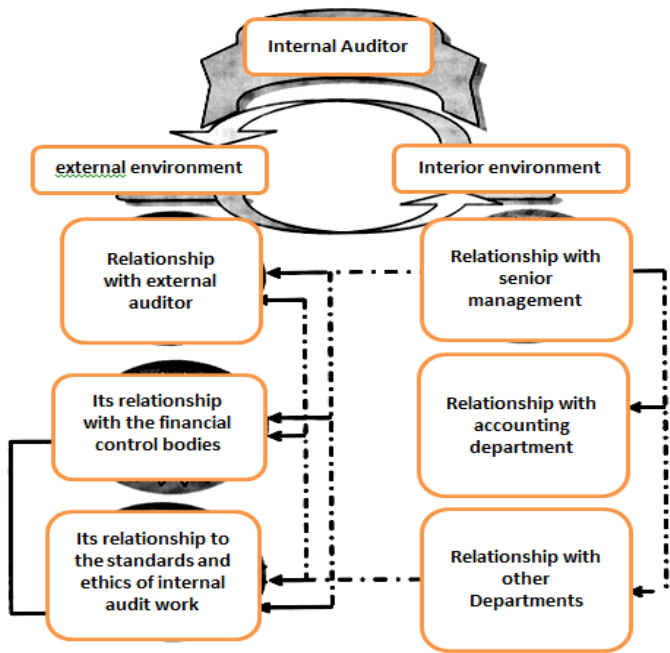


Figure 1 Internal Audit and Audit Performance

Source: Zeina,2013 [15]

THE PROPOSED STUDY CONCEPTS

CONCEPT OF CONTROL:

Control is an independent evaluation activity and effective means of management, which are established by the administration to serve and assist in managing its business well and to ensure the adequacy of the precautions taken to protect the assets of the organization, in order to measure and evaluate the various means to ensure the correctness and good performance and propose the necessary improvements and evaluated to ensure the validity and good performance of the organization.

“It has several meanings of Anglo-Saxon, meaning the ability of control and control of management science, it means: the ability to cope with changes in the

constantly moving environment and adapt to the developments taking place or the ability to assess behaviors and improve performance” [9].

INTERNAL CONTROL AND AUDITING DEFINITION:

Control in general is a meant by which to ensure the extent to which the goals are achieved in a timely and efficient manner and thus aim to measure the effort for the objectives to be achieved.

“Internal controls are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability and prevent fraud. Besides complying with laws and regulations, and preventing employees from stealing assets or committing fraud, internal controls can help improve operational efficiency by improving the accuracy and timeliness of financial reporting” [13].

“Internal control traditionally has been defined as all the policies and procedures management uses to protect the firm’s assets and to ensure the accuracy and reliability of the accounting records” [7].

“Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent, independent person” [3].

INTERNAL CONTROL SYSTEM

Control of this concept is not limited to the executive work, but is related to all the functions that make up the administrative process and are not intended to catch errors as much as to follow the completion of the work accurately and quickly work to rectify them with correcting the deviations that may involve errors.

“Any system to be effective and give the results for which it must be based on the elements to help in the success and the internal control system as any system of the elements that help in its effectiveness, these elements must be linked to each other and there is no conception so as not to reflect the control system and limit its effectiveness” [8].

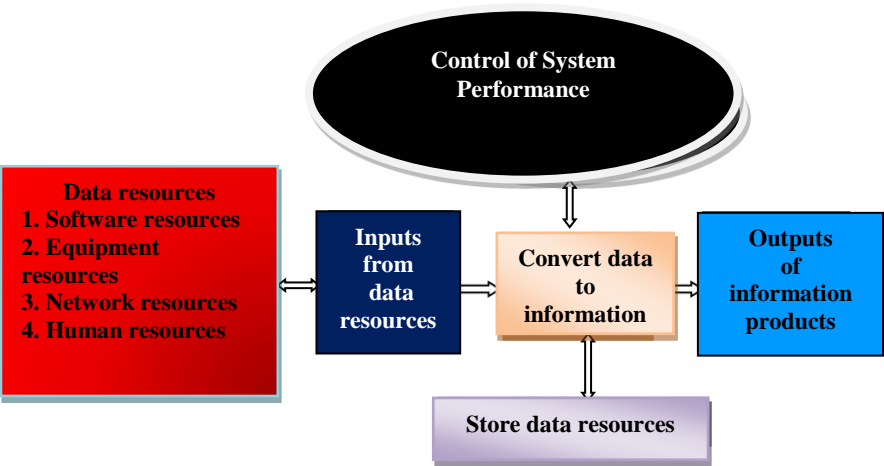
The components or elements of the system physical supplies, communications system, human supplies, and software requirements.

ACTIVITIES OF CONTROL

“Control activities are actions (generally described in policies, procedures, and standards) that help management mitigate risks in order to ensure the

achievement of objectives. Control activities may be preventive or detective in nature and may be performed at all levels of the organization” [6].

“It is a set of audit policies and procedures that help to ensure that management's instructions are implemented. The policies and procedures are related to:



Examination the performance of organization.

Processing of information.

Control procedures based on actual presence.

Separation of responsibilities” [4].

One of the purposes of internal control is to ensure that the data will be used as the basis for judging the validity of performance. This can elucidated in Figure 2 as below:

Figure 2 Components of the Information System

Source: *Abdul Fatah et al.,2004 [1]*

“The objectives of internal control are protection, accuracy, efficiency, and commitment. However, strong and effective system leads to the possibility of fraud and irregularities in organization. Without meaningful control, errors are easy to make, therefore, making it difficult to produce achievable documents that help to create conflicts of interest. The existing internal control system or approved in organization” [10].

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” [11].

SIMILARITIES BETWEEN EXTERNAL AND INTERNAL AUDITOR:

“The function of the internal auditor is established with the work of the independent external auditor and it can be argued that there are mutual benefits between the parties. The external auditor during his independent audits is able to express his opinion on the adequacy, validity of the internal control system and the appropriateness of policies and procedures followed. The internal auditor is omitting or unable to express his opinion openly and clearly, in addition to the fact that internal auditor benefits from experience of the external auditor and thus increases his competence and experience” [14].

“Internal auditors oversee the entire control system, rather than the controls related to financial statement representations. They often concerned with engineering, marketing, distribution and personnel issues that require backgrounds beyond a basic understanding of accounting and auditing. The continuous nature of the internal audit calls for an in-depth knowledge of total operations not asked of the external auditor who performs periodic reviews and audits of the financial statements of the entity” [12]. “The similarities can be identified as follows:

- A)** Both seek to ensure an effective system of internal control in project and to prevent and reduce occurrence of errors and manipulation.
- B)** Each of them shall work on the existence of an effective accounting system to provide them with necessary information which will help in preparation of correct and reliable financial statements.

The likelihood of cooperation between them. The External Auditor may rely on work and reports of Internal Auditor, in light of the degree of independence of Internal Auditor" [1]. This can clarify in Figure 3 as below:

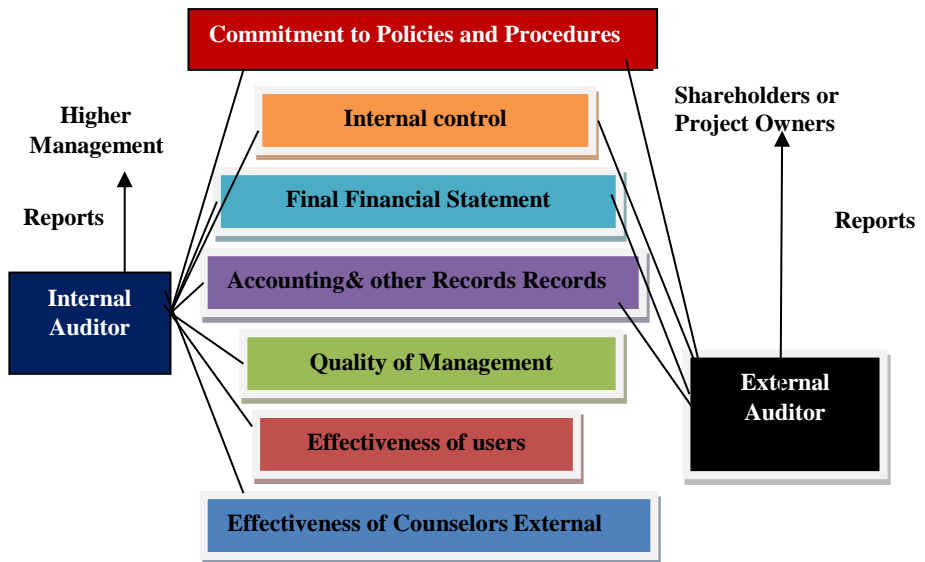


Figure 3 The Common Areas between Internal Auditor and External Auditor

Source: (Ahmed, 1990) [2]

INTERNAL AUDIT EFFECTIVENESS AND ACTIVITIES .

“The effectiveness of internal audit function is to be able to achieve the objectives assigned. Internal audit objectives should be consistent with objectives of organization and appear to support the management's efforts towards achieving the policies and objectives set. Therefore, objectives of internal audit function include seeking assurance of the following:

- The economy, efficiency and effectiveness of organization operations.
- Records accuracy.
- Prevent loss and reduce the commission of errors and irregularities.
- Commitment to the policies and objectives of organization.
- Compliance with regulatory procedures.
- Safety and effectiveness of control systems” [5].

FRAUD AND TYPES OF FRAUD

“Fraud is the act of knowingly making material misrepresentation of fact with the intent of inducing someone to believe the falsehood and act on it and, thus,

suffer a loss or damage. Through both fraud and aggressive financial reporting, some companies have caused financial statements to be misstated, usually by (1) overstating revenues and assets, (2) understating expenses and liabilities, and (3) giving disclosures that are misstated or that omit important information. Fraud that affects financial (or other) information and causes financial statements to be materially misstated often arises from the perceived need to get through a difficult period may be characterized by cash shortage, increased competition, cost overruns, and similar events that cause financial difficulty. Management fraud is deliberate fraud committed by management that injures investors and creditors through misstated information. Because management fraud usually takes the form of deceptive financial statements, management fraud is sometimes referred to as fraudulent financial reporting. Embezzlement is a type of fraud involving employees or nonemployees wrongfully misappropriating funds or property entrusted to their care, custody, and control, often accompanied by false accounting entries and other forms of deception and cover-up. Larceny is simple theft; for example, an employee misappropriates an employer's funds or property that has not been entrusted to the custody of the employee. Defalcation is another name for employee fraud, embezzlement, and larceny. Auditing standards also call it misappropriation of assets. Errors are unintentional misstatements or omissions of amounts or disclosures in financial statements. Auditing standards require that auditors specifically assess the risk of material misstatement due to fraud for each engagement" [11].

The role of the audit process to detect and identify fraud and embezzlement, and the manner in which it is carried out, is determined by the commissioning of a supervisory person that performs its work, where there is suspicion of fraud or manipulation.

CONCLUSION

The inferiority of censorship and scrutiny remains prevalent in developing societies, including Iraq.

Administrative and financial corruption are found in organizations where there is no proper method of internal control in organizations that are administratively organized, the occurrence of manipulation and administrative and financial corruption in them is possible but is small and usually needs to be completed by several staff specialized in different aspects.

The opinion of many observers and auditors is not neutral because of the impact of the internal and external environment.

The manifestations of administrative and financial corruption are still dominant in the public service. Corruption continues to hit its branches in the organs of the state because of the lack of transparency and interference between the three powers: legislative, executive and judicial.

Weak control and scrutiny due to the effects of quotas and party and the overlap of the three authorities.

Administrative and financial corruption for example in Iraq plays a dark role in the underdevelopment of Iraq at all levels.

The politicization of the law and the judiciary played a negative role in Iraqi society.

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REVENUE AND EXPENDITURE ANALYSIS FROM THE POINT OF VIEW OF THE STATE BUDGET BALANCE

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ABSTRACT

The aim of this article is to compare the revenue and expenditure of the state budget in two EU countries - in the Slovak Republic (SR) and Czech Republic (CR). Due to the fact that in the SR and CR is paying other currency we have compared only the ratio indicators of both countries. For the reference period we have identified the period from 2014 to 2018. In this period the economies of both countries have completely overcome the effects of global financial and economic crisis and achieved a relatively high economic growth. It was a period very favorable to the governments already not to implement state budget deficits but on the contrary to achieve a balanced state budget.

Average rate of economic growth in the reporting period amounted to 3.6% in the Slovak Republic and to 3.2% in the Czech Republic. Unemployment rate in the SR decreased from 12.3% in 2014 to 5.0% in 2018 and in the CR from 6.1% to 2.1% in the same period. The share of public debt to GDP fell from 53.5% in 2014 to 48.7% in 2018 in the SR. The same indicator fell much more sharply in the CR, from 42.2 % in 2014 to 30.5% in 2018. Fiscal position of the SR and CR was thus during the reporting period favorable.

Total revenue of the state budget in the CR in reporting period slightly grew (with the exception of their minimal decline in 2016). The Czech Republic nearly has reached balanced budget in the year 2017. Significant growth of state budget revenue took place in the year 2018, which greatly contributed to the surplus of state budget in 2018. The surplus was not only a result of economic boom, but primarily a result of structural improvement in public finances. Favorable economic situation allows to create reserves on cyclical fluctuations in the future, what the Czech government actually is carrying out through the creation of surpluses and decline in debt ratio.

The state budget revenue in the Slovak Republic have been relatively stable during the reporting period, they moved at an interval of 14.1 - 4.4 milliard EUR. In the year 2018 have reached historical maximum of 15.4 milliard EUR. Slovak government has introduced a number of measures at that time, which have asked for an increase in expenditure from the state budget. They are not a measures which would have brought positive structural changes and which would have, in the medium or long term a positive effect on the revenue part of the state budget or budget of municipalities. These are a few packages of social measures. Although in terms of solidarity is the goal of these measures correct, most of them

have been introduced across the board, that is, they were addressed to the individuals or families whose economic situation does not require it.

The Czech Republic made use well a very favorable economic situation in the last five years, to achieve a balanced (or surplus) state budget. The Slovak Republic also gradually reduces the state budget deficit, however, it persists still. Therefore, it can be stated that fiscal policy of the Czech Republic was more responsible than fiscal policy of the Slovak Republic.

Keywords: *state budget, revenue, expenditure, public debt*

INTRODUCTION

One of the most important tasks of the government is the public finances management of the country with a view to achieve its economic prosperity. The Slovak Republic (SR) and the Czech Republic (CR) have been in the past for a few decades part of a single state. Therefore, it may be interesting to look at how successful are those now separate countries in economic field, and specifically in the fulfilment of fiscal responsibility. In the years 2014 to 2018, that we have chosen in our research for the reference period, have already been overtaken negative effects of the global financial and economic crisis, and the economies of the SR and CR amounted to a relatively high economic growth. It was a period of time (and still is) very favorable to the governments already don't create state budget deficits, and on contrary, achieve a balanced state budget, respectively, its surplus and more significantly reduce the public debt. Therefore, the aim of this article is to compare the revenue and expenditure of the state budget in these two countries, which are the EU members since the year 2004, as well as their disciplining in the field of use of the public funds.

DEVELOPMENT OF BASIC MACROECONOMIC INDICATORS IN THE SLOVAK REPUBLIC AND THE CZECH REPUBLIC

With the exception of year 2015 was growth of the Slovak economy annually higher than rate of growth of the Czech economy. The most significant difference was observed in year 2018, when the Slovak economy grew by 1.3% faster than the Czech economy. The average annual rate of economic growth during the reporting period amounted to 3.6% in the SR and 3.2% in the CR. In year 2016, the strong economic growth in the CR decreased also as a result of exhausting of euro funds. [4].

Table 1 Development of the economic growth rate in the Slovak Republic and Czech Republic (%)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Slovak Republic	2,4	3,8	3,3	4,5	4,3
Czech Republic	2,0	4,3	2,4	4,5	3,0

Source: own processing based on data of the Ministry of Finance of the SR and CR

Table 2 Development of the unemployment rate in the Slovak Republic and Czech Republic (%)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Slovak Republic	12,3	10,6	8,8	5,9	5,0
Czech Republic	6,1	5,1	4,0	2,9	2,1

Source: own processing based on data of MF SR and MF CR

The unemployment rate in the SR and in the CR decreased every year during the reference period, while in both countries has reached historical lows in year 2018. The unemployment rate in the Czech Republic for the whole of the reference period was substantially lower than in the Slovak Republic and belongs to the lowest in the EU. Both states have managed to reduce unemployment to such level that in some sectors (for example, the Slovak automotive industry) is a need to import workers from abroad. [1]. Economy of the Czech Republic has achieved a significantly lower unemployment in the reporting period. It should, however, take into account the fact that the Slovak Republic had in the field of unemployment worse starting conditions than the Czech Republic.

Table 3 Development of the public debt share to GDP in the Slovak Republic and Czech Republic (%)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Slovak Republic	53,5	52,2	51,8	50,9	48,7
Czech Republic	42,2	40,0	36,8	32,2	30,5

Source: own processing based on data of MF SR and MF CR

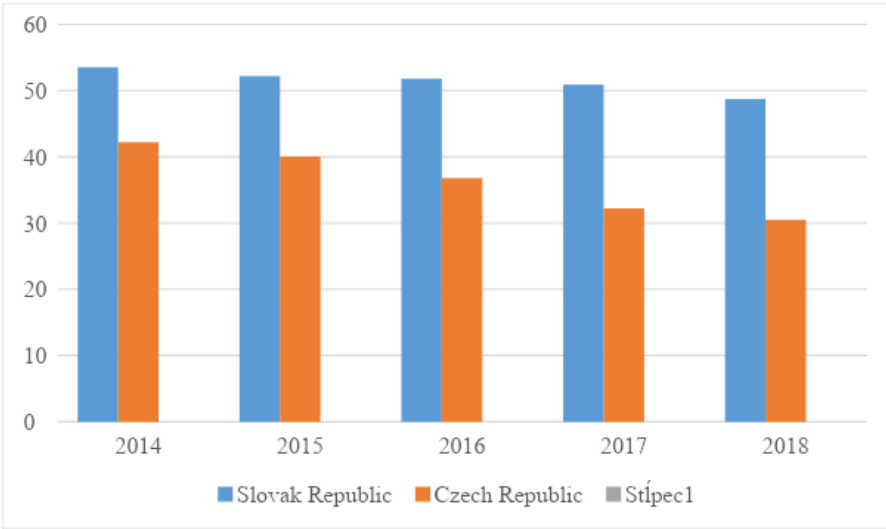


Chart 1 Development of the public debt share to GDP in the Slovak Republic and Czech Republic (%)

The share of public debt to GDP has declined each year in the SR and CR during the reporting period. The share of public debt to GDP in the CR decreased in year 2018 by 38.3%, compared with year 2014, while in the SR over the same period dropped only by 9.9%. [2]. Nevertheless, the amount of public debt of both countries in absolute terms did not decrease so significantly (in the SR by 1.3% and in the CR by 2.5%).

Table 4 Development of the public debt amount in the Slovak Republic (EUR mill.)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Slovak Republic	40 725	41 295	42 053	43 230	40 200

Source: own processing based on data of the Ministry of Finance of the SR

Table 5 Development of the public debt amount in the Czech Republic (CZK milliard)

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
Czech Republic	1 664	1 673	1 613	1 625	1 622

Source: own processing based on data of the Ministry of Finance of the Czech Republic

The share of the public debt to GDP fell in the reporting period in the CR by 38.3%, while in the SR decreased over the same period only by 9.9%. [7].

DEVELOPMENT OF THE STATE BUDGET REVENUE AND EXPENDITURE IN THE SLOVAK REPUBLIC AND CZECH REPUBLIC

Total revenue of the state budget in the Slovak Republic in year 2017 rose to 15.4 milliard EUR and reach an all-time maximum. In year 2018 decreased to 14.0 milliard EUR. Throughout the reporting period, the state budget revenue have been relatively stabilized. Development of the expenditure was followed by the development of the revenue. [6].

Table 6 Total revenue and expenditure of the state budget in the Slovak Republic (EUR mill.)

	2014	2015	2016	2017	2018
State budget revenue	14 108	14 495	14 277	15 390	13 983
State budget expenditure	17 392	17 479	16 247	17 383	15 956
State budget deficit	-3 284	-2 984	-1 970	-1 993	-1 973

Source: own processing based on data of the Ministry of Finance of the SR

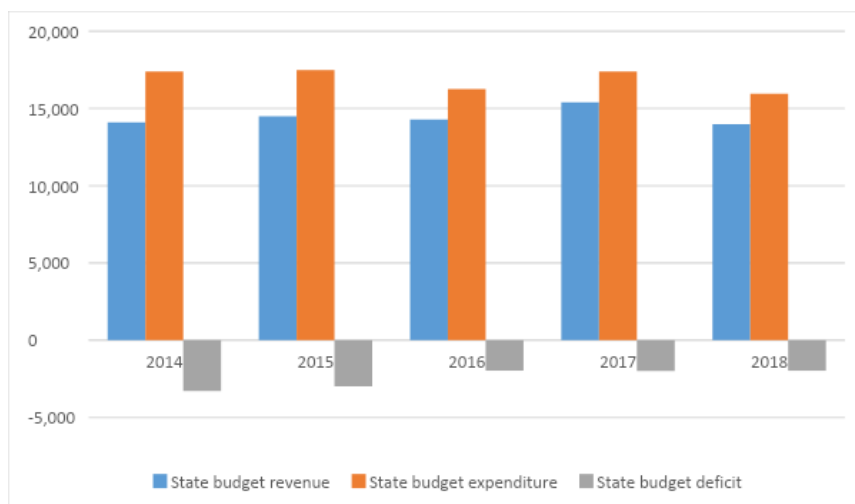


Chart 2 Total revenue and expenditure of the state budget in the Slovak Republic (EUR million)

Total revenue of the state budget in the CR have increased consistently in the reporting period (with the exception of their minimum decline in 2016). The revenue growth was not dynamic. Also the state budget expenditure moved in the period from 2014 to 2017 in a very narrow interval from 1 212 to 1 260 milliard CZK. Already in year 2017 the state budget of the Czech Republic was almost balanced. A significant growth of the state budget revenue took place in year 2018, when it reached a maximum height of 1 404 milliard CZK. This revenue

growth also has contributed to the fact that in year 2018 the state budget of the Czech Republic was in surplus. [3].

Table 7 Total revenue and expenditure of the state budget in the Czech Republic (milliard CZK)

	2014	2015	2016	2017	2018
State budget revenue	1 134	1 235	1 220	1 274	1 404
State budget expenditure	1 212	1 297	1 282	1 280	1 401
State budget deficit	-77,8	-62,8	-61,8	-6,2	3,0

Source: own processing based on data of the Ministry of Finance of the CR

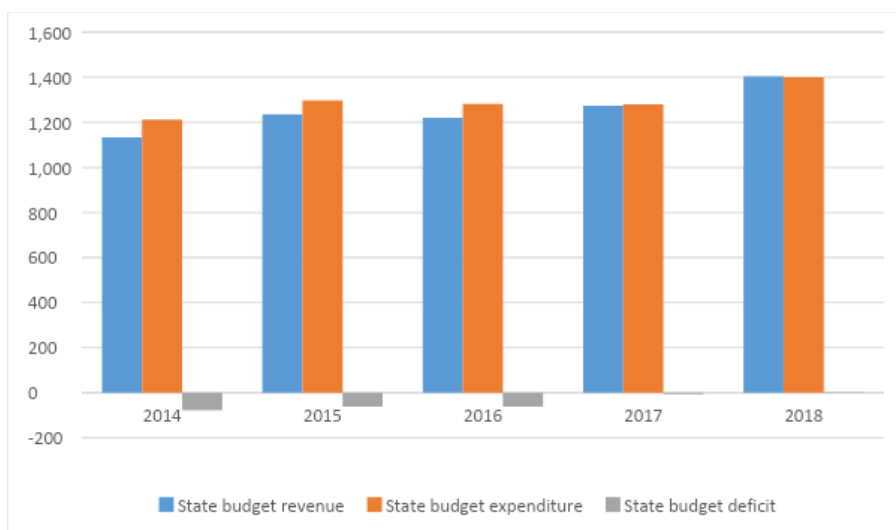


Chart 3 Total revenue and expenditure of the state budget in the Czech Republic (CZK milliard)

The Czech Republic has used a very favorable economic situation in the past five years in the order to achieve a balanced budget. [5]. The Slovak Republic has also reduced the state budget deficit gradually, however, the deficit still persists. In 2018 it amounted to 2.0 milliard EUR, what makes up 14.1% of the state budget total revenue.

This development was greatly affected by the fact that the Slovak government has introduced a number of measures, which have requested an increase in the state budget expenditure. In doing so, they are not a measures which would have brought structural changes in the economy and that would have a positive effect in medium or long term in the revenue part of the state budget or budgets of municipalities. There are, for example, a number of social packages, the

introduction of trains for free for a good part of the population, free lunch for school children, the pension ceiling, raising the Christmas allowance for retirees, vacation vouchers and more. These measures are an example of a disorderly and politically motivated fiscal policy, aiming, in particular, to strengthen the declining preference for political parties of the current government coalition.

Although is the goal of these measures of the Slovak government – help the social weaker groups of population - in terms of solidarity the right, some of these measures have been introduced across the board. This means that the expenditure from the state budget and other public budgets were addressed also to individuals, or families whose economic situation does not require.

CONCLUSION

The government of the Slovak Republic has implemented expansionary fiscal policy in the reporting period, in particular by increasing the expenditure in almost all major chapters of the state budget. This has helped to significant growth of the gross domestic product. Some of the government measures, such as the introduction of financial licenses, however, should take the form of restrictive fiscal policy.

The Slovak government declared several times that when the economy is doing well, it must to share with this success with the citizens. However, it does not take into account the fact that a balanced budgetary management and also a reduction of public debt can be achieved, especially in a period of dynamic economic growth. After growth of the economy will begins to slow and a recession and crisis come, a balanced budgetary management will be significantly more complicated.

The Czech Republic almost reached a balanced state budget in 2017. Greater revenue growth occurred up to the year 2018. It has contributed significantly to the fact that in 2018 the state budget surplus has been achieved. The surplus management was not only the result of economic boom, but primarily result of structural improvement in public finance. Structural balance achieved in year 2016 due to the influence of strong fiscal effort positive values.

The Slovak Republic also gradually decreased the state budget deficit, but failed to achieve a balanced budget. In 2018, the state budget deficit of the Slovak Republic amounted to 2.0 milliard EUR, what is 14.1% of the total state budget revenue. The Czech Republic was able to take better advantage of very favorable international and domestic economic situation in recent years.

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THE SINGLE GLOBAL CURRENCY VERSUS PRIVATE MONEY

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ABSTRACT

The paper presents and analyzes the views of F. A. von Hayek on the issue of mutually competing private currencies and the possibility of abolishing the state monopoly on the issuance of money. The economists discuss whether the dollar or the euro has less or greater chance of the survival in a situation of financial and economic turbulence. BRICS countries, such as Brazil, Russia, India, China and South Africa, are questioning the future of dollar as the main global currency. There are also proposals to create a single global currency. The IMF proposes the creation of a global bank to manage a single world currency. Contrary to these views, F. A. Hayek, the Nobel Prize winner for Economics, created the concept of so-called private money. Hayek's conception is based on the statement that money supply can be better ensured by private issuers. Hayek believes that the existence of generally accepted government monopoly on issuing money is not needed at all and even that it does not bring any benefits. He assumes that it would be possible to establish the institutions - banks of issue in various parts of the world, which would be entitled to issue mutually competing money. Money issued by various banks would have different denominations, and their relative value to other currencies could move freely. The bank of issue is interested to maintain a stable price level in terms of its currency relative to a certain basket of commodities. Hayek assumes that from several currencies that would be issued by private banks people always choose a better currency than the state currently provides. Hayek was against the creation of the single currency within the EU. He considered that the single currency would not be better than the individual national currencies. He suggested using the individual national currencies freely without restrictions and to release banking business in all EU Member States. The existing monetary and financial institutions could achieve such discipline and responsibility that would ensure to issue reliable and stable money. Each country would issue only the amount of money that would ensure its stability. The governments could therefore not abuse the currency issuance to cover deficits and to solve other problems.

Keywords: *global currency, global bank, F. A. Hayek, private money*

INTRODUCTION

In recent years, various interest groups that influence important economic, financial and monetary decisions have become the subject of many discussions.

The economists discuss whether the dollar or the euro has less or greater chance of the survival in a situation of financial and economic turbulence or how the Chinese Yuan and the ambitious Russian Rouble will affect the world trade. The representatives of the BRICS countries, such as Brazil, Russia, India, China and South Africa, are questioning the future of the dollar as the main world currency. Even the future of the euro is questioned by many economists.

There are proposals to create a single world currency that has its supporters who believe that the world currency would mean the end of the currency crises and also the end of the exchange rates. The idea of creating a single world currency was enforced in the 40s of the 20th century by J. M. Keynes under the name “bancor”. According to Keynes, the states would acquire bancor by buying or selling gold. He said the system would eliminate the threats of inflation and deflation and ensure the stability of the monetary system.

Nowadays, we can hardly imagine the functioning of the economy without the existence of the central bank. Contrary to these views, F. A. Hayek created the concept of the so-called of private money, thus rejected the model of central banking and the issuance of money by the state.

THE CONCEPTION OF PRIVATE MONEY ACCORDING TO F. A. HAYEK

Hayek’s proposal for denationalisation of money was first published in 1976 [1] and later revised and expanded in 1978 [2] and 1990 [3]. He stated that “governments should be deprived of their monopoly on money issue” [1]. Denationalization of money is both evolutionary and technically the simplest system to implement. It requires only the approval of a single law that cancel legal tender, along with some supporting provisions to protect emerging currencies. The aim is to achieve full monetary freedom by denationalisation of money in a free banking system.

Hayek’s conception is based on the claim that money is not different from other commodities. It would be better supplied by competition between private issuers because the private interest is the most effective motive to achieve the best results. Hayek believes that the governments have failed, must fail and continue to fail to supply money. This deficiency can be removed by competing private money and the abolition of the government monopoly on issuing money. Hayek believes that it is quite possible that the existence of the contemporary generally accepted and almost undeniable government monopoly on issuing money is not necessary and it does not bring any benefits at all.

History of money includes long series of inflations which are usually caused and driven by the government. According to Hayek, one of the arguments against the abolition of state monopoly on money is a concept of so-called “legal tender”. If the government has the monopoly on money and this monopoly is used for the

introduction of the single currency, it should also have the power to say that all money must be legal tender. Negative effects in the monetary system should be eliminated by allowing private entities to issue their own money that would compete with the money issued by the state.

Hayek assumes that it would be possible to establish institutions (“banks of issue”) in various parts of the world which would have the right to issue competing notes. He further assumes that the name or denomination that the banks choose for their issue will be protected, like a brand name or trade mark against unauthorised use and that there will be the same protection against forgery as against that of any other document.

Money issued by various banks would have a different denomination and their relative value to other currencies may fluctuate freely. If there are different competitive currencies, people will notice, whether their value is kept stable. Naturally, they will choose the currency which is the most stable and least vulnerable to inflation. Except the fact that the relative value of the individual currencies can be changed, money of different banks may vary in a degree of acceptability among various groups of people, liquidity and so on.

A wish of the public to have a currency of a particular bank is therefore an important factor which determines its value. At the same time, the issuing bank is interested to maintain a stable price level in its currency units with respect to a specific basket of commodities. In order to guarantee the stable value of its money, it can issue only as much money as the public is willing to hold and accept. It shall not increase the amount of a given currency because this would cause a rise in the price level of commodities in units of issued currency. The bank should also not permit a drop in the supply of its currency below the level what the public wishes to hold, to avoid having to cut spending which would cause a decrease in commodity prices in the given currency.

Important information for the issuing banks would be the exchange rate of a given bank against other currencies. The banks would respond to the need of decreasing or increasing the amount of their money in circulation either through lending or selling their currency. The quick and immediate operations with the immediate effects would be implemented by buying or selling currencies on the stock market. The operations with the long-term effects would be realized by the changes in lending policy.

Hayek points out that a stable value of money can be secured only by the suitable regulation of the amount of money in circulation. The amount of money in circulation depends in turn on the wishes of the public to keep money of a given bank and not on the demand for loans. The irresponsible increase of the money in circulation could cause that reverse flow of money to the bank will be faster than the public demand to hold money. The banks would issue money covered by

assets protecting their stability and the competition would prevent the issuing of an excessive amount of money.

When analysing the problem of what currency the public would select, Hayek assumes that people always select from a number of competing private currencies a better currency than the state currently provides [5].

A decisive factor that would determine a general preference of a currency with the stable value is the fact that only the stable currency can realistically calculate and compare the prices, costs and profits. This affects the long-term choice of people to choose between alternative currencies. The inputs and outputs of the production can be objectively valued and compared only through the currency that is stable in the long- term.

The main advantage of the abolition of the government monopoly on issuing money lies in the fact that in terms of competing issuers, entities who have an immediate economic interest to affect the amount of money in order to be most advantageous for users, take the responsibility for the amount of money, its value and stability.

Hayek was aware that proposals for a free issuing of private competing currencies encounter resistance from politicians, governments, banks as well as many economists - theorists and practitioners. Implementation of such a radical new monetary system requires far-reaching political and institutional changes. The reforms proposed by Hayek in this respect are complementary: the monetary system, which he suggests (private competing currencies) can be realized only under the conditions of reducing government interventions in the economy. At the same time, government intervention in the economy can be reduced by abolishing the state monopoly on issuing money. A strong opposition to the abolition of the state monopoly on issuing money can be expected on the part of bankers accustomed to the routine mechanism of banking, central banks and many leaders from the banking who are not be able to imagine how could work the monetary system of private competing currencies and therefore these idea will be described as impossible and impracticable.

Despite such a strong opposition to private money, Hayek does not give up and argue passionately in favour of the abolition of state monopoly on money and in favour of private competing currencies. He proposes to abolish the state monopoly in this area also because the governments have consistently abused their position during the entire history and thereby significantly disrupted the automatic functioning of the market mechanism.

The introduction of concurrent competing currencies would give people an alternative, while it would not mean necessary any change in their normal use of money. Experience would show them how to improve their situation moving to other kinds of money. According to Hayek, introducing competing currencies and

abolishing the state monopoly on money must be done at once and not gradually. For the successful implementation of this proposal it is necessary to create free competition between issuing banks and the full freedom of movement of all currencies and capital abroad. People would trust the new money only if they believe that it was completely exempt from any state control. Only if the private banks are under the strict control of competition, it could be expected to keep a stable value of their money [3].

Hayek believes that the competition will create new, previously unknown possibilities in the monetary area [4]. As soon as the new monetary system would be established, the competition eliminates unsuccessful enterprises, only a few widely used currencies will remain in the free system. In some major regions of the world, one or two currencies would have a dominant position, but these regions would have no precisely defined limits of their use. Naturally, if the money issued by the state was recognized and stable, people would likely continue to favour just this state money. But the pressure of competing private currencies would contribute to stabilize the price level and would keep the inflationary pressures under control.

RESULTS AND DISCUSSION

Hayek was against the creation of the single currency within the EU. He believed that the single currency would not be better than the individual national currencies. He suggested using the national currencies freely without restrictions and to release banking business in all EU Member States.

The existing monetary and financial institutions could achieve such discipline and responsibility that would ensure to issue reliable and stable money. Each country would issue only the amount of money that would ensure its stability. The governments could therefore not abuse the currency issuance to cover deficits and to solve other problems. This would bring such discipline and responsibility to the existing monetary and financial institutions to ensure issuing reliable and stable money. Each country would issue as much money that would ensure its stability.

According to Hayek, “the introduction of the new European currency would ultimately have an effect on more deeply entrenching the source and root of all evil coming from the government monopoly on the issue money” [5]. He strongly sympathised with a desire to complete the economic unification of Europe by releasing the flow of money across countries. He strongly doubted whether this would be achieved by creating the new European currency regulated by some supranational authority.

Hayek was of the opinion that it was highly unlikely that the single currency would be managed better than currently managed individual national currencies. And unless it is better managed, the single international currency will be in many ways worse than the individual national currencies. The countries with more

developed money market will be exposed to many prejudices that affect the decisions of other countries. The objective of the supranational authority should therefore be to protect the EU Member States from the harmful measures of other countries.

The problems currently faced by the EU and the Eurozone are confronted with the views of F. A. Hayek and are the subject for further deeper scientific discussion and exchange of ideas between economists and politicians [3], [6].

CONCLUSION

F. A. Hayek [1] summarized his views of how the monetary system should work to 10 points:

1. The state monopoly on money must be abolished to prevent the formation of repeated inflation and deflation.
2. The abolition of the state monopoly on money will gradually alleviate and prevent cyclically recurring economic crises and high unemployment.
3. The monopoly on money allowed the government a significant increase in government spending, the emergence of a public finance deficit and the ability to repay this deficit.
4. Abolition of the monopoly on money would make it impossible for the government to restrict the international movement of money, capital and people, thereby creating the conditions for trade for all who are exposed to oppression.
5. The following four problems - inflation, instability, incompetence and inefficient government spending, and economic nationalism, have a common origin and a common treatment: replacing the state monopoly on money by the competition in currency supplied by private issuers, who will regulate the quantity of issued money in order to maintain the value and stability of money as well as the public trust. This system can be called "private money".
6. Money does not have to be created by governmental provisions as legal tender. Like language, morality, law, money can arise spontaneously. People preferred such private money to state money, but governments usually abolished it.
7. If there is the government monopoly on money, the gold standard is the only acceptable stable system, despite all its imperfections. However, it is much better to abolish completely the state monopoly on money.
8. In a world that is dominated by various organized interest groups, one cannot rely on goodwill, intelligence and understanding, but only on own economic interest. In this respect, the wisdom of Adam Smith is still valid and unquestionable.

9. The proposal to abolish the state monopoly on money does not constitute a minor technical measure in the area of finance, but it is a radical key reform that can decide the fate of free civilization.
10. The urgency of introducing competition in currency needs to be explained to the public by a Free Money Movement that should be comparable to the Free Trade Movement of the 19th century.

F. A. Hayek is the author of many revolutionary ideas and original economic theories. Historical experience shows that this type of personality is needed in every area of life and every scientific discipline.

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TO SOME CONNECTIONS BETWEEN REMITTANCES AND FINANCIAL INCLUSION

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ABSTRACT

Global remittances flow has been rising considerably over the last decade. Their share on GDP reaches several tens of percent of GDP in some (especially developing) countries. Remittances, in terms of size, are not only one of the main capital inflows in developing countries, often even more substantial than ODA, but they also appear to have a robust positive effect on economic growth. This paper presents an overview of the nexus between remittances and financial inclusion. An estimated two billion or 38 per cent of working-age adults globally have no access to financial services. Among the financially excluded are migrant workers and their families in their home countries. Without access to financial services, savings cannot accrue interest in deposit accounts, they cannot be lent out to be reinvested in the local economy. The economic potential of the funds is therefore largely untapped due to the inadequate engagement of the financial sector to the specific needs of migrants and their families. Because of the centrality of remittances to development, it is vital to develop the right array of policies and interventions targeting demand, supply and the market environment.

Keywords: *Remittances, financial inclusion, financial services*

INTRODUCTION

Each year millions of migrants send remittances, i.e. money earned abroad back to their country of origin. They participate in globalization by engaging in international labor markets, creating family bonds and obligation across countries. The development impact of migration and the ensuing international remittance flow have become increasingly the subject of research and policy discussions.

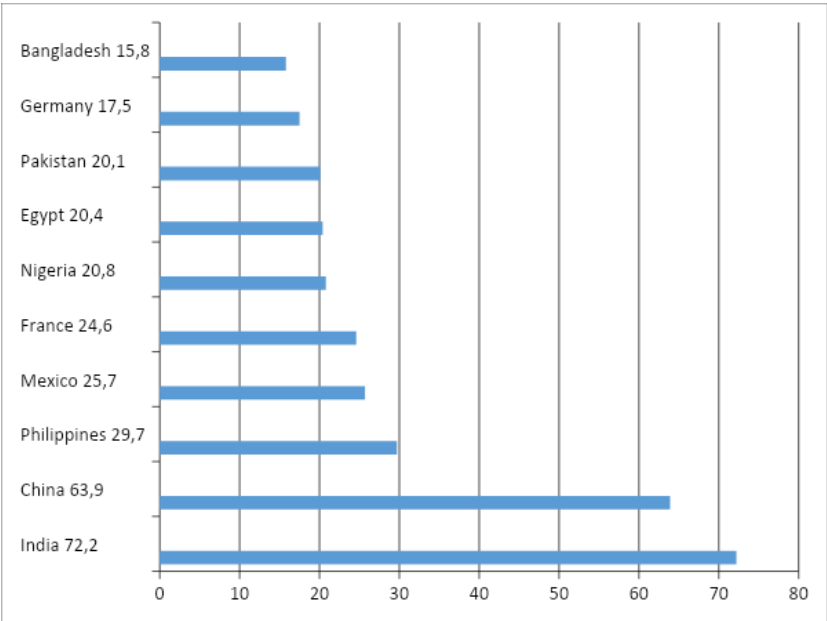
International organizations, as well as the scientific community, discuss in particular ways of the realization of these money transfers, as well as the economic impact of the given operations on the country of origin of the migrant.

The intensification of the research related to the remittances is undoubtedly connected with the steep rise in their amount over the last 20 years.

While in 1995 the world remittances flows reached 102 billion USD, in 2015, the value equaled 601 billion USD. They are less important than FDI, but surpass by far official development assistance [5]. In some countries, the remittances reach several tens of percent of the GDP.

The causes of this trend are not only due to the increase of the number of migrants and the rise in their income, but also due to the higher quality of data collection and to the decrease in the costs related to money transfers to the country of the migrant's origin. This trend is unlikely to reverse in the medium to long term. Migration is expected to continue and costs of remitting are falling, providing a lower threshold for migration.

The importance of the remittances as a potential source of economic development can be illustrated graphically.

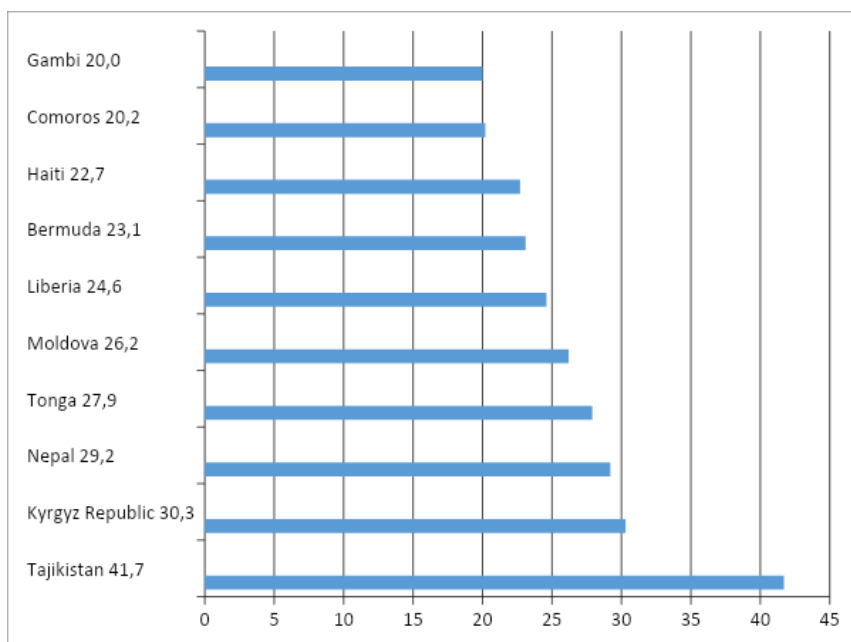


Graph 1 – Top Remittance – Receiving Countries, 2015, USD billions

Source: Development Indicators Group, Migration and Remittances Factbook, World Bank 2016

The data provided in Graph 1 refer to the absolute values of the current main remittance flows. In 2015, the top recipient countries of recorded remittances were India, China, the Philippines, Mexico, and France.

It is also useful to monitor the share of remittances in GDP. This is particularly important from the point of view of the potential risk of the development of dependency of the country concerned with remittance inflow. As a share of GDP, however, smaller countries such as Tajikistan, the Kyrgyz Republic, Nepal, Tonga, and Moldova were the largest recipients [6].



Graph 2 – Top Remittance – Receiving Countries, 2014, percent of GDP

Source: Development Indicators Group, Migration and Remittances Factbook, World Bank, 2016

THE EFFECT OF REMITTANCES ON FINANCIAL INCLUSION

Migrants send on average USD200, typically on a monthly basis. While this amount may appear small, it is often 50 per cent or more of their family's income back home. These flows constitute a critical lifeline for millions of individual households, helping families raise their living standards above subsistence and vulnerability levels. Moreover, these remittances lead to improved health, education, housing and levels of entrepreneurship. Remittances are often the first experience of a financial inclusion.

Their countries of origin, benefiting 500 million people in developing countries [1]. However, a large portion of these remittance receivers remain unbanked, particularly in rural areas, which receive 40 per cent of total remittances. In addition, migrant workers also face difficulties in using financial services adequate to their needs (ibid). Therefore, governments, the private sectors (full-service banks, postal networks, and mobile phone companies, among others) have the dual challenge of expanding access to financial services (particularly in rural areas where the majority of the financially excluded reside) and of

broadening the range of financial products offered to remittance senders and recipients.

In this section we explore the exact channels in which changes that may cause remittances to increase financial inclusion are taking place. We look at demand, supply and policy factors.

Demand side and financial inclusion needs

The most important and identified demand migrant workers voice is remitting money to their families in a secure manner, quickly and at affordable costs. Nonetheless, migrant workers often require additional financial services such as savings, insurance and housing loans in order to cover personal needs in the home country and to finance family needs and entrepreneurial endeavours or established businesses back home.

Beyond some common characteristics, financial needs and behaviours vary widely among migrant workers. Migrant workers' financial goals evolve over time, since their financial needs are determined according to their migration cycle. In addition, regions/countries of destination and the skills and level of education of migrant workers also determine their level of earnings, their ability to save and remit money home and their demand for specific financial products and services. For example, remittance transfer services and a safe place to store money are essential for the lowest-income segments; but higher-income segments demand products such as remote bill payment and savings systems, or more sophisticated products such as housing loans.

For migrants settled in a host country on a long-term basis, needs evolve from remitting money home to family to building savings for household expenses, to more sophisticated projects and products such as financing housing.

In order to cater to their clients' evolving needs, financial service providers should be able to offer an array of suitable products [3].

A wide array of institutions exists to respond to the vast demand for remittance-sending services. Commercial banks, recognizing the vast size of remittance flows however small individual amounts may be, are increasingly interested in targeting this new market segment. Hernández-Cos states that "by developing formal remittance channels that are competitive with informal ones, the formal financial sector has an incentive to develop and benefit from the overall opportunity to grow and expand through the remittance market" [2].

Regular remittances can reduce informational problems because the continual inflow of money from abroad allows the lower-income segment of the population to build a sound financial history with a financial institution. Through the remittance inflow, the bank gets an insight into the client's income and expected

future funds, thus indicating the potential creditworthiness of the recipient, since a constant (future) inflow can repay loans. Banks thus obtain information about prospective loan clients, reducing the problem of adverse selection.

Supply side and financial inclusion

This section presents the different types of institutions involved in the remittance market. It highlights the potential for each type of institution to increase financial inclusion by providing better access to and use of financial services.

Transaction-based Remittance Service Providers (RSPs)

The transaction-based RSP business model relies on processing a high number of small-value transactions. Initially, RSPs offered a cash-based product that covered the basic and most universal need of sending and receiving money. The spread of mobile phones and electronic payment applications has allowed this type of RSP to deliver a wider array of payment features, increasing convenience for the senders.

Due to extensive agent networks, traditional Mobile Network Operators (MTOs) still lead the remittance market with cash-to-cash transfer services, have contributed to absorb flows generated by unregulated and illegal providers, and are still developing new corridors. However, in-cash global transactions remain globally expensive, and exclusivity clauses in MTOs' agent model agreements limit competition.

Online platforms offer the option to eliminate cash at the sending end, where migrant workers are equipped with payment cards and are familiar with online payments. This facility can offer lower operational costs in environments where costs for in-cash transactions are getting higher.

In host countries, retail banks generally do not consider migrant workers' remittance-sending needs as a specific or lucrative business. These banks generally avoid in-cash transactions in their branches, propose unadapted wire transfers and use restrictive identification requirements resulting in poor service provisioning for migrants workers. Conversely, some banks have developed dedicated business lines for migrants covering their financial needs in their home country. However, these institutions are generally only present where large migrant communities have settled and with whom they are able to develop long-term relationships and returns on investments (e.g. Mexico-United States, Morocco-Europe).

Banks in the country of origin rarely develop and provide specific services for migrants beyond in-cash remittances, and they rarely target the low-income population that receives remittances.

Remittance market environment

The market environment factors hindering financial inclusion among remittance senders and recipients are broadly clustered into two categories:

- Supply factors and
- demand factors.

When combined, these factors missed opportunities to foster financial inclusion among migrants and their families.

In order to improve levels of financial inclusion among remittance senders and recipients, governments should consider a legal and regulatory approach that alleviates both supply and demand-side constraints.

Remittance markets that are contestable (i.e. open to a wide range of RSPs) are characterized by improved efficiency, increased availability of services and lower costs for consumers. Therefore, governments should pursue legal and regulatory measures that promote competition in the market for remittances, for example, by prohibiting anti-competitive behaviors such as exclusivity agreements.

Exclusivity agreements between RSPs and their agents prohibit agents from offering the services of any other RSP, thereby reducing capacity of other RSPs to expand their network, and consequently reducing users. By restricting this choice, exclusivity agreements may result in a de-facto local monopoly [4].

From the perspective of migrants and their families, improving the transparency of the various cost elements and service conditions of remittance products, like other payment instruments, helps promote confidence and trust in the products, thereby promoting adoption and usage.

Consumers should also be protected from loss of funds due to operational failures, mismanagement or fraud. For this purpose, regulators should set prudential requirements to ensure that RSPs governance structures take appropriate measures to meet their fiduciary responsibilities to their customers and risk management practices to manage financial (liquidity and solvency).

CONCLUSION

The perception of the role of migrant workers in development is shifting. Governments and institutions are beginning to realize the vast potential of mobilizing migrant capital for the development of national and local economies.

Because migrants specifically, and financially uneducated peoples generally, lack access to remittance services and are often unaware of complementary products, governments and the private sector should investigate new and innovative ways to reach these communities.

Innovation should focus on:

- Modernizing technology in pay-out networks and
- Improving payment systems infrastructure.

Sending countries promote partnerships between different types of institution from both sending and receiving countries. These institutions should be encouraged to provide alternatives to in-cash transfers and to offer complementary products beyond transfers. Furthermore, they should be encouraged to promote online access and products, create linkages with regulated RSPs, increase access points and reduce sending costs.

Receiving countries should increase the number and the penetration of access points to receive cash. This in turn will improve the interaction between low-income remittance recipients and regulated financial institutions.

It is vital too to promote legal and regulatory frameworks that are sound, non-discriminatory in both sending and receiving countries should be promoted. It is equally important to ensure that competition is enhanced by encouraging more actors to enter the marketplace, discontinuing exclusivity agreements when they hamper competition.

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Section LAW

APPLICATION OF THE BLOCKCHAIN TECHNOLOGY IN ORGANISATIONAL UNITS WITH LEGAL CAPACITY OR LEGAL PERSONALITY, FOR THE LAW AS IT STANDS AND THE LAW AS IT SHOULD STAND (*DE LEGE LATA AND DE LEGE FERENDA*), ON THE EXAMPLE OF REGULATIONS OF POLISH LAW

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ABSTRACT

The statement concerns the scope of possible application of the blockchain technology in organisational units with legal capacity or legal personality, for the law as it stands and the law as it should stand (*de lege lata and de lege ferenda*) in the regulations of Polish law. Organisational units in which the use of this technology is being considered (*de lege lata*) in the area related to trading in stocks in dematerialised form, include companies. This technology can be used – in the event of the adoption and entry into force of the proposed provisions – in accordance with the current draft amendments to the Code of Commercial Companies in a so-called simple joint-stock company in the area of keeping stock records. The organisational units in which the use of blockchain technology in a wider scope than mentioned above can be considered *de lege ferenda* should include, with the assumption of dematerialisation of equity interest (or other participation units than equity interest), primarily capital companies, mutual insurance companies (or mutual reinsurance companies) and cooperatives, including in particular European cooperatives, as well as commercial partnerships. One cannot exclude the admissibility of using blockchain technology, for the law as it should stand, also with regard to other organizational units having legal capacity, in which there are legal institutions identical or similar to those above-mentioned, also in other legal systems than in Poland. This study applies primarily the formal-dogmatic method in relation to generally applicable legal acts, and within this methodology, as a rule, all available methods of interpretation, including in particular linguistic interpretation and systemic interpretation.

Keywords: *blockchain technology, organisational units, commercial companies and partnerships, cooperatives, mutual insurance (or reinsurance) companies*

INTRODUCTION

Blockchain is a decentralised and distributed database (register) in the open source model in a peer-to-peer internet network without central computers and without a centralised data storage facility, used for recording individual transactions, payments or accounting records encrypted with cryptographic algorithms[1]. Each participant in a given network has access to the distributed register and can add an operation which must then be verified by all other participants of the network. The register consists of blocks that contain operations carried out within the network, time-marked and thus authenticated. Each block contains the end of the previous block, which allows them to be connected in a chain[2]. Each blockchain consists of two groups of participants: 1) register operators (parties that carried out an operation between them (e.g. entered into a sales contract), 2) all users of a given blockchain network (peer-to-peer network), who certify the authenticity of the operation (contracting parties, a notary, city council, etc.). Transactions are digitally signed using the so-called public key cryptography with Elliptic Curve Digital Signature Algorithm (ECDSA) and are public[3].

As part of the blockchain technology, so-called smart contracts are used. These are digital versions of traditional, classic “paper” contracts – computer protocols (software) designed to digitally facilitate, verify or force the negotiation, conclusion, modification or performance of a contract[4]. As a result of their application – like in the case of a classic contract – the parties of a contract are legally bound to the extent as specified in its content. Smart contracts enable the execution of credible transactions without involving third parties. These transactions are recorded and are irrevocable. Some contractual clauses used in smart contracts may be partially or fully self-executable or self-enforceable or have the characteristics of the former and the latter. Smart contracts can also combine and cooperate with other smart contracts[5]. They are designed to provide transaction security beyond the traditional, classical, “paper” contract law and to reduce other transaction costs associated with contracting.

The advantages of the implementation of a blockchain, resulting directly from the properties of this technology[6], are elimination of intermediaries and reduction of process fragmentation (the blockchain technology, being based on encoded cryptographic structure, does not require any intermediary institution to verify transaction data or confirming its participants), increased transparency, better security (blockchain technology is resistant to cyber-attacks, security is ensured by cryptography), innovation, the fact that distributed network eliminates the need for duplication of accounting documents, and therefore eliminates the risk of double records, lower risk for liquidity of the financial system, lower requirements for guarantee capital, the fact that due to distributed and decentralised character, a blockchain is resistant to all kinds of IT system failures, as well as transparency, efficiency and authentication (authorisation) of blockchain-based registers.

Obstacles to the implementation of the blockchain technology may include mostly [7,8] the costs related to the implementation of this technology to the banking system (in terms of the relationship between outlays and profits), high energy cost of technology use due to high computing power in certain types of blockchain technology, regulatory conditions (existence of relevant legal regulations that allow the use of this technology), relatively low trust in blockchain technology and the resulting rare use thereof, the fact that the introduction of a common system by banks may lead to a loss of control and performing the role of an information processing point only.

The category of organisational entity that has legal personality or does not have legal personality, on which the statute confer legal capacity, and the scope of application of blockchain technology

The basic context in which the legislature uses the conceptual category of organisational unit is the normative distinction of legal entities other than natural persons, i.e. legal persons (Article 33 of the Act of 23 April 1964 – The Civil Code, consolidated text: Journal of Laws of 2019, item 1145 – CC, e.g. limited liability company and joint-stock company) and organisational units that are not legal persons on which as statute confers legal capacity (i.e. the so-called third category of entities in civil law – Article 33¹ of the CC, e.g. commercial partnerships: general partnerships, limited liability partnerships, limited partnerships and partnerships limited by shares)[9]. The context may also include a normative distinction of organisational units that are not legal entities at all: they do not have personality or at least legal capacity, thanks to which they could be included in the category of entities from the so-called third category of entities (e.g. entities operating in the area of public finance, such as so-called *stationes fiscali*)[10]. Legal person is an organisational unit, which is granted legal personality (the attribute of legal personality) by a statute, while an entity from the so-called third category is an organisational unit that is not a legal person (not having legal personality), which is granted legal capacity by a statute. Taking into account differentiated criteria of typology of organisational units that constitute legal persons as compared to organisational units in general, the following types and kinds (examples) of these units can be distinguished[11]: 1) those not having legal-subjective separateness (not being legal entities), those having legal-subjective separateness (being legal entities), including those having legal personality or those not being legal entities but having legal capacity, 2) corporate entities and foundation-type entities, 3) public and private entities, 4) those only liable with their property and those for whose obligations also other persons are liable, 5) independent and dependent.

In the group of organisational units constituting separate legal entities, i.e. being legal entities, or organisational units without legal personality granted legal capacity by a statute, in which the application of the blockchain technology seems, due to the regulations currently in force in the Polish legal system, most feasible and most reasonable both from a theoretical and practical perspective, are

commercial companies and partnerships. Commercial companies and partnerships in Polish law include: 1) partnerships (general partnership, limited liability partnership, limited partnership, partnerships limited by shares), and 2) companies (limited liability company, joint-stock company, including a European company incorporated in the Republic of Poland).

In addition to typical companies/partnerships, the literature also distinguishes so-called para-companies/para-partnerships *quasi* based, to a significant extent, on the legal structure of commercial companies/partnerships (including a specific company/partnership) due to the fact that regulations on specific commercial companies/partnerships are applied accordingly to them under the law[12]. This refers to European Economic Interest Groupings (EEIG) based on the territory of the Republic of Poland (constituting a so-called para-partnership), to which the provisions on general partnership are applied accordingly, pursuant to the EEIG Regulation and the Polish Act on EEIG and SE, and mutual insurance company (or mutual reinsurance company) constituting so-called para-companies, to which the provisions on joint-stock company shall apply accordingly[13].

European cooperative based in the territory of the Republic of Poland has, on the one hand, the elements of commercial companies/partnerships, especially companies (specifically limited liability company) and, on the other hand, cooperative (a legal construct distinct from company/partnership), which is sometimes treated as a special form of company, especially due to the fact that its incorporation and operation requires paying in the share capital divided into shares, characteristic of limited companies. These shares, like shares in limited liability company (or shares in a joint-stock company) are negotiable, so they can be traded legally (which requires mentioning from the perspective of the potential use of blockchain in this area).

In view of the above, this study will be devoted to a significant, predominantly use of blockchain technology in commercial companies, para-companies (para-partnerships), as well as European cooperatives.

APPLICATION OF THE BLOCKCHAIN TECHNOLOGY UNDER THE LAW AS IT STANDS (*DE LEGE LATA*)

The current legal provisions do not directly provide for the possibility of using blockchain in general, including in the area of commercial companies/partnerships or so-called para-companies/para-partnerships. Due to the construction and advantages of blockchain (the presentation of which goes beyond the framework hereof), in the practice of legal transactions the possibility of using it in the area of capital companies has been noticed, especially with regard to a joint-stock company in terms of dematerialised participation units in this company (including e.g. shares), to issue shares or trade these shares primarily in the so-called exchange trading (this refers to a settlement system based on the technology of a distributed register of dematerialised shares).

It would be debatable whether the legislature should introduce a clear legal basis for the use of blockchain in relation to specific legal institutions, in the case of which the admissibility of the use of this technology is within their nature. It seems that, as a rule, the need to introduce a clear legal basis for the use of blockchains exists only where due to the essence of a given legal institution, including institutions in the area of company law (and so-called para-companies/para-partnerships), doubts arise about the possibility of using a blockchain. One may consider whether the introduction of such regulations should first refer to the so-called e-companies (established using model activities available in the ICT system).

Article 300³¹ § 3-4 et seq. of the draft amendment to the Code of Commercial Companies and certain other acts [14] regarding the so-called simple joint-stock company (SJSC) proposed the option of “keeping” records of shares of this company in the form of a distributed and decentralised database, which ensures the security of data contained therein and proper performance of the duties of a record-keeping entity. The basis for the use of this option is the total dematerialisation of shares of a SJSC (waiving the possibility of issuing shares in the form of documents), which should be assessed as a fairly correct legal structure from the perspective of current conditions and needs of business transactions. In contemporary legal and business transactions, in the face of the growing digitisation of all areas of life, the use of documents becomes less cost-effective, and moreover: there are many risks associated with them, including the risk of counterfeiting or a more complex process of trading them. In addition to the above-mentioned Article 300³¹ § 3-4 et seq. of the draft amendment to the Code of Commercial Companies, other regulations included in the draft with regard to SJSC do not refer directly to a decentralised database (presumably subject, within the remaining extent, to the requirements characteristic of the traditional manner of organising stock records).

Under this regulation, it would be reasonable to ask the question as to whether the record can be arranged on a public blockchain, or the ability to run it will be limited to a private blockchain. The draft promoter in the Grounds for the draft Act on amending the act – Code of Commercial Companies and certain other acts of 12 February 2019 (grounds for the draft Act on SJSC)[15] refers to a decentralised database with limited access (without going deeper into this issue), whereas the proposed provisions do not directly provide for such a requirement (limitation). It seems that it would be possible to “keep” records of shares on a public blockchain as long as, according to the above-mentioned regulations, the security of the data contained therein and proper performance of duties of the record-keeping entity are ensured. Due to the nature of blockchain, the term “record keeping” is more of a metaphorical sense in this case. As regards records maintained in a decentralised manner by globally distributed entities supplying computing power for the needs of a distributed network, the more appropriate term would therefore be “maintaining and controlling” the records infrastructure.

In the practice of applying the above regulation, “record keeping” should mean the possibility of appropriate interference of the “keeping” entity in the register, including in particular: 1) verification of new entries and denial of their execution in a situation where the sale of shares would take place with omission of the restriction on their negotiability or was made without legal basis; 2) interference in existing entries in order to make updates (including modifications) resulting, for example, from the obligation to enforce a final court judgment or enforcement proceedings. So-called smart contracts can be helpful in this respect.

There is no doubt that the draft act on SJSC makes it possible to keep records on a private blockchain wholly controlled by the operator (however, this significantly reduces its potential application and cost-effectiveness of use). It is therefore necessary to extend the reflection onto the possibility of dematerialisation of securities other than shares, or instruments of entitlement issued by a SJSC, as well as a joint stock company, such as founder’s certificates, utility certificates or subscription warrants, as well as other participation units generally in commercial companies/partnerships and para-companies/para-partnerships and European cooperatives.

APPLICATION OF THE BLOCKCHAIN TECHNOLOGY UNDER THE LAW AS IT SHOULD STAND (*DE LEGE FERENDA*)

Bearing in mind the structure and advantages of blockchain and regardless of the scope of currently applicable regulations in this area, it should be proposed to consider using it primarily in companies and mutual insurance companies (or mutual reinsurance companies), apart from using it to keep the accounts of these companies – which also applies directly to keeping accounting books other than companies and other legal entities), primarily with regard to dematerialised participation units, in particular in terms of: 1) issue of shares (in dematerialised form) in a joint-stock company (including a European company); 2) trading equity interest and other participation units (including both the shares in a joint stock company and European company, and shares in a limited liability company, mutual insurance company, mutual reinsurance company) and related book-keeping for these rights (share register, stock ledger, etc.), which should be referred to, apart from companies and para-companies, also to European cooperative; 3) making additional payments towards shares in a limited liability company (using so-called smart contracts); 4) payment of a dividend (occurring in various legal forms) – using so-called smart contracts; 5) payment of the equivalent for a redeemed equity interest (share) with the use of smart contracts; 6) payment of a dividend (appearing in various legal forms) – using so-called smart contracts; 7) payment of the equivalent for a redeemed equity interest (share) with the use of smart contracts.

Due to the structure and advantages of blockchain and regardless of the scope of currently applicable regulations in this area, it should be proposed to consider using it also in commercial partnerships and EEIGs (based in the Republic of

Poland), apart from using it to keep the accounts of these companies – which also applies directly to keeping accounting books other commercial companies/partnerships companies and other legal entities (primarily assuming the dematerialisation of participation units), in particular in terms of: 1) trading in the entirety of rights and obligations of a participant in a general partnership, limited liability partnership, limited partnership, general partner in a partnership limited by shares, and share in EEIG (based in the territory of the Republic of Poland); 2) payment of profit (using so-called smart contracts); 3) payment of the interest on equity interest (using so-called smart contracts); 4) property settlements with a partner leaving the partnership (including the payment of the so-called equity interest) using so-called smart contracts. As regards limited joint-stock partnership (in the area of shareholder's rights), it may be suggested to use blockchains to the same extent as in a joint-stock company.

One should also notice, in view of the law as it should stand (*de lege ferenda*), the possibility of using the blockchain technology with regard to other organisational units with legal capacity in which there are legal institutions identical or similar to the above indicated, including dematerialised participation units, justifying the use of this technology. This also applies to organisational units with legal capacity in which there are legal institutions identical or similar to the above indicated, including dematerialised participation units in other legal systems than Polish.

CONCLUSION

First of all, blockchain is a technology of a very large potential from the general perspective of its use in organisational units that are separate legal entities (having legal personality), in particular in commercial companies/partnerships, para-companies/para-partnerships, cooperatives, including primarily in European cooperatives.

Secondly, the currently applicable does not explicitly provided for the possibility of using blockchains in general, but in the practice of legal transactions the possibility of using it in the area of capital companies has been noticed, especially with regard to a joint-stock company in terms of dematerialised participation units in this company (including e.g. shares), to issue shares or trade these shares primarily as part of public trading.

Thirdly, in the draft act concerning so-called SJSC it has been proposed, assuming that total dematerialisation of shares is in place, the possibility of keeping stock records in the form of a distributed and decentralised database that ensures the security of data contained therein and proper performance of the duties of a record-keeping entity, and therefore also on a blockchain, which should be referred directly to both a private blockchain or a public blockchain (in which the security of data contained therein was ensured as well as proper performance of the duties of a record-keeping entity).

Fourthly, the use of the blockchain technology should be considered as a proposal for law as it should stand (*de lege ferenda*), especially in the area of bookkeeping or dematerialised participation units, including primarily in the field of share issues, trading quity interest and other participation units, making additional payments towards shares in a limited liability company, payment of dividends, payment of the equivalent for a redeemed equity interest (share), dividend payment, payment of the equivalent of the redeemed equity interest (share), trading the entirety of rights and obligations of a participant in a general partnership, limited liability partnership, limited partnership, general partner in a partnership limited by shares, and share in EEIG (based in the territory of the Republic of Poland), payment of profit, payment of the interest on equity interest, property settlements with a partner leaving the partnership – in relation to the above-mentioned participants in commercial partnerships.

Fifth, for the law as it should stand (*de lege ferenda*), it should be noted the admissibility of using the blockchain technology also with regard to other organisational units having legal capacity, in which there are legal institutions identical or similar to those above-mentioned, also in other legal systems than in Poland.

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CURRENT SELECTED LEGAL AND ETHICAL ISSUES OF REGULATION IN THE FIELD OF ROBOTICS

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ABSTRACT

The contribution focuses on the analysis of the most urgent and relevant issues in the field of legal regulation of robotics, including the prospects of future development and the proposals *de lege ferenda*. In particular, it will be dedicated to the determination and delimitation of the relevant terms, the issues of liability for harm caused by autonomous robots, the eventuality of the creation of electronic personality and its possible impacts, including correlation with the field of human rights. The comparative method was widely used, as well as deductive and inductive methods, which enabled to proceed from general hypothesis to the special and concrete manifestation in certain areas.

Keywords: *autonomous robot, smart robot, artificial intelligence, liability, electronic personality*

INTRODUCTION

Huge interference of robots and other kinds of artificial intelligence in everyday life is raising a lot of legal and ethical problems, which are still waiting for their proper solution.

Terminological issues and the differentiation of the relevant notions.

The terminology itself in the mentioned area is not yet unified and is very confusing. This fact was *expressis verbis* pointed out by the Commission in its response to the European Parliament resolution on Civil Rules on Robotics, where it states, that : „The diversity in this field makes it difficult to clearly make a distinction between what constitutes Artificial Intelligence/Robotics and what does not. More analysis is necessary to decide about suitable definitions and criteria in particular when it comes to their use for regulation purposes.“ [1]

Even a slight glance on different documents confirms these concerns, as it is possible to meet with a broad variety of the used terms, as for instance „robot“, „artificial intelligence“, „electronic person“, even „electronic agent“, etc. That is why the primary question, which must be satisfactorily solved, is a proper determination of the relevant notions.

The European Parliament Legal Committee in its study on European Civil Rules in Robotics [2] operates with notions: „autonomous robot“ and „smart

robot“. In particular, this document is seeking for elaboration of a generally acceptable definition of „autonomous robot“, while analysing the different proposals. In this respect it supported the description of autonomous robots as „the ability to take decisions and implement them in the outside world, independently of external control or influence; whereas this autonomy is of a purely technological nature and its degree depends on how sophisticated a robot’s interaction with its environmental has been designed to be“.

This definition is been accepted with only one reservation namely, the requirment to delete the words „or influence“ as too vague and capable to make the confusions. [2] Concerning the content of the term „smart robot“ as an appropriate starting point can be used the description, which is given in the European Parliments Resolution [3] of the common characteristical elements of it, that includes:

- the acquisition of autonomy though sensors and/or by exchanging data with its environment (inter-connectivity) and the trading and analysing of those data;
- self-learning from experience and by interaction (optional criterion);
- at least a minor physical support;
- the adaption of its behaviour and actions to the enviroment;
- absence of life in the biological sense.

Especially, the last mentioned characteristic feature (absence of life in the biological sense) means that so called „hybrid systems“ (hybrid robots and brain computes interference)[4] are unambigiously excluded. A special attention in the content of terminological interpretation undoubtly deserves the notion of „hybrid robot“ (called also „hybrot“), which is briefly defined by the doctrine as „a robot controlled by living neurons“. [5] In this light the exclusion of such a semi-artificial life from the list of the „smart robots“ is reasonable only in the case, if the hybrots will create their own category and its own legal status, as undoubtly these entities are smart and even more intelligent than the entirely artifical constructs. In this respect it can be supported the creation of a specific status of „hybrid person“, who differs from the electronic person by the biological core of such a person. [4]

The relationship between the concept of „robotics“ and „Artificial Intelligence“ is clarified in the Opinion of the European and Social Commitee in which the notion of „Artificial Intelligence“ is considered to be as „a catch –all term for a large number of sub(fields) such as: cognitive computing (algorithms that reason and understand at a higher (more human) level, machine learning (algorithms that can teach themselves tasks), augmented intelligence (cooperation between human and machine) and AI robotics (AI imbedded in robots)“. [6] In other words, Artificial Intelligence is the widest notion, which serves as a joint umbrella concept for different notions in the relevant areas.

The term „electronic agent“ as an concept of the American Law (regulated by Uniform Electronic Transaction Act), which is considered to be a type of the software agent, will not be the objective of this study.

Robots and the certain issues of their liability. Starting of the discussion on the legal personality for autonomous robots.

The determination and delimitation of the relevant notions do not create only the academic issues, but have also a decisive impact in practical terms, as it is serving as a key factor in the proper identification of legal regulation.

Just the necessity of solving liability issues in the connection of eventual harm caused by robots gave a very strong impetus for a searching of a proper model of legal status for robots.

For instance, the European Parliament's Legal Affairs Committee in its study „European Law Rules in Robotics has outlined, that in the respect of liability of robots exist 2 options: 1) either a physical person is the true legal actor behind, or 2) the robot itself is a legal actor.“ „... if we consider there to be a person behind the autonomous robot, then this person would represent the electronic person, which legally speaking, would-like the legal person – simply be a fictional intellectual construct.“ [2]

The second option is based on the idea, that „the most autonomous robots are, the less they can be considered simple tools in the hands of other actors“ and once „a robot is not longer controlled by another actor, it becomes the actor itself“ [2]

These premises had served as a basis for the opening of the discussion on the eventuality of future legal personality of robots.

In particular, The European Parliament in its Resolution of February 2017 [3] called for the most sophisticated autonomous robots „as having status of electronic persons responsible for working good any damage they may cause, and possibly applying electronic personality to cases where robots make autonomous decisions or otherwise interact with third parties independently.“ [3]

The reaction to this appeal of the EP has been met mostly with refusal or even condemnation.

For instance, the European Commission, to which this Resolution was addressed, in its response [1] had totally omitted the issues of electronic personality of robots.

The group of the experts in the field of robotics, law, ethics and the industry leaders in their Open Letter to European Commission [7] had expressed their strong concerns about the creation of the status of electronic persons, „which is

justified by incorrect affirmation that damage liability would be impossible to prove“. [7]

The authors of this letter absolutely refused the idea of the legal personality of robots as inappropriate from the ethical and legal perspective.

They have the serious reservations against both models of legal status. Concerning the natural person model due to the fact, that if robots will hold certain human rights (right to dignity, to integrity, to citizenship) it will be in contradiction with the Charter of Fundamental Rights of the EU and European Convention on Human Rights. In case of legal entity model, the reservation consists in the fact, that it implies the existence of human persons behind the legal person to represent and direct it. Under the Open letter, it is not the a case for a robot.[7]

Scientific doctrine transmitted some other very serious arguments for the refusal of the mentioned concept of electronic personhood. For instance, Thomas Burzi pointed out that the European Union and its institutions „lack the power principally to determine who is a person“. [8] This author from St. Gallen University in Switzerland underlined that it is up to each Member state to determine who as a natural person [8], as well as national law equally determines when an entity becomes a legal person. In all cases, „even though the EU cannot determine who is a person, it would, arguably, have the power to counter abuse practise, at least to the extent in which it impacts the internal market“. [8]

On the other hands, some arguments can be found in favour of the introduction of an electronic personality. For instance, Steven De Schrijver supposes that „the creation of separate status for electronic person would introduce a clear separate entity in which actions of robots are controlled and managed separately from the owner. This also clarifies what happens when entering into legal relationship with robots and defines the relationship both between third party and robot, and between robot and owners (shareholder)“. [9]

Other authors had pointed out on the example how current Company law in the US can be used to establish a legal person, i.e. a company, that is wholly and solely controlled by an artificial intelligence, the result being that artificial intelligence gains legal personality on the basis of the law as it presently stands. This indirect way of the creation of a legal personality of Artificial Intelligence is an American „backdoor scenario“, which would not be a proper example for inspiration in the intention of this article.

From electronic personhood to human rights? Several glosses on future prospects.

Raising the question of liability for harm caused by autonomous robots via the creation of their personhood had opened Pandora's box of other crucial issues, which must be solved in the wider context and in the deeper connections.

Primarily, it is necessary to stress, that the liability issues must be solved by other mechanism, than by the introduction of a new type of personhood – electronic person. For instance, the creation of the insurance fund can be considered as an appropriate measure. So, it can be shared the opinion of those experts, who are convinced that the proposed by European Parliament legal status for robots is based on the incorrect and faulty construct.

Under my opinion the granting of legal status to certain kinds of artificial intelligence means also the necessity of solving of the theorem of „robots versus human rights“. The question of human rights in the connection of legal status of robots has de facto 2 levels:

- 1) the eventuality of granting to robots of certain entitlements; and
- 2) the impact of these intitlements on the field of protection of fundamental rights of human beings.

Granting of legal status is assuming, that it's addressee will perform the duties, as well as it will have at its disposal certain rights. In the case of autonomous robots it means that artificial beings should provide self-consciousness for rights and understanding for obligations.

The granting of any rights to autonomous robots under the situation, when it is not yet solved the legal regulation at the global level of animal rights (at least for the most advanced animal species, who undoubtedly have a similar level of biologic complexity and they are conscious..., etc.) is seemed to be non-conceptual and precipitate.

That is why it is not suprising the appearance in doctrine of a very critical view, that „any proposal of robot rights means a necessary elevation of the legal status of machines above that of animals and to the level of the status afforded to humans and which is therefore a blatant, almost „blasphemous“. [10]

The European Parliament's proposal to grant the autonomous robots the status of electronic person is raising also the question what rights related to this status would there be? Would they be only those entitlements, which are connected directly with the performance of their duties in the process of the providing of their services? Or it can be some other rights as well and the whole concept of their personality would be much wider?

The views is scientific doctrine differ greatly and it can be stated, that currently there does not exist yet any generally recognized list of these entitlements. It can be supposed only, that in the case of the granting of electronic personhood to certain kinds of Artificial Intelligence could be recognized certain rights of autonomous robots, such as for instance right to integrity, the right to

dignity, rights to access to certain information (including limits of this right), maybe the rights to remuneration, etc. On the contrary to the mentioned entitlements which are connected closely with the performance of duties by autonomous robots, most of the experts refuse the idea of granting to them some other rights, which are belonging to the traditional catalogues of human rights and connected closely with the personality of human being. This is confirmed by the argumentation, that „legal personhood would not make robots virtual people who can get married and benefit from human rights..“ [11]

Although the fact, that it can be absolutely agreed at the beginning of this argument („robots are not virtual people“..), the same is not wholeheartedly true of its end („...who can get married and benefit from human rights“), as currently there exists serious indications that the last mentioned eventuality could not be a priori excluded. Because the granting of certain rights in the relation to the introduction of an electronic personhood will be logically accompanied and followed by the granting of other rights (including of those of purely human rights in nature) and thus the Pandora's box would not be closed any more. This assumption has been already confirmed by the very impressive examples from practice.

For instance, the humanoid robot created in March 2016, had already received a human name (Sophia), as well as being granted Saudi Arabian citizenship, latter on it „was given a title from the United Nations and opened the Munich Security Conference in 2018“. [11]

Some sources also describe even the marriage of the Chinese citizenship with humanoid robot named as Yingying [12] (it is not possible to verify, whether it was an officially recognized marriage or not). At the airport in Dubai a humanoid robot has already been employed as a policeman. [12]

So it is quite obvious, that humanoid robots are gradually taking over the roles of people not only in the sphere of industry and services, but even in the fields of civil matters and family life of human beings. The consequence of this state is undoubtedly the necessity of proper legal regulation in the related areas, which must sooner or later reflect these changes in society.

The question is how these eventual rights of the sophisticated machines will correlate with the field of fundamental rights of human beings?

In this respect it is necessary to stress, that the legal regulation of the liability issues (including the granting of related rights), as an integral part of electronic personhood will lead to their interference in the other fields as well. „A robotic person capable of entering into contracts could certainly understand decide and express its intention to enter into a marital contract“ [13]. Other authors pointed out on the impact of this step in the wider context, especially on the fact, that „marriage is not about rights, it is not about robots rights; it is about the rights of humans to choose to marry a robot“. [14]

If it is so, then the issues of equality and non-dissemination are open, as a marriage is considered to be a wedlock between equal partners. As a result, the

whole concept of marriage in the case of artificial intelligence must be changed (including the relevant modifications in international instruments on human rights), as it was correctly pointed out in scientific doctrine, that marriage with a robot could not be considered as a marriage of two equal persons, as this would imply equality with people in other areas as well.

Some of the authors considered robots to be as slaves, as these artificial intelligence should be controlled at all times.[15] In this connection, the question is rising, whether this concept can be morally acceptable in modern society at least towards the entities, which can get married and with whom some people have created the close relations? This issue will be even more urgent in the case of semi-artificial robots, which have partly the biological basis and origins.

CONCLUSION

The solving of liability issues for harm caused by artificial intelligence, as it is proposed in Resolution of European Parliament via the introduction of a legal personhood of autonomous robots, is a faulty and unpremeditated concept. This aim could be reached more effectively by using other mechanisms (for instance by the creation of an insurance fund).

The introduction of electronic personhood would open a Pandora's box of other relevant legal and ethical problems, on some of which it was pointed out in this article. It is quite obvious, that the granting of certain rights and the imposing of duties on autonomous robots in connection with their liability could not be done without the simultaneous solving of other relevant issues, which are inseparably connected with the legal status of artificial intelligence (as for instance their impact on the field of traditional human rights and their special regulation in the new fields, which are affected by artificial intelligence). Non-conceptual and separate legal regulation (of the selected issues only) would cause unimaginable damage to both sides (concerning humans as well as autonomous robots).

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ERA OF DIGITIZATION: RE-DESIGNING PRIVACY PROTECTION IN HEALTH CARE

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ABSTRACT

The paper examines the issue arising when delivering healthcare in the modern information society. Throughout the past decade, the Internet has seen a significant rise of the "Web 2.0" trend, which carried on its wings a health industry trend often referred to as "Health 2.0" or "Medicine 2.0". More recently, we have also witnessed crowning of concepts such as Health Social Media, eHealth and mHealth. European Union as well as the national states develop strategies implementing new technologies for personal and medical data sharing, including the prescription of medicals as well as their validation through websites. Healthcare data privacy and security is one of the top challenges, healthcare providers face. The huge amount of data the medical care generates holds potential for researchers, providers, pharmaceutical companies as well as for doctors, who can use it to improve care or find new treatments and insights into disease. The key issue to examine is how to balance the competing interests of privacy and data-sharing and not exclude the patient as a holder and owner of the information. The paper addresses the issue of privacy protection in digitized healthcare, using the analysis of the legislation and case-law of the Czech Republic, stressing the demands for human rights and privacy protection of a member state of the European Union. The paper introduces several proposals for providers how to re-design digital healthcare with respect to laws and patients' rights. The paper concludes that even the modern and digitized medicine is based not only on an evidence and modern technologies, but also on human interaction and face-to-face approach and trust between the doctor and patient.

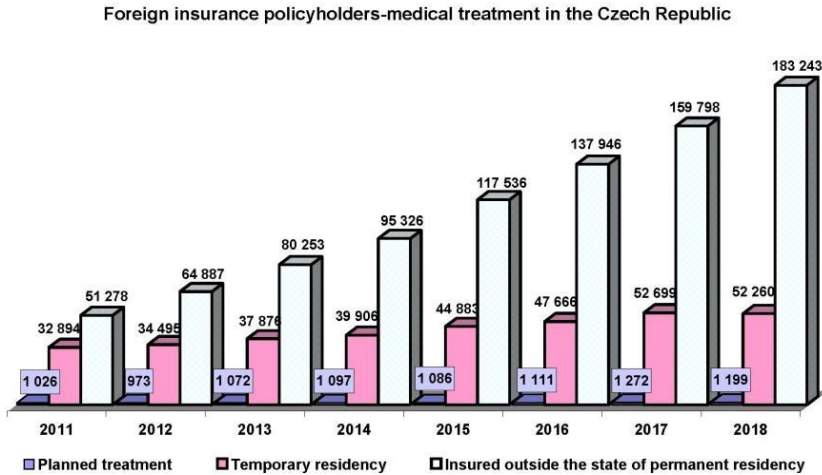
Keywords: *human rights, privacy protection, health care, data-sharing, digitization*

INTRODUCTION

The European Union (EU) healthcare system is underpinned by the principles of solidarity and compulsory health insurance. The EU member states claim the basics of the welfare state, which means that most of the medical treatments and interventions are covered from public funds. Innovations in natural science, especially biotechnologies and informatics, brought substantial changes to healthcare. The main switch is connected with the introduction of artificial intelligence in daily practice, as contemporary society is based on technologies and knowledge. The use of modern technologies enables much more patient-oriented approach and complete access to medical data sharing. But the

healthcare systems, founded in the late fifties of the 20th century remains till fragmented, oriented to provide acute, not chronic or long-term care. [1] The latest challenge is the globalized healthcare as the cross-border migration becomes very common in the (EU). The EU citizens and persons settled there move for studies and work, alone or with whole families. The most important documents of the primary EU law underline the right for the protection of the public health, including medical research and the accessible healthcare as one of the solidarity rights, but under the conditions of the of national laws. [2] The secondary EU law, the Regulation (EC) 883/04 on the coordination of social security systems and especially the Directive 2011/24/EU on the application of patients' rights in cross-border healthcare form the basis for cross-border healthcare and medical services to support both the freedoms of free movement and services and the possibility of enjoying the latest achievements of the medical science. The Graph No.1 indicates the steadily increase of foreign patients seeking health care in the Czech Republic.

Graph 1



Source: Health Insurance Bureau, Statistical Yearbooks 2011 - 2018

Due to the above mentioned, national systems of health care have to change and be re-designed. The main challenge is to keep in check the costs without hitting the quality and safety of healthcare. Artificial Intelligence (AI) and its widespread use are one of the possible and essential resources for re-designing health care in the post-industrial society. The paper aims to highlight the benefits and risk of modern technologies to patients' rights and security. The paper examines legal and managerial challenges and introduces some proposals. The Czech Republic, as a very well accessible Central European state, with an extensive network of public and private medical facilities, developed medical technologies and a very recent legal regulation of public and private legal issue in

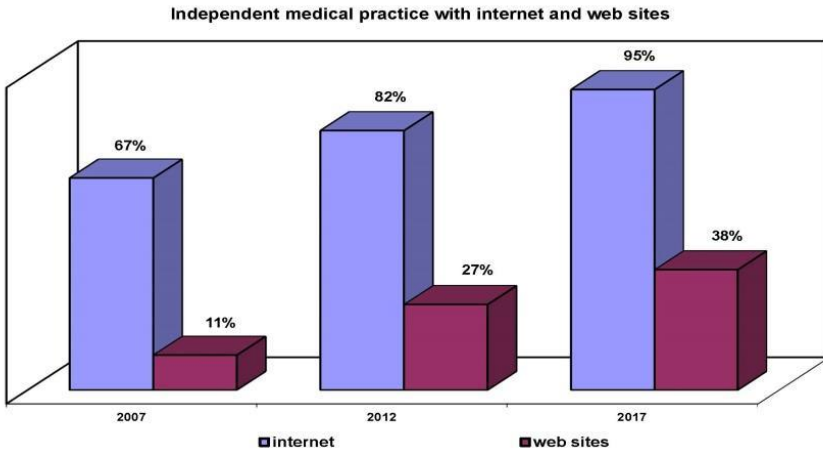
health care, is a sought for both planned and acute medical care, based on EU regulations. The analysis of the Czech laws, legal practice, and the experience of authors in public healthcare form the starting point to find out the appropriate methodology and proposals for re-designing the privacy protection in healthcare.

TOPICAL ISSUES

The possibilities of AI in medicine and health care are immense. But they are closely connected with technological development and digital infrastructure. The challenge and question to the next future are whether the right to access to the internet belongs to human rights? The Resolution of the General Assembly of the United Nations on The Promotion, Protection, and Enjoyment of Human Rights on the Internet [3] consider that the access to the Internet is one of the main tools for the civil society and citizens to exercise their fundamental human rights. Indeed, without access to the Internet, people may be excluded from the community, the possibility of education and the freedom of exchanging ideas or expressing their opinion freely. Some authors argue that the Internet is only a technical mean, which enables to realize the right, but it is not the human right in itself. Moreover, human rights and life within the society could be exercised through other technical types of equipment, for example, mobile phones or Bluetooth connection. [4]

Health is considered a fundamental human right that is the basis for the exercise of other human rights and is essential for a dignified life. Medical practices as well as patients seek on Internet the most important information and develop relationship. EU adopted the strategy of the Digital Single Market. E-Health, as one of the policies should assure personalised medicine throughout the Europe and enable secure access to the relevant health data within the EU. [5] The Czech Republic adopted the National eHealth Strategy in 2016 (national strategy). According to the Action Plan for Years 2016-2020 the compulsory e-Prescription and the possibility of EMD have been regulated by law. E-health, the telemedicine forms another part of the national strategy, using an exchange of information and health monitoring through mobile applications. Patients should consult with a specialist through various telemedicine platforms and media.

Graph No. 2 indicates the steadily growth of modern communication in medical practice.



Source: Czech Statistical Office, <https://www.czso.cz/csu/czso/informacni-spolecnost-v-cislech-2018>

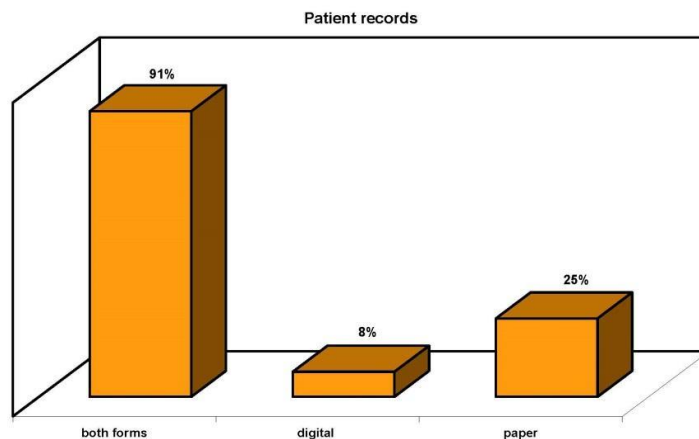
The most obvious risk for patients using modern technologies and especially social media for exchange the medical information is confusion and misdiagnosis due to the consumption of low quality of information as many websites are very easily accessible. *"Medical information on social media may be unreferenced, incomplete, informal information that relies on anecdotal reports, unlike traditional medicine."* [6]

Another significant problem when sharing sensitive medical information is privacy protection as both with the confidentiality form the key concepts and notions when providing health care. Right for privacy is one of the most important rights of an individual, which protects the human dignity and other values, such as free interaction with others and the right to choose information, which an individual freely provides to the surroundings. Privacy is sometimes narrowed only to protection of personal data in information systems. The notion of privacy, however, has a broader dimension both in general and during providing of health care. The medical and legal practice, as well as the theory practice distinguish between "privacy" and "confidentiality". The area of privacy and its protection focuses on obtaining information, while confidentiality focuses on communication of information. Both terms however complement each other and overlap not only while providing health care. [7]

One important question during providing health care is the protection of personal data and providing information about a medical condition. Data about health conditions are recorded in medical documentation and are kept either in paper or electronic format. The most documentation keeping is through the

combination of both these formats. Electronic files are used for sharing information among healthcare professionals and within large medical institutions. Daily care in smaller hospitals or private practice is recorded in both ways. The graph No. 3 confirms the above-mentioned, because 91% of Czech private medical practices kept patient files in a combined form in 2018.

Graph 3



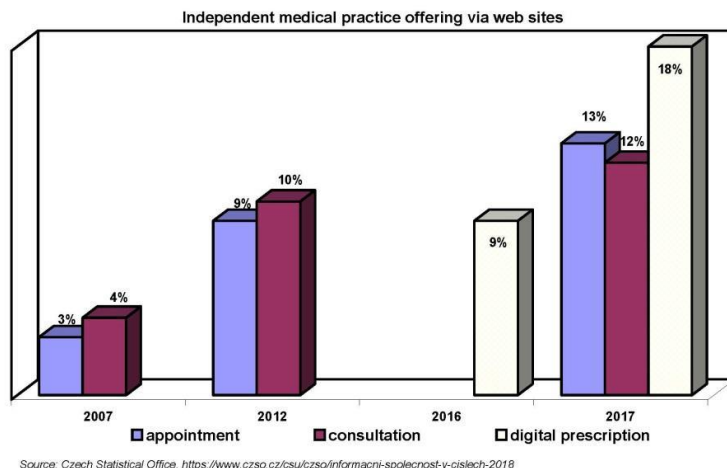
Source: Czech Statistical Office, <https://www.czso.cz/csu/czso/informacni-spolecnost-v-cislech-2018>

The protection of personal data and providing information about a medical condition forms one of the most important issues when providing healthcare. Data about health conditions are recorded in medical documentation and kept either in paper or electronic format. The documentation is mostly kept in both formats. Electronic files are used for sharing information among healthcare professionals and within large medical institutions. Daily care in smaller hospitals or private practice is recorded in both ways. The graph No. 3 confirms the above-mentioned, because 91% of Czech private medical practices kept patient files in a combined form. The information recorded in patients' files is owned neither by the healthcare provider, nor the patient. According to the Czech case-law, just the tangible medium belongs to the medical practice. The right of the patient to access the files applies to the content, ie. the information, not to the ownership of the medium. [8] Two problem areas appear when dealing with the information in files. One is privacy protection, covered with the duty of professional confidentiality. The second issue is the access to the documentation, which allows either the patient or the law. The Czech Constitutional Court ruled, that medical records are protected by the constitutional right for privacy protection. Just the prevailing public interest, for example in criminal proceedings, permits the access without the consent or even knowledge of the patient. [9] The EU and national legislation and the case-law emphasize privacy and the information self-determination of a patient as a subject of the information. The AI enables any healthcare provider to

compile, process and share enormous amounts of data (big data) and information quicker, in more detail and to a much greater extent than the man can do. These processes can be easily improved by learning of the machine itself. AI and digitization facilitate to keep medical records in electronic form (EMD) and send them to any place of the world, for example data collected during clinical trials. In such a sensitive situation, the medical and legal practice should assess the legality, proportionality, and rationality of disclosing the information about the health care and the health status of a patient without her consent. The breach of professional confidentiality and privacy protection is a professional or administrative offense. According to the Criminal Code of the Czech Republic, a person or legal entity could be held responsible for the crime of unauthorized use of personal data. This crime includes also the breach of professional confidentiality duty. The crime of violation of the confidentiality of conveyed messages stipulates for misuse or illegal download of stored or transferred data. The healthcare sector is viewed as a critical infrastructure not only because of a large amount of personal and sensitive data stored but also because of its irreplaceability in the daily life of communities and the whole civil society. Despite this vulnerability, the users – medical professionals, providers, and patients require immediate and quick access to the data and technologies. Any protection, which could make the admittance to the system a little bit difficult, is considered being an unnecessary barrier and obstacle of managers, not understanding the needs of contemporary medical care. The compulsory digitization of medical documentation and other data and their transfer via the Internet or cloud storage attract cybercrime. It is very difficult to disclose a computer crime, as it is always hidden and silent with no violence and the data could be sold anonymously through unidentifiable computers and banks in states, where no obligation to report money laundering exists.

The graph No. 4 shows the increasing offer of digital services in independent medical practices in the Czech Republic. In 2016 the e-prescription was launched; it became compulsory beginning the 1st January 2018.

Graph 4



RE-DESIGNING PRIVACY PROTECTION

The highlighted concerns and challenges require the re-designing and new, measures of privacy protection to make AI in the healthcare sector a useful and secure tool, suitable not only for introducing new therapeutic methods, but also facilitating the daily care in every medical practice. The law falls behind new technologies and progression in medicine. That is why we underline, that both the theory and practice must be searched for solutions in joining managerial and legal approaches. Moreover, the combination of management and law will be operational and successful only in the case that all stakeholders will be involved in their own accord. In the Czech Republic, patients and medical professionals were excited by the compulsory digitization in selected medical services, though they voluntarily use digital services and the Internet is a daily source of healthcare information (see graphs 2 and 4). Taking into account the interdisciplinarity of the medical law, the need to balance private and public interests, the interaction between state- and community-owned healthcare providers and private medical practices and providers, and also economic interests of public finance, covering the majority of healthcare costs, we suggest exploiting the theory of the new governance. This methodology enables new approaches both in law and healthcare, as it is based on collaboration, experiments, flexibility, adaptation, experimentation and has no coercive nature. The methodology accepts not to be the only way of solving public issues. New governance assists to create a basis for more effective forms of participation, enables coordinate administration on multiple levels, allows great flexibility and promotes innovative solutions. It is more than a set of managerial tools as it coordinates actions as well as produces and reproduces socio-cultural, economic and political relations and values, while at the same time impact upon, define, and determine the outcomes of such interactions. The scope is usually to achieve field-specific, practice-oriented

goals—broadly and narrowly defined. [10] The theory and practice of new governance are closely connected with the new public management, which involves stakeholders, ie. patients, healthcare providers, and communities. The critics argue that the new governance may cause disorder and boundaries between and within public and private sectors become blurred. The essence of governance and its most troublesome aspect is a focus on mechanisms that do not rest on recourse to the authority and sanctions of government. If especially the practice remains aware of the mentioned challenges, this approach is, according to our experience, the most appropriate for re-designing healthcare from the legal and managerial point of view. The methodological emphasis on exploring local conditions and peculiarities is very significant from the perspective of the covered topic as because the solution is to be found in the community, The new governance theory emphasizes „*building on collaboration between state and non-state stakeholders to address public problems through experimental forms of decision making and policy implementation.*” [11] New governance methodology is suitable for exploration and re-designing questions of public interest as it comprises the complex mechanisms, processes, and institutions through which individuals and groups express their interests. They negotiate also about their differences and exercise their rights and obligations. [12] The healthcare law has to comply with the new requirements of the EU for the privacy protection, set down in the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, (General Data Protection Regulation, GDPR). General legal awareness is concerned with the data and privacy protection and the second issue addressed—free movement of the data—remains unnoticed. But the provision of healthcare is just about the data sharing and movement, very often cross-border. AI and Radio Frequency Identification (RFID) technologies enabling store and communicate data significantly change the role of healthcare legal regulation, as it is necessary to enlarge and re-design traditional concepts of patients’ security. The personal physical safety of patients is now assured in different ways, but in the context of global cyber risks, it is necessary to evaluate the adequacy of existing international and national standards of patients’ safety in the virtual space.

CONCLUSION

An effective system of health care provision is a crucial institution within a society, one which carries the same significance as the justice and democratic political system. Whilst a consideration of the right to health and the highest possible standard of health care services generally concern decisions regarding the provision of public resources, the fundamental human right to life and health remains an integral consideration within legal doctrine and judicial practice in terms of assessments of liability for damage. Healthcare and medical law form an interdisciplinary field that can be defined as follows. [13] *“Certain regulations are compiled and issued for the sole purpose of securing, enhancing and protecting human health.”* The right to health does not only concern the provision

of health care, in the European context usually covered by public insurance, but also the human right when seeking health services not to become a mere faceless object within a system administered by the state or by other authorities. The digital era opens new challenges for solving managerial and legal issues when providing health care. In order to ensure the right to health under new technologic and social conditions, we suggested how to identify the individual's subjective right to participate in the care of her health. It is necessary to discuss whether constitutionally legal dimensions of the right to health entails the right to participate in health care, or even the simultaneous right and duty to accept sole responsibility for deciding on one's health, because AI, Internet, and social networks enable to get relevant and up-to-date information. Security is of high value to society and individuals. Ensuring the safety and security of data and information sharing entails providing a stable institutional and legal framework by which individual needs for privacy protection can be satisfied. In today's globalized society, notably according to current EU standards, healthcare providers and medical professionals must meet standardized requirements, such as the protection of personal data, patient record keeping, accounting regarding health care provision, management as well as the archiving of documents related to their activities. In such situations, the legal entity or individual, who is also a business proprietor, is frequently in a wider conflict which usually takes the form of a clash of different, often conflicting, legal obligations. These divergences among competing responsibilities regularly have an impact on the protection of privacy and fulfillment of the duty of confidentiality. We argued and highlighted our findings of the new governance and new public management as the most appropriate methodology and practical approach to re-design the healthcare in the era of digitization. *"The essence of governance is its focus on mechanisms that do not rest on recourse to the authority and sanctions of government...Governance for (some) is about the potential for contracting, franchising and new forms of regulation. In short, it is about what (some) refer to as the new public management."* [11] All these understandings of the new governance carry the assumption that actors are embedded in, determined by and shape such structures and processes, too. The global industrial society and new technologies and digitization change all the relationships when delivering healthcare. Traditional approach, stressing the individual liability of a medical professional for the negligence and malpractice, became obsolete. Large groups of specialists, doctors, biochemists, biomedical and IT engineers, laboratory and nursing staff, provide for healthcare and health services. The healthcare is one of the weightiest of the world problems, as the majority of healthcare difficulties and paradoxes have ethical and moral causes. The spectrum of illnesses has changed, the relationship patient-doctor has lost its personal character and the financial burden of healthcare costs limits the use of modern technologies for all patients in need. [14] But the main values, when re-designing privacy protection and healthcare-protection of human dignity, health and life, remain.

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FORMATION AND DEVELOPMENT OF THE NATIONAL QUALIFICATION SYSTEM IN RUSSIA: LEGAL PERSPECTIVES

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ABSTRACT

Today, the main event in the social and labor sphere of Russia is, of course, the introduction of the National Qualifications System (abbreviated NSC), which comes to replace the old system of qualification characteristics. In general, the NSC in Russia is represented by four interrelated elements: professional standards, independent assessment of qualifications, professional and public accreditation of educational programs and a directory of the most popular professions. The professional standard at the legislative level states the requirements for the type of activity. Independent assessment of qualifications is a mechanism for personnel certification for compliance with professional standards, and professional public accreditation of educational programs is their assessment for compliance with the requirements of professional standards. In European countries, such systems have existed for a long time and accumulated some experience in this field. The purpose of this article is to consider the common and distinctive features of the European and Russian systems of national qualifications, as well as the experience of building such a system in Russia. In addition, the work will present the differences between the previously existing system of qualifications in Russia and the modern one. The article will show the difficulties of embedding the new system in Russian labor legislation. In addition, problems in the activities of society that were caused by the new system will be considered, its advantages and disadvantages will be considered. Particular attention will be paid to the analysis of the new qualification assessment system and its comparison with similar abroad. Today, Russia is trying, using the experience of European countries, to introduce a system of awarding qualifications outside educational institutions in special centers for the assessment of qualifications. The difference between the Russian model and the existing analogues abroad is that these centers are represented by commercial organizations, while education is carried out by state educational institutions. Such a docking of the state system of education and business has given rise to a number of problems, which will be discussed in the article. The main feature of the national qualifications system in Russia is a synthesis of the obligation (imperativeness) and the market fundamentals of the system itself.

Keywords: *National qualifications system, human capital, labor law, regulation, professional standards*

INTRODUCTION

There is no doubt that, the main event in the present day social and labor sphere of Russia is the introduction of the National qualification system (abbr. NSC), which replaces job description used previously. Russian NSC is represented by four interrelated elements: professional standards, independent assessment of qualifications, professional and public accreditation of educational programs and a guide to the most needed professions.

Let us define the legal descriptions of the above-mentioned elements. The professional standard is the characteristic of the qualification necessary for the employee to perform a certain type of professional activity [1]. The professional standard sets the requirements for the educational qualification of the employee, his or her knowledge and skills, a set of labor actions that he or she must perform. It should be noted that in Russia the professional standard outlines “an activity”. This implies that professional requirements are applicable to the employee regardless the conditions under which he or she performs his or her professional activity.

This suggests that regardless of the legal form of assignment of labor duties – the professional standard defines the requirements for the characteristics of the employee. In Russia, the employee may enter into the employment relationship (full-time or part-time employment) under an employment contract, civil law contract, or he or she may be assigned to perform additional responsibilities not related to the main ones (combination of responsibilities). It is believed that if the employment relationship is not based on an employment contract, the professional standard does not apply to the employee. However, that is not true. The initial premise to the obligation to comply with the requirements of professional standards is the fact of performing this type of activity, regardless of the legal form of relations between the employee and the employer.

In Russia, the professional activity is the sum of generalized labor functions that are close in nature, in the results and in working conditions, reflect the current division of labor in the industry, and ensure the implementation of the production process. For example, for an accountant – it is an activity in the field of accounting, for a human resources manager – the activity is the management of the organization’s personnel, etc.

METHODOLOGY AND THEORY

Thus, the professional standard is developed for the type of a job and it introduces a fundamentally new job list in the Russian Federation. At the same time, the professional standard in accordance with the main legal act in the labor

sphere of the Russian Federation – the Labor Code, is now identified with the qualification of the employee (article 195.1 of the Labor Code).

Each activity can be performed at different skill levels. The levels depend on the degree of responsibility, extent of the competences, skills of system thinking and ability to make decisions. In accordance with this, the National Qualification System was introduced in Russia. It was approved by the Order of the Ministry of Labour and Social Protection No. 148n [2]. This document is the basis for the entire National Qualification System in Russia. It is represented by nine levels of qualifications. And this distinguishes it from the European qualification framework, which is represented by 8 levels.

The construction of such a framework in Russia and in European countries is associated with lifelong learning in the field of a certain activity. The difference between the European and Russian qualifications frameworks is that in Russia the qualification levels are tied to the levels of education in accordance with the Russian law on education [3]; while in the European system the levels of education are achieved through descriptors for the cycles of education.

Each cycle descriptor provides the general statement of expectations for the results and abilities, usually associated with qualifications that represent the completion of a given cycle. The descriptor of the shorter cycle of higher education (within or related to the first cycle) corresponds to the results that must be obtained at the end of education and training to obtain level 5 of the European qualification framework.

In Russia, the analogue is secondary vocational education (SVE), this is the first level of vocational education in accordance with the law on education in the Russian Federation [4]. The descriptor of the first cycle in the Framework of qualifications for the European higher education corresponds to the results that must be obtained at the end of education and training to obtain level 6 of the European Qualification Framework [5], which is equivalent to the Russian “bachelor” degree, and that corresponds to the second level of professional education in accordance with the law on education in Russia.

The descriptor of the second cycle in the European Qualification Framework [5] in higher education corresponds to the results that must be obtained at the end of education and training to obtain the level 7 of the European Qualification Framework. In accordance with the law on education, this is equivalent to the third level of professional education in Russia, which is represented by master’s degree and, in some cases, a specialist’s degree. Magistracy is a generally accepted level of education, while specialization is an element of the “former” system of qualifications in Russia. Specialty – a one-level higher education, which is still present in Russia in some areas of the economy, while most higher education programs are represented by two levels – bachelor and master.

The descriptor of the third cycle in the Qualification Framework for the European higher education corresponds to the results that must be obtained at the end of education and training to obtain the level 8 of the European Qualification Framework [5]. In Russia, this is the fourth level of professional education, which is called in accordance with the law on education “training of highly qualified personnel”, which in our country involves training in graduate schools, residency, etc.

Let us define the structure of the Russian professional standard. As it has already been mentioned, the professional standard is developed for the type of an activity, and an employee can perform any number of them, of course, if the qualification characteristics allow. The professional standard is based on levels – from the lowest to the highest value. Each level of professional standard corresponds to one or more generalized job functions. A generalized labor function is a set of related labor functions, resulting from the division of labor in a particular production or (business) process.

Thus, the generalized labor function is a subspecies of activity within a certain type. Ideally, one employee should perform one generalized labor function, but in Russia, an employee can perform several generalized labor functions, since there is a great number of small organizations, where it is impossible to maintain a large staff. In addition, Russian business lacks clear regulation of duties and an employee can perform different labor functions not only within the professional standard, but also in several areas simultaneously. For example, a Human Resources Officer can perform the generalized job function of “HR outsourcing”, as well as deal with staffing – another general labor function, he or she can also do remuneration – this is the third general labor function, etc.

Each generalized labor function consists of several labor functions. A labor function is a system of labor actions within the framework of the generalized labor function, which is an integrated and relatively autonomous set of labor actions determined by the business process and assumes the availability of the necessary skills and knowledge to perform them.

A labor action is the process of interaction of an employee with the subject of labor, in which a certain task is achieved. Knowledge is a set of learned and mastered skills and competencies about the labor process. Skills are repertoires of coping with the knowledge gained in various production situations to conduct the labor process.

In Russia, the introduction of professional standards is mandatory. First, each professional standard is an Order of the Ministry of Labour and Social Protection of Russia. Secondly, for state organizations, there are separate instructions, which are mandatory. Since 01.01.2020, all state institutions must switch to professional standards in accordance with the Decree of the Government of the Russian

Federation dated 27.06.2016 № 584 “On the peculiarities of the application of professional standards in terms of the requirements required for the application of state extra-budgetary funds of the Russian Federation, state or municipal institutions, state or municipal unitary enterprises, as well as state corporations, state companies and economic societies, more than fifty percent of shares in the authorized capital of which is in state ownership or municipal ownership” [6].

This legal act has given rise to a lot of speculation and caused a big commotion in Russia. As transition to professional standards means bringing the functions of employees to the requirements of professional standards – on the one hand, and the qualification characteristics of employees to the same qualification requirements specified in professional standards – on the other. However, in Russia, before this date in accordance with the said legal act in organizations (state institutions, extra-budgetary funds, state enterprises, state corporations), a number of documents should be prepared:

- a) a list of professional standards to be applied;
- b) data should be collected on the need for professional education, vocational training and (or) additional professional education of employees obtained on the basis of the analysis of the qualification requirements contained in professional standards;
- c) stages of application of professional standards;
- d) the list of local regulations and other documents of the organizations, including those concerning certification, certification and other forms of the assessment of qualification of the workers which are subject to change in connection with provisions of the professional standards which are subject to application.

Therefore, from the legal perspective, the transition to professional standards is the creation of the above documents, and from the economic perspective, it is a change in the personnel management system and adjustment of business processes. The binding nature of this system is possible only in the context of normative legal acts, therefore, most organizations falling under the scope of professional standards limit their transition to the new system only to the implementation of the requirements of the said Resolution.

However, even in this perception of the new system, there are problems. The legal act laid down a phased plan for the transition to professional standards. If one strictly complies with this algorithm, and other legal provisions are absent today in the Russian legislation, the quintessence of it is to bring the educational qualification of employees to the requirements of professional standards. That is, the organization must train employees (or teach) to the requirements of professional standards on a formal basis. This is costly, both for organizations and for the citizens themselves.

According to Russian legislation, the need for training to meet professional standards is determined by the employer (article 196 of the Labor Code). This is

a very expensive procedure for company owners because of the fact that in Russia during a rather long period the employee's education was not identified with his or her competencies. Often employees received the necessary knowledge and skills on job. Education in Russia was often formal; it was a pass to the labor market, and not the equivalent of professionalism. These are, unfortunately, disadvantages of vocational training and education. Now in Russia, the goal is to improve the situation, and today the education system should deliver to the labor market a qualified worker who does not require additional training and is ready to perform a given type of activity [7]. The problem is in the staff who came to the labor market earlier and received the necessary skills on-job.

In addition, a modern graduate receives a diploma, in which the field of study is specified in accordance with the professional standard. The names of various areas of study in Russia are specified by the Russian Classification of Types of Education (abbr. – RCTE). Thus, educational institutions issue State-recognized diplomas and certificates in which the field of study corresponds to the above-mentioned classifier. The Russian classifier was approved only in 2016. And those diplomas which were issued till this time, in most cases, do not correspond to the qualifier on education (RCTE) regarding the fields of study, and, therefore, from the formal legal point of view employees with the diplomas issued earlier do not meet the contemporary professional standards.

This leads to the fact that most employees of enterprises (or in public institutions) do not meet professional standards and require additional training. The financial burden on the employer becomes exorbitant and top management and business owners are simply lost and reject the new system of qualifications. This is perhaps the most important “brake” to the implementation of professional standards.

In contemporary Russia, a unified system of qualifications is being formed, the core of which will be a professional standard. Soon the training will be reoriented to professional standards. This is achieved through professional and public accreditation of educational programs – that is, their compliance with professional standards. Such accreditation in Russia is done by employers' associations that give their opinion - whether or not the educational program meets the requirements of professional standards or the labor market. In some cases, when there are no professional standards yet, educational programs are evaluated for compliance with labor market requirements.

For example, if we consider legal profession, for example, it is unlikely that we can count on the rapid issue of professional standards, they do not yet exist. However, lawyers do not need them, since the requirements for their activities are established by procedural codes and Federal laws, and employers' associations assess the compliance of educational programs in accordance with the real requirements of the professional activity. In any case, professional and public accreditation of educational programs is an assessment of the quality of an

educational institution, which in some cases gives certain advantages to the organization (for example, additional budgetary places with state funding).

Thus, the new system of qualifications in Russia, by analogy with the European systems, suggests the need for continuous (life-long) learning and the influence of employers on the educational process. This makes it possible to visualize the entire career path of the employee from the lowest qualification to the top [8]. In addition, the assessment of knowledge and skills in the new system should also be carried out by employers. Thus, educational institutions teach, and employers check or evaluate knowledge. For this purpose, the independent qualification assessment (IQA) mechanism was introduced in Russia.

In general, an independent assessment of qualifications is carried out in the form of a professional examination by special qualification assessment centres in accordance with the procedure established by the Government of the Russian Federation.

The IQA procedure is open and accessible:

- by applicants on their own initiative;
- by employees on the initiative of the employer.

It should be noted that in order to pass such an assessment, the applicant must also meet the requirements for the field and level of study, as well as have some experience in this generalized job function. Note that the exam can be performed for a specific generalized labor function. Since in Russia an employee actually performs several generalized labor functions, the IQA procedure is quite time-consuming.

To conduct a professional examination, special centers of qualification assessment (CQA) are opened, created by employers' associations – Councils for professional qualifications (CPQ).

The Qualifications Assessment Centre (CQA) is a legal entity or its structural unit selected by the professional qualifications board and empowered to conduct an independent assessment of qualifications. Assessment centers qualifications are presented in Russia by commercial organizations with state accreditation.

Upon successful completion of the professional examination, the applicant is awarded with a Certificate of professional qualification, which can be presented when he or she is employed.

Thus, on the one hand, the IQA will allow the employee to assess his or her strong points and understand whether he or she meets the requirements of the labor market, and if not, it will help to determine in which direction it is necessary to move to achieve the goal. On the other hand – it will enable the employer to

clearly and specifically set the requirements for the employee and check whether the employee meets them, has the necessary knowledge and skills. If there is no such correspondence, or the correspondence is not full, the results of the IQA will allow this to be established; and the employer, in turn, will understand what skills and where an employee needs to be trained in order to be able to perform the functions as efficiently as possible.

As a result, the IQA will allow the applicants to confirm their qualifications by obtaining a certificate, and the employer will be sure of the competent staff that meets the modern requirements of the labor market.

For students of educational institutions (while at the level of secondary vocational education) assessment of knowledge and skills in the centers of qualification assessment is also becoming mandatory. This is achieved when a student graduates from an institution by combining the state final certification of the graduate and independent assessment of qualifications (in Russia it is called SFC-IQA: State Final Certification – independent assessment of qualifications).

But the most important thing is that since July 2019, Russia abolishes all other forms of certification of personnel, except for an independent assessment of qualifications. This is a serious step towards the implementation of the IQA system. This is regulated by the Federal law № 238 “On independent assessment of qualifications” (article 11) [9].

CONCLUSION

However, there are some problems with the implementation of the national qualifications system.

First, passing the exam by independent assessment of qualifications, although it has certain advantages, is quite expensive (from 100 to 1000 dollars depending on the specific qualification). In accordance with Russian legislation, if an employer sends an employee to this exam, he or she pays for it (this is defined in article 187 of the Russian Labour Code), in this case, it is difficult for an unemployed citizen to pass such an exam.

Secondly, the country has a lot of senior citizens who have no education other than basic or, as it is called in accordance with the law on education of the Russian Federation, the Basic General Education. Such education in Russia includes 8 or 9 classes out of 11 possible. In 2015, the share of such citizens in the country according to the National Research University “Higher School of Economics”, was 5.8 % of the total number of citizens aged 25-64 years [10]. Especially large number of citizens with basic General education is in rural areas. It is difficult for them to meet professional standards, so our idea is that federal bodies should recognize a certain experience for each activity as an equivalent of educational qualification while implementing the National system of qualifications.

Independent assessment of qualifications in Russia, regulated by the relevant Federal law No. 238 “On independent assessment of qualifications”, is aimed to assign the employee the necessary qualifications. Today, to pass this exam, as a rule, it is necessary to have a certain education (in the part of the main professional and additional professional), excluding generalized labor functions relating to 1 and 2 levels of qualification. Unfortunately, many citizens considering their age or distance from metropolitan areas will not be able to receive the appropriate education. Moreover, we are talking about obtaining of education of different levels, which in Russia is possible only through training in educational institutions in accordance with the law on education of the Russian Federation.

Based on the above, we consider it appropriate to consider the issue of equating the presence of a certain length of service for this type of activity and a certificate of successful completion of an independent assessment of qualifications to a certain type of education in compliance with all other requirements of professional standards. In other words, we are talking about equating the educational level required by the professional standard to a certain length of service (for example, more than 15 years for this type of activity). But this equalization is considered acceptable only if the procedure of independent assessment of qualifications is successfully completed.

Thus, educational organizations will teach employees according to professional standards, and qualifications will now be assigned to them by qualification assessment centers with the assignment of appropriate certificates of qualification.

It should be noted that the independent assessment of qualifications by analogy with professional standards is gradually acquiring mandatory elements. For example, for some areas of activity, especially related to safety, it is a mandatory element for entering the profession, for example, for the Elevator Industry. In some cases, social partnership agreements require an independent assessment of qualifications. Such agreements in Russia can be concluded at all levels of social partnership and are binding.

As a result, the national system of qualifications in Russia, together with all its elements, introduces significant changes to the system of training and evaluation of personnel.

Briefly, the main differences are as follows: the new system of qualifications shows how to achieve certain levels of qualification; it provides clearly defined levels, which are achieved only through the levels of vocational education; for each activity a professional standard is drawn up. In contrast to the qualification guides, which were known to be advisory in nature, professional standards are approved by the orders of the Ministry of Labour and Social Protection, which emphasizes their obligation in principle. And most importantly, in Russia it is now

necessary to confirm the qualification through a system of independent assessment of qualifications in specially established centers.

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LEGAL STATUS OF ENTERPRISE IN SUCCESSION IN POLISH LAW IN THE GENERAL PERSPECTIVE OF THE NEED OF UNIFICATION OF THE REGULATION OF LEGAL STATUS OF LEGAL INSTITUTIONS NAMED IN AN IDENTICAL MANNER IN INDIVIDUAL BRANCHES OF LAW

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ABSTRACT

The publication refers to the legal status of an enterprise in succession in Polish law in the context of the general need to standardise the legal status of identical legal institutions in particular branches of law. Under Polish law, the legal status of an enterprise in succession was determined differently from the legal status of an enterprise in the general civil-law meaning (within the meaning of the Act of 23 April 1964 – The Civil Code, consolidated text: Journal of Laws of 2019, item 1145 – CC). The concept of enterprise in succession was introduced by the Polish legislature for the purpose of determining the subject (scope) of succession management of a natural person's enterprise after his/her death. For an enterprise in succession, as regards taxes strictly defined in statutes, unlike in the area of civil law (where it should be treated as a set of assets), this enterprise is considered an organisational unit without legal personality, to which the statute grants legal capacity. This dualism of the legal status of an enterprise in succession may raise doubts and ambiguities both at the theoretical and practical levels. This leads to a general reflection on the need of unification of the regulation of legal status of legal institutions called in an identical manner in individual branches of law. This study applies primarily the formal-dogmatic method in relation to generally applicable legal acts, and within this methodology, as a rule, all available methods of interpretation, including in particular linguistic interpretation and systemic interpretation.

Keywords: *Legal status, enterprise in succession, unification of the legal status of legal institutions in individual branches of law*

INTRODUCTION

In civil law, enterprise is defined in the Civil Code in the provision of Article 55¹ of the CC as an organised set of tangible and intangible assets intended for running business activity. The Polish legislature has listed in this provision examples of components of an enterprise in the material sense, including, inter

alia, name of the enterprise, right of ownership and other property rights to real or movable property, rights under an obligation relationship related to real or movable property, concessions, licences and permits, receivables, copyright and related property rights, industrial property rights, etc. These components are usually divided into rights under property law, rights under an obligation relationship, rights to intangible assets, administrative decisions and others[1]. The provision of Article 55¹ of the CC is considered the legal basis for distinguishing one of the meanings given to the term “enterprise”, namely enterprise in the objective sense, as opposed to enterprise in the functional sense (understood as the running of a business activity) and enterprise in the subjective sense (meaning an enterprise as a legal entity)[2].

While for an enterprise in the general civil-law sense (as understood in the Civil Code) there is no doubt that it is an organised set of tangible and intangible assets intended for running a business activity, hence a so-called organised property complex (a set of assets) which does not constitute an organisational unit having legal capacity, in the case of an enterprise in succession, as regards strictly defined taxes, the enterprise is treated as an organisational unit without legal personality, to which the statute grants legal capacity, unlike in the area of civil law (where it should be treated as a complex of assets). The legislation also regulates, among other things, the issue of running the affairs and representation of an enterprise in succession. This refers to the legal status of civil-law partnership contract, which, in the area of tax law (specific taxes), in contrast to those based on civil law, is treated as an organisational unit without legal personality, to which the statute grants legal capacity.

The meaning of the term “enterprise in succession” in the context of the general definition of enterprise

According to Article 2 (1) of the Act of 5 July 2018 on succession management of a natural person’s enterprise, Journal of Laws of 2018, item 1629 (SMNPE), an enterprise in succession comprises tangible and intangible assets, intended for the running of economic activity by the entrepreneur, which constituted the entrepreneur’s estate at the moment of his death[3]. It should be noted that intangible assets that form an enterprise in succession do not need to be an organised set of items, as in the case of enterprise in the general civil-law meaning. Moreover, this definition uses the term “estate”, which was not defined separately for the purposes of the SMNPE. In the classical (traditional) approach, under Article 44 of the CC, the category of estate includes only property and other proprietary rights (i.e., it does not include, for example, non-property rights)[4]. This means that, as can be judged contrary to the legislature’s intention expressed in the Grounds for the draft Act on succession management of a natural person’s enterprise (Grounds for the draft Act)[5], in which the category of enterprise in succession is essentially tantamount to the general civil-legal category of enterprise, the definition of enterprise in succession set out in Article 2(1) of the SMNPE may be assessed, in this respect, as narrower than the notion of enterprise

provided for in Article 55¹ of the CC which covers, apart from the entrepreneur's estate in a strict sense referred to in Article 44 of the CC, also such business components as administrative decisions related to the pursuit of business activities (concessions, licences and permits), business secrets, or accounting books and documents related to the pursuit of the business which cannot be clearly identified as falling into the notion of estate. The literature on the subject (civil law) points out that it is not an enterprise (understood as an organised set of tangible and intangible assets intended for running a business), but the right to enterprise as a set of components, constituting in fact a sort of property right, should fall into the category of estate[6]. It may be apparent here that "enterprise in succession" (not the right to an enterprise in succession according to the views expressed in respect of enterprise in general civil law), as opposed to an enterprise in the general civil-law meaning, has been linked by the legislature with the category of estate the entrepreneur is entitled to at the time of his/her death. This is the estate forming part of the enterprise as of the date of the entrepreneur's death. Where, at the time of death, an enterprise within the meaning of Article 55¹ of the CC constituted in its entirety the property of the entrepreneur and his/her spouse, the enterprise in succession shall cover the whole enterprise (Article 2 (2) of the SMNPE) Where there is a reservation that the partner's heirs will join a civil-law partnership in his/her place and the succession management has been instituted, an enterprise in succession shall also include the rights of the heirs of the partner in that partnership (Article 46 of the SMNPE).

An enterprise in succession shall also include intangible assets intended for the pursuit of business activity, acquired by the succession manager either as part of the activities referred to in Article 13 of the SMNPE (i.e. the so-called maintenance activities) within the period from the time of the entrepreneur's death to the date of expiry of the succession management or the expiry of the right to appoint a succession manager (Article 2 (3) of the SMNPE). It can be inferred from this, that an enterprise in succession is also composed of tangible and intangible components which, unlike the basic element of the definition of this enterprise in Article 2 (a) of the SMNPE, they are no longer closely linked to the category of estate, intended to run a business activity, acquired after the death of the entrepreneur by third parties (the succession manager or persons who perform maintenance activities), within the time limits set out in Article 2(3) of the SMNPE. Therefore, it is difficult to definitely argue that, as stated in the Grounds for the draft Act[7], the category of enterprise in succession is the same as that of the general notion of enterprise.

Enterprise in succession as a property complex – a set of intangible and tangible assets intended for running business activity (Article 2 of the SMNPE), as well as an organisational unit having legal capacity (Art. 49 of the SMNPE)

Therefore, an enterprise in succession, similarly to an enterprise in the general civil-law sense, may be considered in a traditional way, primarily as a

property complex, i.e. a set of tangible and intangible assets constituting the estate of an entrepreneur, intended for conducting business activity. In the previous Polish legislation, there were no legal grounds for recognising an enterprise as a legal entity or an organisational unit, including an organisational unit without legal personality, which is granted even partial (fragmentary) legal capacity by a statute. The legal status of an organisational unit being a legal entity or an organisational unit without legal personality is held by an entrepreneur who is not a natural person. Each entrepreneur runs an enterprise in a functional sense (carries out business activity) based on an enterprise in the objective sense (a set of tangible and intangible assets intended for conducting business activity – an organised property complex) [8].

Upon the death of an entrepreneur who is a natural person, his/her enterprise in the objective sense (as an organised property complex) within the scope of the estate included in the enterprise becomes an enterprise in succession, which in principle should be perceived in the legal sense as a property complex – a set of intangible and tangible assets constituting the estate of the entrepreneur at the moment of death – and not an organisational unit. Currently, under the provisions of Article 49 and Article 50 of the SMNPE, this should generally apply to all legal relationships, except for some legal relationships arising from the tax law. Pursuant to Article 49 of the SMNPE, an enterprise in succession is an organisational unit without legal personality, being a taxpayer, in the area of taxes strictly defined in this provision, i.e.: 1) Article 1a of the Act of 26 July 1991 on personal income tax (consolidated text: Journal of Laws of 2018, item 1509, as amended); 2) Article 1a of the Act of 20 November 1998 on a lump-sum income tax on certain income earned by natural persons (consolidated text: Journal of Laws of 2019, item 43); 3) Article 15 (1a) and Article 17 (1) of the Act of 11 March 2004 on the tax on goods and services (consolidated text: Journal of Laws of 2018, item 2174, as amended); 4) Article 3(4) of the Act of 24 August 2006 on tonnage tax (consolidated text: Journal of Laws of 2019, item 31); 5) Article 13(1) of the Act of 6 December 2008 on excise duty (consolidated text: Journal of Laws of 2019, item 864, as amended); 6) Article 71(1a) of the Act of 19 November 2009 on gambling (consolidated text: Journal of Laws of 2019, item 847); 7) Article 8(4) of the Act of 6 July 2016 on the activation of the shipbuilding industry and complementary industries (consolidated text: Journal of Laws of 2019, item 471). Moreover, in the light of Article 50 of the Act on stamp duty, also an organisational unit without legal personality referred to in Article 5(1) of the Act of 16 November 2006 on Stamp Duty (consolidated text: Journal of Laws of 2019, items 1000) is deemed an enterprise in succession. It should be noted here that the term “organisational unit without legal personality” used in the tax law is not the same as the term used in Article 33¹ of the CC. Organisational units which do not have legal capacity under private law may have such capacity in the area of tax law (i.e. they may be taxpayers). An enterprise in succession does not have legal capacity in the sphere of civil law, in particular it is neither a legal person nor organisational unit referred to in Article 33¹ of the CC. In the legislature’s opinion, which is difficult to support, an enterprise in succession is actually a specific

organisational unit “established” by legal successors or the spouse of the entrepreneur and managed by the succession manager[9]. This is so because the statute does not grant an enterprise in succession legal personality or legal capacity within the meaning of Article 33 and Article 33¹ of the CC. However, an enterprise in succession (similarly to a civil-law partnership) has acquired subjectivity in the scope of some taxes (on goods and services, excise duty, income tax, tonnage tax, ship tax and gambling tax). Some tax statutes, therefore, grant it the legal status of a taxpayer who is an organisational unit without legal personality. This enterprise may obtain the legal status of a taxpayer, even if the succession management has not been established, and may exist in the period from the day of death of the entrepreneur to the day of expiry of the period until the appointment of the first succession manager – if the person performing the maintenance actions submits a relevant notification to the head of revenue office. An enterprise in succession is also a payer of contributions for members of the personnel employed in the enterprise.

In view of the above-mentioned provisions, enterprise in succession has been considered by the legislature an organisational unit having a fragmentary (special) legal capacity as a taxpayer in strictly defined areas of tax law (including the taxes on goods and services, excise duty, income tax, tonnage tax, ship tax and gambling tax) and stamp duty. This enterprise in the area of private law (and other branches of law other than tax law) is a property complex, but in the area of taxes (and stamp duty) listed in Article 49 and Article 50 of the SMNPE, an organisational unit without legal personality granted the legal capacity by the statute. This indicates the dual nature of the legal-subjective status of an enterprise (in the objective sense) under Polish law. The similar dualism occurs in Polish law in the case of civil-law partnership, which in the area of private law (and other branches of law except tax law) is considered as a contractual, obligation-based legal relationship which has not establish an organisational unit separate from this relationship, while in the area of tax law (tax on goods and services and excise duty) is considered as an taxable organisational entity. There is a view, well-established in the case law, that it is a civil partnership, not its partners, which is the taxpayer under the Act on the tax on goods and services and the Act on excise duty, and decisions of tax authorities are addressed to a civil partnership as the taxpayer[10,11]. On the other hand, in civil law, the rights and obligations related to the activity of a civil law partnership are vested in its partners, and the partnership itself is in fact only a sort of contract. It operates in factual and legal relations as an organization of natural persons or legal entities[12]. In the past, an inheritance not accepted by heirs was also considered as a taxpayer of income tax (vacant inheritance)[13].

Arguments in favour of unification, in the normative aspect, of the legal status of legal institutions referred to in the same way in different branches (fields) of law as the base for cohesion of the state’s legal system

The cases of non-uniform legal status of legal institutions named in the same way, occurring in the Polish law and presumably other legal systems (i.e. in principle, generally identical legal institutions) in individual, at least two different branches of law, such as the above mentioned enterprise and enterprise in succession, or the above-mentioned civil partnership contract (civil partnership), leads to a general reflection, referring to the entire legal system (a given state, or even broader: a uniform legal system of many states bound by an international agreement, such as EU member states), on the need for the legislature to uniformly address the legal status of legal institutions referred to by an identical name.

There are many arguments that justify such an approach by the legislature (or legislatures). First of all, this duality of legal status (in principle: legal and subjective) of individual legal institutions (including e.g. enterprise in succession or civil-law partnership) may be deemed, at least to a certain extent, a result of inconsistent legal regulation. Sooner or later, such regulations with respect to a specific legal situation usually become a source of doubt and ambiguity, both at the theoretical and practical level (including the interpretation and practice of application of law).

This is usually associated with a threat to the security and certainty of legal transactions, both nationally (regarding the need to resolve fundamental doubts in this respect concerning the meaning of identical institutions regulated by various branches of national law in a given country), and internationally (regarding the need to resolve fundamental doubts in this respect concerning identical institutions regulated within the same or different branches in the legal systems of individual countries – especially in cases that justify the need to apply conflict-of-law rules – private international law, but also in situations where this law does not clearly decide which rule should be applied, which in turn may mean the need for parallel application of rules of more than one legal system that are different in the same normative scope). It is indisputable that the imperative of security and certainty of legal transactions should be of fundamental importance in the area of both establishing and interpreting and applying national and international law. The lack of a uniform understanding of legal institutions with identical or similar name may lead to different conclusions in the area of legal interpretation, which contradicts the security and certainty of legal transactions.

Therefore, the above-mentioned dualism of the regulation (legal status) should be eradicated. In my opinion, from a theoretical point of view, this can be done by the unification of regulations in one of the directions of norms adopted so far. The most reasonable, however, would be for this unification to aim at adopting the arrangement (legal status) of a given institution adopted within the branch (field) of law, which is the basic field for the regulation of this institution (such as civil law in relation to the category of enterprise), or the field in which a given legal institution was regulated historically earlier (as the institution of enterprise in the above example), or the field, or fields (areas) of law, in which the legal institution is more widely regulated.

In specific cases, where a non-uniform regulation of certain institutions occurs in the area of civil law (or broader: private law) and tax law (as in the case of an enterprise in succession or a civil partnership), one can debate whether from a fiscal perspective (including the revenue of the state budget) it would not be sufficient to tax an enterprise in succession in a classical way as inheritance – with the tax on inheritance and donations (and not other taxes), and in the case of a civil partnership – to typically tax activities carried out by partners of that partnership acting jointly – with the tax on goods and services and excise duty. It therefore seems that, in the case of an enterprise in succession, it is the heirs (using the terminology of the SMNPE: the owners of the estate in succession) who should be taxed (with the tax on inheritance and donations), not the enterprise in succession as an organisational on which a statute (SMNPE) confers legal capacity. This would rule out the need to grant legal personality to an enterprise in succession only for fiscal purposes in order to tax it as a legal entity with strictly defined taxes. Similar observations can also be applied to civil-law partnership. From the fiscal perspective, it would be sufficient to treat as taxable persons only partners acting jointly, rather than merely creating for this purpose the legal personality of a civil-law partnership in the area of tax on goods and services or excise duty. In other words, it seems that for the constructs (or institutions) that has existed and developed for centuries, as in the case analysed herein, of a legal entity, such as the construct of enterprise, which is a set of assets intended for running a business not a legal entity, or a civil-law partnership which constitutes a contractual relationship between the partners acting jointly and not the legal entity, the legislature may achieve its fiscal objectives (including taxation) by maintaining the same legal status of legal constructs (or institutions) named in the same way. There also may be the need for the legislature to give up taxation in certain cases, in particular where it is impossible to clearly recognise the taxable subject or person, or when such taxable subject or person cannot be clearly classified, and to replace taxation with other forms of meeting the fiscal needs of the State (or financial need in the case of an international organisation). There is no doubt that introducing artificial legal constructs in the area of legal status in such situations only for fiscal (including tax) purposes, such as in the case of enterprise in succession, cannot be positively assessed as favourable to the manner of perception of the meaning of various legal institutions and, therefore, the coherence of the whole legal system of a particular State or a union of states operating under an international agreement.

CONCLUSION

First, the category of enterprise in succession in Polish law is presumably contrary to the intention of the legislature expressed in the Grounds for the draft Act, is autonomous and differs from the general civil-law category of enterprise in the following aspects: 1) the fact that an enterprise in succession does not have to be an organised set of tangible and intangible assets (intended for running a business), or even an unorganised set of these assets, 2) the link between the enterprise's constituent tangible and intangible assets with the category of the

entrepreneur's estate, 3) and the fact that the enterprise also comprises the rights acquired by the succession manager and based on so-called maintenance activities following the death of the entrepreneur and thus acquired by persons other than the heir entrepreneur.

Secondly, the legal status of an enterprise in succession has been regulated in Polish law differently as compared to the legal status of enterprise in the general civil-law sense. Enterprise in succession, unlike enterprise in the general civil-law sense, has no uniform legal status in the field of civil law and tax law. Enterprise in succession, in contrast to enterprise in the general civil-law sense, for the area of taxes explicitly mentioned in tax legislation, i.e. tax on goods and services (including excise tax), income tax, tonnage tax, ship tax and gambling tax, treated as an organisational unit without legal personality, on which the statute confers legal capacity, and therefore the so-called third category of entities. Therefore, there is a duality of the legal status of enterprise in succession expressed in a different legal status of that enterprise in the area of private law (and presumably in areas other than tax law – under which enterprise is considered a set of tangible and intangible assets intended for running a business) and in the area of tax law, including strictly defined taxes: on goods and services (including excise tax), income tax, tonnage tax, ship tax and gambling tax, under which it is treated as (considered as) an organisational unit without legal personality, on which the statute confers legal capacity. Such dualism refers to the similar legal construct of civil law partnership in Polish law, which is generally considered, as regards the meaning attributed to it in civil law, as an obligation-based relationship between partners acting jointly, while in the area of tax law (including tax on goods and services and excise duty) as an organisational unit with legal capacity as a taxpayer.

Thirdly, every different legal regulation of legal status of legal institutions named identically in individual branches (fields) of law or, more broadly, legal systems (including the dualism indicated above) may pose a significant threat to the security and certainty of business transactions, both nationally and internationally, and should therefore be removed. The most reasonable is to unify the legal status of these institutions towards adopting the arrangement (legal status) of a given institution adopted within the branch of law, which is the basic field for the regulation of this institution or the field in which a given legal institution was regulated historically earlier or fields (areas) of law, in which the legal institution is more widely regulated. From this perspective, in the specific case of the analysed diversified regulation, it seems that for the constructs (or institutions) that has existed and developed for centuries, such as the construct of enterprise or civil-law partnership the legislature may achieve its fiscal objectives (taxation) while maintaining the same legal status of legal constructs (or institutions) named in the same way in different branches of law. Introducing legal constructs in the area of legal status only for fiscal (including tax) purposes, such as in the case of enterprise in succession, cannot be assessed as favourable to the manner of perception of the meaning of various legal institutions and, therefore,

the coherence of the whole legal system of a particular State or a union of states based on an international agreement, such as for example the EU.

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ON THE COLLECTION OF TAX DEBT FROM FINAL BENEFICIARIES IN RUSSIA

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ABSTRACT

Tax policy is now tightened, it increases the risk of using tax schemes based on abuse of law and tax evasion by capital withdrawal of companies. However, beneficiaries are coming up with new ways of hiding assets. Russian legislation is gradually beginning to emerge in terms of the emergence of legal institutions for the debt collection of taxes of enterprises from final beneficiaries in Russia, by increasing the ability of tax authorities to collect taxes from third parties. There is a clear tendency to expand the list of persons who may be brought to subsidiary liability. Meanwhile, attention should be paid to statutory restrictions that protect the rights of the beneficiary who is not involved in the commission or concealment of tax offenses. Tax authorities and courts combat abusive and illegal tax schemes. For this reason, the issues of collecting debts on taxes from final beneficiaries who evade tax obligations deserve close attention. The problems of applying property liability in Russia to the real beneficiary of the debtor who is guilty of causing damage to creditors are now often discussed. In modern conditions of the formation of court practice in tax disputes, the issue of liability for tax offenses of third parties is becoming increasingly important. This does not prevent this legal institution from developing very dynamically. Most Russian experts see the emergence of property liability for tax offenses of third parties as a long-awaited means of countering the abuse of the right in the field of taxation (the impossibility of leaving beneficiaries from personal responsibility) and the method of punishing unscrupulous taxpayers. The authors talk about the significance of this institution for building a coherent and effective legal system for regulating legal relations in the field of taxes and fees. The purpose of the study is to justify the need to apply with caution property liability to third parties. The research methodology is based on the dialectic method of knowing the institution of collecting tax debts of organizations from final, real beneficiaries as a social and legal phenomenon in development. The article highlights the new mechanisms and instruments for collecting tax debts of organizations from final, real beneficiaries. A new procedure is analyzed, indicating the possibility of collecting arrears not only from dependent organizations, but also from individuals - beneficiaries of the activities of companies evading taxes. The authors investigated and analyzed the new mechanism of influence on unscrupulous persons, aimed at countering the withdrawal of assets to another company in order to avoid paying taxes. The conclusion is substantiated that new trends in the legislation testify to the

possibility of bringing beneficiaries to subsidiary liability for losses caused to the company by unscrupulous and unreasonable actions of its persons. On the basis of the study, the authors reviewed the main changes introduced by Federal Law of November 30, 2016 № 401-FZ. The authors came to the conclusion that in the new law, for the first time at the legislative level, a step has been taken to discourage affiliates from transferring assets to another company in order to avoid paying taxes. The exclusion of such negative manifestations will increase the repayment of debts to bona fide creditors. The authors hope that this approach will only improve the position of bona fide taxpayers and improve the quality of tax discipline in the country. The measures of legislative regulation of the institution of property responsibility of the final beneficiaries are proposed and directions for improving modern tax policy in Russia are defined. The authors believe that a deep theoretical study of the issue of the responsibility of an individual on the company's tax liabilities and an active influence on the formation of a uniform judicial practice is necessary. The authors hope that Federal Law № 401-FZ of November 30, 2016 will be able to increase the debtors' motivation to avoid the evasion of these obligations, since new tools - legislative innovations improve the collection of debts, and at certain points will be generally directed at harmonizing the law.

Keywords: *real beneficiaries, “transfer” of company tax liabilities, tax debt, circumvention of the law, tax evasion*

INTRODUCTION

The tax legislation of Russia has a mechanism for countering the transfer of assets to another company in order to avoid paying taxes. For several years, Russian tax legislation has been steadily moving towards tightening control over the payment of taxes. The current innovations are aimed at combating tax evasion abuses. The outlined trends in the country correlate with the world practice of resolving such cases, presenting claims on the debts of organizations to beneficiaries from their activities. The limits of permissible and possible taxpayer behavior as a result of ambiguous interpretation of tax legislation remain one of the controversial issues in the relationship between tax authorities and business. In the current tax legislation, the problems of protection of a bona fide taxpayer and means of countering the abuse of the right in the field of taxation have not been sufficiently regulated, which still gives rise to litigation. There are certain difficulties in describing models and criteria for good conduct of a taxpayer [1]. The legislation does not establish proper boundaries between tax planning and tax evasion, which often leads to conflicts between tax authorities and taxpayers. It should be noted that the right to tax planning is currently not fixed at the legislative level, tax planning does not have its own criteria and classification. The introduction of such concepts at the legislative level is necessary both for taxpayers and for tax and law enforcement agencies.

THE TAX DEBT COLLECTION FROM AFFILIATED AND INTERDEPENDENT PERSONS

The tax debt collection rule for affiliated organizations was introduced in 2013 [2] (entered into force one month after the official publication of the Federal Law) to combat the common practice of bankruptcy of companies that were subject to major claims based on tax audits. Prior to the introduction of this norm, the business did not stop, but was reincarnated into a new legal entity, where assets, personnel, etc. were transferred. There were no legal means and leverage, it was not possible to do something by the tax authority.

Currently, the state of affairs has changed with the adoption of the Federal Law of 30.11.2016 № 401-ФЗ “On Amendments to Parts One and Two of the Tax Code of the Russian Federation and certain legislative acts of the Russian Federation” [3]. A new mechanism of influence on unscrupulous persons has been introduced - to exact non-payment directly not only from dependent organizations, but also from individuals - beneficiaries of the activities of companies that evade paying taxes. Now the tax debt collection will be addressed to “persons recognized by the court as otherwise dependent on the taxpayer” - thus the amendment to Article 45 of the Tax Code of the Russian Federation (RF) expands the boundaries of “other dependence”. It allows you to apply to the courts with claims directly to citizens in whose favor the property or proceeds of the debtor company were withdrawn. The analysis of the changes introduced by Federal Law of November 30, 2016 № 401-FZ, once again set the priorities of the state. As a result of the above, the tax authorities have the right to impose requirements for subsidiary liability (financial liability of the additional debtor for the principal debts) immediately to the owners and other persons of insolvent companies. The approach to establishing any dependence between a taxpayer, a debtor and a third-party organization was determined by the identification of dependence based on the relations of power and subordination (subsidiaries and affiliates) in the sense provided by Russian civil law. It is possible to suggest an increase in tax disputes in which the amount of tax additional charges will be collected from persons whose interdependence is not based on the rules of civil law on affiliated and subsidiary companies, but on circumstances indicating the existence of facts indicating the transfer of assets and business from the debtor to another legal entity (i.e. active “transfer” of tax liabilities from the taxpayer to its “parent”, “subsidiary” and “sister” companies).

Referring to the history of the question that has arisen, it should be noted that until 2006, Russian tax legislation did not have the opportunity to make claims against someone other than the taxpayer. Then, in article 45 of the Tax Code of the RF, a norm appeared allowing to collect arrears of affiliated or parent company if receipt of proceeds on one of them from that organization which did not repay the tax debt was established.

ON SOME ISSUES RELATED TO THE APPLICATION OF THE FEDERAL LAW OF 30.11.2016 № 401-FZ

We believe it is necessary to note that the further implementation of the Federal Law of 30.11.2016 № 401-FZ will lead to the unresolved issues, therefore, it should stop, and highlight the following problems that may arise in law enforcement.

1) How to relate this law to the provisions of the Civil Code of the Russian Federation (GK RF) in part of the provisions of paragraph 3 of clause 1 of article 53 of the Civil Code of the RF, which provides for the possibility to speak on behalf of a legal entity at once several persons (this will need to be indicated in the statute). Clause 1 of Article 53 of the Civil Code of the RF on allows the organization to have several directors acting jointly or independently from each other. In addition, responsibility is established for the latter - at the request of the legal entity, its founders (participants) they will be obliged to pay damages caused to the organization through their fault (clause 8 of Article 1 of the Law [4], Article 53.1 of the Civil Code of the RF). Moreover, a bundle of these persons may also differ: in some cases, the consent of two persons to make some decisions is necessary, and in some cases, each will represent a legal entity within its competence. This is largely borrowed from foreign practice. In summary, it can be concluded that there will be problems at a ratio of provisions of the Federal law of 30.11.2016 № 401-FZ with the property responsibility of managers and founders existing in civil law (the problem of the so-called “double responsibility”).

2) How to compare the provisions of the Federal Law of 30.11.2016 № 401-FZ with the existing practice of treating tax authorities with civil lawsuits in criminal proceedings (recognition of the tax authority as a victim and giving the opportunity to file a relevant lawsuit). So as a defendant in a civil suit arising from the commission of a crime under Article 199 of the Criminal Code of the Russian Federation, a natural or legal person may be brought in, who, in accordance with the law (Articles 1064 and 1068 of the Civil Code of the Russian Federation), is liable for harm caused by a crime (Article 54 Code of Criminal Procedure of the Russian Federation, paragraph 24 of the Resolution of the Plenum of the Supreme Court of the RF of December 28, 2006 № 64 “On the practice of the application by courts of criminal legislation on liability for tax crimes”). Analysis of the legislation and established court practice suggests that there will be problems with the existing, current and regulated procedure for recovery of harm, carried out by the tax authority, in a civil lawsuit in a criminal case.

3) When considering a dispute on the legality and reasonableness of bringing individuals to subsidiary liability in a bankruptcy case, it is worthwhile to dwell on the following. Bankruptcy legislation provides additional opportunities for tax authorities and, in the absence of a bankruptcy case, to impose requirements for

secondary liability (the financial liability of the additional debtor for the principal debts). It is important and such innovation as the distribution of rights to recover from the subsidiary respondent between creditors. This is a global trend - identifying beneficiaries, imposing responsibility on them for abuse of rights. Currently, the institution of subsidiary responsibility is constantly evolving. Consequently, at present, it is possible to bring to such responsibility not only the directors of organizations, but also any person who is recognized as controlling, that is, having the ability to influence the company's activities.

4) It is important to remember that with such an arrears, it is possible that the head of the organization is brought to criminal responsibility and a conviction against the persons controlling the organization, for which they are obliged, will compensate for the damage caused by their actions to the budget, if it was not possible to recover additional charges including within bankruptcy. The only way to avoid paying and to avoid the consequences is to successfully challenge the decision of the tax authority to check in court, which should also remove the blame from the persons controlling the taxpayer in a criminal case, if such has been filed. As a rule, to get rid of such debts, the procedure of reorganization of the company is carried out. The newly created company is transferred part of the assets and obligations of the reorganized company without terminating the activity of the latter (clause 1 of article 55 of the Law of February 2, 1998 № 14-FZ).

Currently, tax authorities are increasingly trying to hold individuals accountable for the debts of the organization. Such an opportunity arises in case of bankruptcy of a company by collecting from the owner a debt exceeding the property of the organization and its authorized capital. Managers and other controlling persons are increasingly attracted by the tax authorities to subsidiary liability under the Federal Law "On Insolvency (Bankruptcy)" of 26.10.2002, № 127-FZ [5]. Note that, as a general rule, a legal entity is not responsible for the obligations of the founder, and the founder of a legal person is not responsible for the obligations of a legal person (clause 2 of Article 56 of the Civil Code of the RF) [6]. Shareholders bear subsidiary liability for the obligations of the joint stock company (JSC) in the event of its insolvency (bankruptcy). However, in the event that the bankruptcy of a joint-stock company is caused by actions (inaction) of its shareholders, then these shareholders in case of insufficiency of the company's assets may be assigned subsidiary liability for the obligations of the joint-stock company. In this case, a causal relationship should be established between the action (inaction) of persons who are entitled to give binding instructions to the JSC or otherwise have the opportunity to determine its actions, and the insolvency (bankruptcy) of the JSC (paragraph 3 of Article 3 of Law № 208-ФЗ). Similar provisions are contained in paragraph 3 of Article 56 of the Civil Code. The second paragraph of clause 3 of Article 56 of the Civil Code of the Russian Federation refers to persons who may act as subjects of subsidiary responsibility, founders (participants), the owner of the property of a legal entity and other persons who have the right to give binding instructions for this legal

entity or otherwise have the ability to determine its actions. In addition, paragraph 4 of Article 10 of the Bankruptcy Law directly refers to the number of subjects of responsibility as the head of the debtor. Therefore, in case of insufficiency of the property of the debtor, the entities defined by law may be assigned subsidiary liability for its obligations.

Moreover, in accordance with clause 5 of the Resolution of the Plenum of the Supreme Court of Arbitration of the Russian Federation № 29 of December 15, 2004 “On Some Questions of the Practice of Applying the Federal Law“ On Insolvency (Bankruptcy) ”[7], the statement of the debtor’s head is accepted by the arbitration court authorized in accordance with the constituent documents of the debtor to make a decision on the liquidation of the debtor. In order to impose a subsidiary responsibility on the head of an organization, his unlawful behavior is determined, which is manifested in the fact that, as a result, the head does not perform duties that entail losses for the organization and its creditors. The fault of the head of the organization in case of its insolvency (bankruptcy) is expressed in the non-fulfillment of obligations to take appropriate measures aimed at respecting the rights of third parties, as well as respecting the proper degree of rationality, care and diligence. According to paragraph 2 of Article 401 of the Civil Code of the Russian Federation, the absence of guilt is proved by the person who violated the obligation, that is, it is this person who must prove that it should not and could not foresee the onset of these consequences. Failure to exercise due diligence and prudence means having blame for causing losses to the creditors of a legal entity - a bankrupt (paragraph 2 of clause 1 of Article 401 of the Civil Code of the Russian Federation). By virtue of paragraph 2 of Article 9 of the Bankruptcy Law, the application must be sent to the arbitration court as soon as possible, but no later than one month from the date of the occurrence of the relevant circumstances (Resolution of the FAS of the Urals District of April 29, 2010 № F 09-3031/10-C4). When considering such arbitration cases, the court takes into account the explanations provided in paragraph 2 of the Resolution of the Plenum of the Supreme Court of Arbitration of the Russian Federation № 62 of July 30, 2013 “On some issues of compensation for damages by persons belonging to the bodies of a legal entity” - if the disadvantage of the transaction was later discovered due to violation of the obligations arising from it, the director is responsible for the corresponding losses, if it is proved that the transaction was originally concluded for the purpose of non-performance or improper execution [8]. And with the evidence of the fact that the director or shareholder acted in bad faith and unreasonable (for example, made a free transfer of real estate and all fixed assets of the joint-stock company), the courts come to the conclusion that there are grounds for bringing these persons to subsidiary responsibility (for example, AU North-West District dated July 14, 2016 № A56-4970/2013).

Also, many taxpayers have completely forgotten the existence of article 49 of the Tax Code of the RF unchanged from the moment of adoption of the code: “If the liquidity of the organization being liquidated is not sufficient to fulfill the full obligation to pay taxes and fees, penalties and fines, the remaining debt must

be repaid by the participants of the specified organization”. In view of the above, it appears that the organization is at risk if the amount of tax arrears exceeds 300,000 rubles, and the maturity date is more than three months. The organization should take all measures to pay the debt or declare it bankrupt, otherwise the tax authority will do it, but with the requirement to find the manager and / or founders guilty. Thus, in the definition of the Supreme Court of the Russian Federation № 81-KG14-19 dated January 27, 2015, the court held the head and sole owner responsible for non-payment of VAT on a large scale and confirmed the legality of collecting damage from an individual to the state in the amount of the unpaid tax.

LEGAL POSITIONS OF THE CONSTITUTIONAL COURT OF THE RUSSIAN FEDERATION ON THE TAX LIABILITY OF INDIVIDUALS FOR TAX ARREARS OF ORGANIZATIONS

Taking into account the above-described changes in the current tax legislation, the Constitutional Court of the RF expressed a new legal position in the Resolution № 39-P dated December 8, 2017 “On the case of checking the constitutionality of the provisions of Articles 15, 1064 and 1068 of the Civil Code of the Russian Federation, subparagraph 14 of paragraph 1 of Article 31 of the Tax Code of the Russian Federation, Article 199.2 of the Criminal Code of the Russian Federation and the first part of Article 54 of the Criminal Procedure Code of the Russian Federation in connection with complaints of citizens G.G. Akhmadeeva, S.I. Lysyaka and A.N. Sergeyeva”, who considered the possibility of collecting tax debts outside the norms of public law - in civil law. The Constitutional Court of the Russian Federation confirmed the legality of collecting the tax debt of an enterprise from a manager convicted of tax crimes. As a legal justification, the Constitutional Court of the Russian Federation adopted the provisions of Article 1064 “General grounds of liability for causing harm” of the Civil Code of the RF. Later in the definitions of the Constitutional Court of the Russian Federation: № 58-O dated January 25, 2018 № 65-O dated January 25, 2018 № 418-O dated February 27, 2018 № 2624-O dated October 25, 2018 November 29, 2018 № 2940-O, December 20, 2018 № 3247-O, the legal position expressed earlier on the possibility of recovering the harm caused to the budgets of public legal entities, in the amount of taxes and penalties from individuals, was fully supported accused of committing tax crimes. Undoubtedly, such actions arise because of the absence in the law of other mechanisms for bringing third parties to justice for the obligations of the organization. The tax authority immediately commented on the Resolution of the Constitutional Court of the Russian Federation № 39-P dated December 8, 2017 and in the prescribed manner brought it to lower-level tax inspections (letter of the Federal Tax Service of Russia 09.01.2018 № CA-4-18/45@ “On the Direction for Use in the Resolution Of the Constitutional Court of the Russian Federation of 08.12.2017 № 39-P”).

CONCLUSION

The conducted research allows to come to the following conclusions. The problem of law enforcement lies in the fact that a public tort is a failure to fulfill the obligation to pay a tax is the basis for civil liability. In any case, there is no doubt that the arrears are always damage caused to the treasury. Is it reasonable and lawful to compensate such damage according to the rules of civil law? We consider it inappropriate in this case to speak about damage in a civil-law sense, as a derogation of the property sphere of a participant in civil turnover, since there is a paragraph 3 of Article 2 of the Civil Code of the Russian Federation. As you can see, the Civil Code of the RF does not regulate the issues of compensation for harm caused to the state by non-payment of taxes (follows from the analysis of the provisions of paragraph 3 of Article 2, Articles 1064, 1068 of the Civil Code of the RF). Under such circumstances, it should be noted that Article 76.1 of the Criminal Code of the Russian Federation speaks of damage to the budget system of the Russian Federation caused as a result of tax evasion. The list of rights of tax authorities to appeal to the court (subparagraph 14 of paragraph 1 of Article 31 of the Tax Code of the RF, paragraph 11 of Article 7 of the Law of the Russian Federation of 21.03.1991 № 943-1 "On tax authorities of the Russian Federation) does not have a general right to file claims for damages caused by failure to fulfill tax obligations, this right arises from the provisions of the Code of Criminal Procedure. Subparagraph 14 of paragraph 1 of Article 31 of the Tax Code of the Russian Federation allows for tax authorities to file claims for compensation by banks for damage to the treasury due to unlawful failure to comply with decisions to suspend operations on taxpayer accounts. In these cases, the damage to the treasury is reimbursed in court on claims of the tax authorities using the rules of civil law. At the same time, in essence, here the legislator directly permits the use of civil law mechanisms for the protection of public property interest. As it is represented, any of the operating or offered norms regulating responsibility of the head except for Subparagraph 2 of Paragraph 2 of Article 45 of the Tax Code of the RF, does not mention receiving by the head revenue, money, other property, that is material benefit as justifications of collecting from the director of the sums equivalent to a tax shortage of the organization. If left unchanged the provisions of Article 45 of the Tax Code of the RF, as amended by Federal Law of November 30, 2016 № 401-FZ, it would be reasonable to secure in the Code of Criminal Procedure of the RF the right of the state represented by the authorized body to compensate for the damage caused by such a crime, provided that it can be realized only in the form of a claim for collection of tax arrears, the condition of which is to satisfy the guilty person (affiliated) of the proceeds, money, other property as a result of this crime. With this approach, it will be fair to talk about the inadmissibility of re-collecting taxes from the company, collected from the head in connection with criminal prosecution. It seems that in all cases the issue of the tax debt collection from individuals should be considered within tax relations. At the same time, there remains the problem of legal regulation of the implementation of new instruments for the tax debt collection from final beneficiaries. In this regard, the legal position of the Constitutional Court of the

RF in the decree № 39-P dated December 8, 2017 becomes relevant. Because of the above, it is obvious to assume that the new instrument (provisions of the Federal Law of 30.11.2016 № 401-FZ) will be applied in exceptional cases, when it will be proved that the revenue or business was actually transferred. Undoubtedly, and justifiably, tax liabilities follow the source of their occurrence. Summing up, we note that there has been an expansion of the mechanisms for collecting tax arrears from individuals - the final beneficiaries. As we see, at the moment there is an opportunity to collect tax arrears of an enterprise from a dependent individual according to the rules of article 45 of the Tax Code of the RF. Let us pay attention to the possibility of collecting the tax arrears of an enterprise from an individual according to the rules of compensation for harm (Chapter 59 of the Civil Code of the RF). The real judicial practice that has taken shape after the entry into force of the amendments to the RF Tax Code testifies to the emerging tendency of criminal prosecution as a tool for collecting tax arrears. Today, the practice of applying this provision has greatly expanded due to the legal positions of the Constitutional Court of the RF. In connection with the above, taxpayers should take more cautious and deliberate actions, which may eventually be regarded by the tax authority and the courts as a “bypass” of the law, since these circumstances indicate the unfair nature of the taxpayer’s actions, and may lead to completely unfavorable consequences for them. We believe that the broadest discussion by the legal community of the provisions of the Federal Law of 30.11.2016 № 401-FZ, a deep scientific and theoretical study of the liability of an individual, interdependent, affiliated to the company's tax liabilities, is required in order to prevent the collection of tax arrears of legal entities from individuals under the guise of compensation for harm to the budget of the Russia.

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THE CHARACTER OF THE SERVICE RELATIONSHIP OF MEMBERS OF THE SECURITY FORCES OF THE CZECH REPUBLIC IN LIGHT OF JUDICIAL CASE LAW AND RELATED CURRENT ISSUES

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ABSTRACT

The paper provides an insight into the issue of the legal regulation of the service of members of the security forces. Within the content of the historical legislation of the service of security forces through the theoretical background and basic elements of Act 361/2003 Coll., the author analyses in more detail the current practical issues existing in the application practice. A comprehensive explanation specifically concerns the relation between Act 361/2003 Coll., and Act 500/2004 Coll. Considerable attention is also paid to the issue of compensation for damage caused by an unlawful decision or maladministration. These questions are analyzed with an accent on the public character of the Act on the Service Relationship of members of the security forces and the principle of the subsidiarity of the Administrative Code. The argumentation is based on the case law of the Constitutional Court and the Supreme Administrative Court. The benefit of this paper is the elaboration of a topic that has been missed in the current professional literature so far, as well as the potentiality of raising a discussion on the future direction of the interpretations of the individual aspects of the service relationship.

Keywords: *security forces, case-law, administrative law, public service; liability for damage; administrative proceedings*

INTRODUCTION

In the modern history of Czechoslovakia and subsequent Czech Republic, the legal regulation of service of members of the security forces developed in a way that is significantly different from the legal regulation of other employment relationships. Even after the expiration of the validity of the legal rules regulating public service in the pre-war Czechoslovak Republic, existing practically in the form it was developed during the era of the Austro-Hungarian Empire, such regulation of service relationship kept official service elements even during the period of socialism, albeit that it was affected by a tendency to unify the legal nature of the employment relationship, in particular after the codification of labor legislation in the 1960s. The legislation has not succeeded in removing such burden by the time the current legislation came into effect, represented by Act No.

361/2003 Coll., on Public Service of Members of the Security Forces (hereinafter referred to only as the “Public Service Act”). Besides the unification of the service relationship of members of the security forces under one act, this legislation aimed to suppress contractual elements of the service relationship and to create a standard public administration relationship, resulting in a definitive and complete legislative division of public service from private employment relationships, regulated by the Labor Code of the Czech Republic. The members of the Security Forces, as well as the other public servants, have reinforced disciplinary responsibility for their professional activities. [1] The state, as a specific employer, requires from the members of Security Forces, compliance with a legal order, impartiality and apolitical attitude, when exercising their duties. Coercive powers are vested to public officers to regulate the conduct of citizens. In many countries, members of the police and other security forces are authorized to carry arms in the discharge of their duties. Ultimately, the Security Forces are at the service of the state. Citizens and the large public expect that in their dealings with the police they are confronted with politically neutral officers who are detached from the political fray. This standpoint was and still is extremely important for countries transiting from non-democratic regimes to a democratic state governed by the rule of law. [2] However, this does not mean that the Public Service Act regulates the entire complexity of the relations created between the state and members of Probably the mostly recent discussed issue, related to the nature of public service and proceedings thereabout, was the use of Act No. 82/1998 Coll., on Liability for Damage Caused by Illegal Decision or Improper Administrative Procedure (hereinafter referred to only as the “Act on Liability for Damage”).

The legal analysis forms the basis for exploiting the above-mentioned issues. We consider the relevant legislation and related consulting and expert literature, focusing on the interpretation of the respective provisions of the act and on the assessment of their complexity with regards to general regulation from the perspective of judicial case-law. For the extension and verification of identified information in the area of official procedures, practitioners were interviewed. These interviews were executed within the courses of lifelong learning at the Police Academy of the Czech Republic in Prague. The synthesis method and the method of generalization of experiences were applied for the formulation of conclusions

THEORETHICAL BACKGROUND AND MAIN ISSUES

The key for understanding the relations between the legislation regulating the service relationship and the Act on Liability for Damage and solution of issues relation to this relationship lies in the understanding of legal nature of the service relationship.

In relation to the nature and characteristic aspects of the service relationship, besides historical relations of development of this specific employment relation, it's worth pointing out, in particular, the break-even decision that has resolved the

uncertainties present in the application practice in the Czech environment and related to the nature of this relationship and resulting competence disputes between civil and administrative courts when providing judicial protection against the decision of a superior service officer, more specifically against the resolution of a special plenum according to Act No. 131/2002 Coll., on the Decisions in Certain Competence Disputes, File No. Conf 26/2005 - 9 from December 13, 2007, where it's stated: "*Issues based on the service relationship of members of the Police of the Czech Republic, set by Act No.186/1992 Coll., (Act No. 361/2003 Coll., now), may not be considered as private due to their nature. The service relationship is and was characterized as an institute of public law.* Within the decision-making activities of Czech courts, further argumentation related to the public nature of the service relationship may be identified e.g. in the Finding of the Constitutional Court, File No. III. ÚS 2428/13 - 1 from June 13, 2014, where: "*the service relationship of policeman, created, and in the assessed case also terminated, on the basis of a decision as an act of authority of a respective service officer, is a public act by its nature, differing markedly from an employment relationship that is, conversely, a private law relationship.*" [2] In compliance with the stance of the administrative courts, stated above, the Constitutional Court also concludes that the service relationship is of a public law nature, stating directly as well that the decision-making in cases of a service relationship represents an execution of public power.

These conclusions could also be supported fully from the past by the judicial case law of the European Court of Justice, considering the issue of disputes of public administration employees, related to their hiring to a service relationship, career or termination of their service relationship, if it should be solved by a procedure for "civil rights and obligations" set by the European Convention on Human Rights,(Convention). in the case *Pellegrin v. France* from December 8, 1999, or in case *Frydlender v. France* from July 27, 2000. [3] In these two cases, the European Court concluded that if such a participant to a dispute related to the establishment, duration or termination of service takes part on the execution of public power and public office, whose purpose is the protection of the general interests of the country, the respective article of the European Convention is not applicable. European judicial case law did not include the issues of establishment, changes and termination of the service relationship of members of the security forces under the term "civil rights." However, this interpretation was subsequently reassessed in the decision of the large plenum of the European Court of Human Rights in the case *Vilho Eskelinen v. Finland* from April 19, 2007, with a related decision in the cases *Fiume vs. Italy* from July 30, 2009, and *Cudak v. Lithuania* from March 23, 2010. [4] Therefore, in these days, according to the European Court, proceedings on the issue of a service relationship are subject to the application range of art. 6 par. 1 of the Convention, i.e. under the term "civil rights and civil obligations."

Within this context, in relation to the Czech legislation we may state that it follows the social relationship it regulates as well as the time of its formation. The

subject of the regulation of the service relationship are the relations between individuals performing service in security forces and the Czech Republic that such persons are in a service relationship to. This is a specific employment relationship, regularly designated as a state-employment relationship. However, not even this designation should motivate us to suppress the employment aspect automatically. It's an expression of a private element, or stated in a different way, an expression of the partially employment nature of the service relationship, given by the pure basis of the relationship between a participant, as an employee, and the state, as an employer, of a traditional understanding of the legal status of the employment subject and the historical connection of the legislation of the service and employment relationship. Between the employer and, in particular, a person deciding on the rights and obligations on its behalf, a completely different relationship is established as between a citizen and an administrative body when deciding on legal relations between the state and citizen. This is a relationship that's not very different from the relationship of an employee and employer within an employment relationship. In the issues of service relationship, a completely different area of rights and obligations is decided on as in the event of a standard administrative proceeding. In this area, we may not ignore the fact that the Public Service Act contains substantive law provisions, almost identical to the provisions of the Labor Act, e.g. the regulation of service period, rest time, provision of income for service, late payment interest and also damages, etc. These areas suppress the public law nature of the service relationship markedly. The fact that the legislation of the service relationship is of a strictly mandatory nature, and that a public officer decides on the rights and obligations within formalized proceedings, the nature of subjects' status is modified, but not changed in substance. Legal relations, their establishment, development and termination are somewhat different within a service relationship when compared to the standard relations of administrative law. Based only on these reasons, the administrative nature of the service relationship should not be overestimated when interpreting legal provisions.

Compared to the judicial case law of the administrative courts and of the Constitutional Court above, the stance of the Supreme Court of the Czech Republic towards this aspect of a service relationship is relatively perceptual, stating in one of its decisions as follows: *"The legal regulation of the service relationship of a policeman is of a comprehensive nature, where the private and public law elements are mixed here to a different extent and it's always necessary to conclude by an analysis of valid legal rules, if the relationship is of an employment nature or a different one."* So, the Supreme Court considers the service relationship as a hybrid relationship (mixed). Part of the expert literature is of a similar opinion – e.g. Tomek, author of a consulting paper for the Public Service Act [5], states: *"the purely employment nature of the substantive provisions of legislation in relation to a service relationship is modified by procedural provisions having a nature typical for administrative law. Therefore, a service relationship is neither employment, nor an administrative relationship, but only a relationship of a hybrid nature."* Kadlubiec [6] provides a similar

statement: “A service relationship (as well as an employment one) is such a comprehensive relationship and important from a social and economic perspective that it’ll always stay between private and public law from the perspective of institutes used during its regulation. However, at the end, the public or private concept must prevail and it’s very important that it does not happen prematurely, but after thorough and objective consideration.”

When solving the issue of the mutual relationship of the Public Service Act and of the Act on Liability, the approach of the Supreme Court is decisive as the claims under the Act on Liability for Damage belong to the competence of civil courts and primarily their decision-making activity has an important impact on the practical application of law in this issue. Judicial case law of the Supreme Court has experienced a relatively interesting development.

In fact, by 2018, an opinion was held in the judicial case law of the Supreme Court that when taking decisions on claims for damages, caused by an illegal decision or incorrect administrative procedure, the Act on Liability for Damage shall not apply. E.g. in the decision from January 9, 2013, File No. 30 Cdo 2470/2012, published in a case related to the claims of a policeman based on the breach of the obligation for equal treatment, the Supreme Court stated: “Where the state does not act in a position of power, but enters a legal relationship as a participant equal to the others, such acting may not be considered as a performance of state (public) power. In case of claims, where the state acts as an employer, employment liability shall apply. Also, the specific service relationships are similar, representing employment relationships by their nature with certain modifications that may evoke certain aspects of public power apparently. [...] The requirement of the plaintiff for damages (harm) is based on the breach of legal obligations by an employee of the defendant, (not) acting on behalf of her during the change of a service relationship, therefore, this is not a liability relationship of a public nature, based on the decision of the defendant during the execution of her superior public power, which the competence of Act No. 82/1998 Coll. could be related to.” The Superior Court used the same interpretation then in e.g. a resolution from June 21, 2017, File No. 30 Cdo 120/2017. [7]

Albeit an execution of the public legal nature of a service relationship and interpretation on the execution of public power were stated within the judicial case law of the Supreme Court and of the Constitutional Court above, the Supreme Court made a different conclusion within its decision-making activity, corresponding to the mixed (hybrid) nature of a service relationship. In a reaction to this approach, courts of lower instance started to decide on claims for damages caused by an illegal decision or incorrect administrative procedure in issues of a service relationship negatively.

A certain shift (reassessment, or specification of existing judicial case law) could be seen following the resolution of the Supreme Court from March 21, 2018, File No. 30 Cdo 1405/2016, when the court primarily emphasized that the

decision cited above, File No. 30 Cdo 2470/2012, was not solving the issue of harm caused by an incorrect administrative procedure arisen during the proceeding held in case of a service relationship, but on the basis of the decision of a public service body or other activities performed in these proceedings. Then, considering the specific situation, it concluded the following: *“In spite of the cases stated above, in the issue being solved now, plaintiffs do not request adequate satisfaction for illegal decision or activities of public service officers against them as members, but for an incorrect administrative proceeding based on the inappropriate period of an administrative proceeding that is the proceeding in the issue of a service relationship [...], where a public service officer acts as an administrative body, as the Supreme Administrative Court concluded repeatedly within its judicial case law... The issue in consideration is about a liability for the process of sole administrative procedure or also of a following procedure held at an administrative court, based on its inadequate period of time, so a liability based on a public law relationship, as this is a relationship between a member of an administrative proceeding and a deciding administrative body, albeit it's a member of the security forces and a public officer as well as the subject of the proceeding are the rights and obligations based on a service relationship...and concluding that the claim for compensation of intangible harm, arisen as a consequence of a breach of the obligation to a public decision within a mandatory period, or as a consequence of inadequate duration of the proceeding in the issue of a service relationship, it's necessary to consider it under the Act on Liability.*

On one hand, by this decision, the Supreme Court accepted the public law nature of proceedings held in the issue of a service relationship, thus accepting the judicial case law of the administrative courts stated above, preventing “pro futuro” primarily negative approach towards the claims for damages for proprietary or intangible harm, initiated in these cases by the Ministry of Interior or courts deciding in compensation proceedings. On the other hand, it kept its existing opinion that the service relationship is not of a purely public law nature and in accordance with its existing judicial case law also the approach that the Act on Liability may not be applied in case of harm caused on the basis of a decision of a public service body and other tasks performed in proceedings in the issues of a service relationship, so incl. the harm caused by the illegal decision eventually.

So, it's visible that the main issue of the Public Service Act is the fact that its regulation does not reflect the needs and specific aspects of respective proceedings adequately, often oscillating towards the employment relations by their nature, while the situation is complicated at least in terms of the administratively demanding nature by the fact that it's a regulation based on the principles of public law.

The deficit of legislation we pointed to above, leads in respective types of compensation proceedings to the fact that institutes and principles apply, whose use is deducted by the use of analogy. At the same time, practice in this area is cultivated, as stated above, by a relatively high number of continually developing

judicial case laws, as a consequence of proceedings for service relationship issues becoming more formalized, bringing necessarily increased requirements for organizational, technical, human resources and material (financial) security of this agenda with a direct impact on the quality of decision-making and public budgets.

RESULTS AND DISCUSSION

Therefore, based on the content of the legislation and the cited judicial case law of the Supreme Court it's clear that the Public Service Act contains a comprehensive regulation of damages or liability of security forces for a proprietary harm, expressed in money, caused to any member during service performance, in a direct connection to him/her or for service performance, including the damage caused by publishing an illegal decision. For the comprehensive nature of respective legislation in the Public Service Act, the application of the Act on Liability for Damage is excluded. Conversely, regarding the absence of regulation of liability for intangible harm, arisen out of inactivity or the inadequate duration of a proceeding in the issue of a service relationship, it's necessary to consider these issues under the Act on Liability for Damage. Certainly, the stated conclusions are positive for those members of the security forces, who claim that they suffered harm due to an incorrect administrative procedure in a proceeding, based on non-publishing of a decision within a mandatory period or the total inadequate duration of this proceeding. However, the question remains, to what extent it's possible to apply the Act on Liability according to the actual supplemented legal opinion of the Supreme Court in the event of another kind of incorrect official procedure, when the Supreme Court stated expressly in the resolution from March 21, 2018, File No. 30 Cdo 1405/2016, in relation to the existing judicial case law, excluding the applicability of this act, expressly that the legal opinion there was adopted "*in relation to an intangible harm caused to a member of security forces: by the decision on reassignment to another service position or by a disciplinary proceeding, by the dismissal from service or any other acts performed within these proceedings or by a public scandalization caused by police.*" However, the issues related to proceeding duration or its continuity are not the main subject of the uncertain term "incorrect administrative procedure," but conversely, the number of activities of bodies leading this proceeding.

On the other hand, to a certain extent, these conclusions may be regarded as relatively negative for those members who feel the harm caused as a consequence of an illegal decision of a body deciding on its rights and obligations within a proceeding held for the issues of a service relationship if such issues remain outside of scope of the Act on Liability according to the Supreme Court, so security forces that caused such damage, decide on any such potential damages, while the question is if the legal opinion of the Supreme Court within the context of judicial case law of the Supreme Administrative Court and of the Constitutional Court, considering such decisions as correct decisions through which public power is executed, is the correct one.

A separate question is, if the duration of an administrative proceeding in the issue of a service relationship and the duration of the following administrative judicial proceeding should be considered within the context of Czech legislation as one. The key element for the assessment of this issue is the fact if legal relations, based on the service relation within the context of Czech legislation, may be seen as civil obligations in terms of art. 6, par. 1 of the Convention. According to the introductory part of the stated judicial case law of the European Court of Human Rights it should apply that if a claim for damages, caused by an inadequate duration of a proceeding on the issues of a service relationship, is applied, it would be necessary to consider the entire time period, during which such proceeding on a specific issue is held, from the perspective of the Act on Liability. On the other hand, certain interpretative issues could be caused again by a different approach and point of view on the nature of a service relationship and on the proceeding thereabout at the Supreme Administrative Court and at the Supreme Court.

CONCLUSION

The topical situation related to the perception of the nature of a service relationship, proceeding thereabout as well as of issues related thereto with the application of the Act on Liability for Damage to the service relationship, is not unified.

The Supreme Administrative Court of the Czech Republic is of the opinion that the service relationship is of a public law nature (decision-making, related thereto, represents performance of public power) and the proceeding on the issues of a service relationship is an administrative proceeding, where a public officer acts as an administrative body (in a superior position of power). The theory is of the same opinion, stressing the principle of legality, ie. that the public officer is empowered by law and by the same law her power to act is limited to such activities that are in conformity with the rule of law. [8] The Supreme Court of the Czech Republic, responsible for the determination of judicial case law in the issues of the application of the Act on Liability, agrees with this approach only partially, when it accepts that the proceeding on the issues of a service relationship represents an administrative proceeding, but at the same time it considers the service relationship as a relationship not having only the nature of public law (or rather being of a private law nature). For this reason, the Supreme Court on one hand considers the claim for damages, caused by an incorrect administrative procedure, based on the inadequate duration of a proceeding on the issues of a service relationship (or on non-publishing of a decision in the mandatory period), as being the subject of the Act on Liability, while on the other hand, it does not consider the claim for damages, caused by an illegal decision of a public service body or by any other acts performed within a proceeding on the issues of a service relationship, as a claim subjected to the competence of the Act on Liability.

With regard to the existing dispute between the highest judicial instances and considering the judicial case law of the European Court of Human Rights, the question arises if such stated conclusion is the final one or if there are changes expected in the future, focused on the extension of the conclusion on the applicability of the Act on Liability even in other issues related to the questions connected to a service relationship. Public service in a broad sense is the service of the state to its citizens. Its main features are legality and legitimacy, impartiality, timeliness, cogency, and transparency [9]. Proper administration of public matters shall include the following: respect to human rights, principles of rule of law-based country, active participation of citizens in control activities, effective public sector, access to knowledge, information and education, as well as the values which support reliability, solidarity and tolerance [10]. Public servants, including the members of security forces, are the necessary and main part of it. Especially members of security forces are in a very sensitive position. Exposed to the daily public performance, they are responsible for executing the demands of the rule of law and they have to withstand criticism for many of their actions and behavior. That is why the state shall not just require compliance with their obligations but must provide them with the respective and effective protection.

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WITNESSES' ANSWERING STRATEGIES IN THE ROMANIAN WITNESS EXAMINATION

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ABSTRACT

This paper focuses on the answering strategies used by witnesses in the Romanian witness examinations. The Romanian witness examination is governed by the judge-lawyer-witness triad, with the judge acting as the intermediary between the lawyer and the witness. In the Romanian courtroom (belonging to the inquisitorial system of justice), witnesses are not as constrained by the system as the American ones. Therefore, some of them may use some strategies through which they reprimand the judge or the system of justice. Such strategies include counter-questioning strategies and dispreferred answers.

Keywords: *courtroom, witness examination, dispreferred answer, counter-questioning strategies*

INTRODUCTION

Questioning in the courtroom 'is predominantly characterized by question-answer sequences in which the professionals largely ask questions and the lay 'clients' respond with answers' [2]. The lawyer-witness interaction in the American courtroom is characterised by the unequal distribution of power, which is expressed in the form of the pre-allocation of turns (only lawyers ask the questions and the witnesses answer) and in the control that lawyers have over topics, question form, and question sequence.

The Romanian witness examination is governed by the judge-lawyer-witness triad, with the judge as the intermediary between the lawyer and the witness, meaning that the judge is the one asking all the questions when questioning a witness.

The main peculiarity of the Romanian trial is that in questioning a defendant or a witness, both the prosecution and the defence have to rely on the presiding judge who has the role of the 'sole interrogator' [6] and reformulates all the questions asked to the person on the stand by the lawyers. S/he is 'in pivotal position' [6] to allow or deny the floor, s/he controls courtroom communication, s/he accepts, refuses, or reconstructs a question and can cut off an answer. S/he summarises the answers and dictates them to the court clerk.

The courtroom discourse is very constrained, witnesses not having the right to strike back at the lawyers' questions in the American courtroom. However, the

Romanian system of justice is more permissive in this respect and therefore, there are witnesses who do not always comply with these rules.

The witness ‘can exercise indirect power by “infiltrating” unwanted information or manipulating the discourse within the bounds allowed to him/her’ [4]. Harris [5] talks about the discourse strategies used by defendants in the form of counter-questions and interruptions. Nevertheless, Conley and O’Barr [1] consider that the witnesses’ rebellion has no chance to succeed as ‘the linguistic resources available to the lawyer are simply too many and those available to the witness too few.’

Besides the questions asked by witnesses, which are requests for clarification, witnesses may use counter-questioning strategies or may give dispreferred answers for which they will be reprimanded.

RESULTS

The data presented here are part of my doctoral thesis research and are based on 100 pages of transcripts of Romanian criminal trials that took place at the Timisoara Courthouse and that I personally attended, recorded, and then transcribed [3]. In what follows, I will discuss the main answering strategies employed by the witnesses in the Romanian witness examination.

Counter-questioning strategies

The counter-questioning strategies are questions through which the witness takes a stand against the questioner. Romanian witnesses do not seem to be as constrained by the system as the American ones and some of them may use some counter-questioning strategies through which they reprimand the judge or the system of justice. A very good example is (1), in which the witness reprimands the judge for letting the defendant threaten him in the courtroom. The judge does not admonish the witness, even though he was very rude and did not respect her position of power and admonishes instead the defendant by raising her voice and threatening him with another criminal case.

(1) (Case 9-Witness 1)

J: Ce s-a întâmplat dup-aia?

W: Dup-aia noi am mers la terasă, ei or dispărut de-acolo și noi am mers în continuare la terasă și dup-aia am primit un telefon că în față la casa primarului, K.S. o venit cu o coasă, s-o urcat pe R., un băiat, un coleg de-al lui fiu-miu și o vrut să-l taie.
O ieșit primarul afară și ()

J ((consemnează)):

În timp ce mă aflam la terasă (5.0)

((către martor)):

Cine v-a dat telefon?
D ((îl amenință pe martor))
→ W: Îl vedeți cum mă amenință?
Asta nu vedeți?
J ((către inculpat)):
Ce faceți?
D: ()
J ((către inculpat)):
Da, am auzit.
CHIAR VREȚI ÎNCĂ UN DOSAR PENAL?
D ((tace))

[J: What happened then?
W: Then we went to the bar, they went away and we stayed at the bar and after that I received a phone call that K.S. had come with a scythe in his hand in front of the mayor's house, had jumped onto R, a boy, one of my son's classmates and had wanted to cut him.
The mayor came out and ()
J ((dictating)):
While I was at the bar (5.0)
((to the witness)):
Who called you?
D ((threatens the witness))
→ W: Can you see how he's threatening me?
Can't you see that?
→ J ((to the defendant)):
What are you doing?
D: ()
J ((to the defendant)):
Yes, I heard that.
DO YOU REALLY WANT ME TO START ANOTHER CRIMINAL CASE AGAINST YOU?
D ((shuts up))]

There are also cases when the witness may reprimand the lawyer, breaking all the rules, as such a contact is not allowed in the Romanian courtroom. In the following example, the lawyer asks an ambiguous and pretentious question, which is not very well understood even by the judge, which makes the witness admonish the lawyer for her lack of clarity. Finally, the judge sensing that the things are getting out of control, seizes the power again by interrupting them and asking a clearer question.

(2) (Case 9- Witness 1)

J ((către avocați)):
Întrebări dacă aveți?

- DC: D-na Președintă, cu riscul de a mă repeta, vă rog să-l întrebați pe martor dacă fapta despre care vorbim, ăăă, băgarea în tonberon a lui, ăăă, A.B., i-ar fi fost povestită de alte persoane sau dacă domnul nu ar ști de asemenea acte, ar putea să facă câteva comentarii despre inculpat?
- J: Deci, să-l rugăm pe martor să facă o apreciere de ordin subiectiv?
- W ((se întoarce spre avocată)):
Eu nu vă înțeleg.
- DC: Adică:-
- W: - Nu-nțeleg ce vreți.
- DC: Încerc să stabilesc dacă această reacție [a fost
- J: [BĂGAREA ÎN
TOMBERON], băgarea în tonberon a lui A.B. a determinat o stare de temere, aveți cunoștință, vă întreb din nou, dacă introducerea lui în tonberon a determinat o stare de temere fiindcă a fost băgat în tonberon sau fiindcă cei doi frați l-au băgat în tonberon?
- [J ((to the lawyers)):
Do you have any questions?
- DC: Mrs. President, with the risk of repeating myself, could you please ask the witness if, in case he had found out from other people about the crime that we are talking about, errr, the throwing of errr, A.B. into the dumpster or in case he hadn't been aware of such crimes, could he still make some comments on the defendant?
- J: So, you want us to ask the witness to make some subjective comments regarding the defendant?
- W ((turning to the lawyer)):
I don't understand you.
- DC: I mea::n-
- W: - I don't understand what you want.
- DC: I am trying to establish if this reaction [was
- J: [THE THROWING OF
A.B. INTO THE DUMPSTER], the throwing of A.B. in the dumpster, did it stir a state of fear, I am asking you again if the throwing of A.B. into the dumpster had stirred a state of fear, because he was thrown into the dumpster or because the two brothers did that?]

The witnesses in (3) and (4) challenge the lawyers again in the following examples.

(3) (Case 9- Witness 1)

DC: Dacă în ultimul an de zile, au mai fost probleme sociale în care să fi fost implicat K.S.

→ W: Mai bine nu mă întrebați așa ceva.

J: [Au mai existat, au] mai apărut asemenea::

DC: [În ultimul an]

→ W: V-am spus, eu dacă eram apărătorul lui, mai bine tăceam.

Cereți o adresă la noi, la poliție, și o să vedeți câte probleme a făcut.

[DC: Whether or not during the last year, there have been social problems in which K.S. was involved.

→ W: You'd better not ask me such a question.

J: [Have there been] su::ch

DC: [The last year]

→ W: I told you, if I'd been his defender, I'd have shut up.

Ask for a memo from the Police and you'll see how many problems he created.]

(4) (Case 8)

J: Întrebări?

PC: Da, domnule președinte.

Dacă:: martorul poate să aprecieze viteza cu care se deplasau autoturismele aflate în spatele dumnealui și distanța dintre acestea și autoturismul condus de dânsul.

J: Puteți să apreciați care era::↑

→ W ((către avocată)):

Doamnă dragă, eu nu pot să apreciez distanța celor din urma mea, dacă el era în urma mea, poate aş putea aprecia, dar în urma celui din urma mea, să apreciez o distanță, asta nu se poate.

[J: Any questions?

PC: Yes, Mr. President

Whether:: the witness can determine the speed of the vehicles behind him and the distance between those and the vehicle driven by him.

J: Can you determine what wa::s the::↑-

→ W ((to the lawyer)):

Dear Madam, I can't estimate the distance between the vehicles behind me, I could perhaps say what the distance between my vehicle and the one behind me was, but the distance between the one behind me and the one behind it, that's impossible to say.]

Dispreferred answers

Adjacency pairs (question-answer turns) are closely related to the *preference system* concept. The hearer has the choice to either accept or reject the speaker's proposition. Therefore, in an invitation, the hearer has the option to accept or reject the invitation. According to Levinson [7], *preferred* responses are produced without delay or hesitation and the action is stated directly.

Dispreferred second pair parts are recognisable from the following features: (1) they are delayed by pauses, and/or (2) they are introduced with prefaces (markers such as 'well', 'uh', partial agreement/appreciations/apologies, or qualifications); (3) they include accounts (explanations for not providing preferred response) and (4) a declination component which addresses the first pair part. Levinson further claims that 'the two essential features of dispreferred actions are thus (a) they tend to occur in marked format, and (b) they tend to be avoided' [7]. As a result, markedness, or the absence of these markers, shows the preference status of the turn.

The dispreferred answers in the American courtroom may take the form of requests for clarification on the part of the witness, which surprise the lawyer, as s/he expects an answer and not a question in return to his/her question; this disrupts the rhythm of the interrogation and of the 'bombing' of the witness with questions.

Witnesses in the Romanian courtroom may give dispreferred answers in the form of non-answers 'Nu știu' ('I don't know') or disconfirmation answers 'Nu' ('No'), which are immediately reprimanded by the judges.

(5) (Case 2)

- J: N-a vorbit soțul dumneavoastră cu el?
 W: Ba da, dar i-o spus că-
 J: - Cum îl cheamă pe omul acela?
 → W: Nu știu io.
 → J: Păi, de ce nu știți?

- [J: Didn't your husband talk to him?
 W: He did, but he told him that-
 J: - What's this man's name?
 → W: I don't know.
 → J: Well, why don't you know it?]

(6) (Case 7)

- J: Aveți un act de identitate?
 → W: Nu.
 J: Alt act aveți la dumneavoastră?

- W: Nu.
 → J: Păi, cum ați plecat așa?
 Unde ați crezut că mergeți?
 W: M-am grăbit și am uitat să-l iau.
- [J: Do you have an ID card?
 → W: No.
 J: Do you have another ID?
 → W: No.
 → J: Well, how could you leave your house like that?
 Where did you think you were going?
 W: I was in a hurry and I forgot to take it.]

Another type of dispreferred answers given by witnesses are those when the witness provides an answer and a clarification to it (usually in the form of a rhetorical question), which may be disregarded or not taken into account by the judge. In (7), the judge stresses the word 'Păi' ('Well') so as to remind the witness that his place in the examination was not to ask questions, but to answer them.

(7) (Case 9- Witness 1)

- J: Dar credeți că, dacă ar fi făcut altcineva, dacă l-ar fi băgat pe A. în tomberon altcineva, nu s-ar fi speriat?
- W: Cred că da.
 → Cum dracu' să nu se sperie?=
 J ((consemnează)):
 =Precizez că (5.0)
 → W: Tomberonul plin de gunoi, cum era pe-acolo.
 (2.0)
 J ((consemnează)):
 dacă fapta (5.0) ar fi fost comisă de o altă persoană (12.0), toți ar fi fost la fel de speriați.

- [J: But do you think that they would have been frightened if somebody else had closed A. in the dumpster?
 → W: I think so.
 How the hell wouldn't they be?=
 J ((dictating)):
 I hereby specify that (5.0)
 → W: The dumpster being full of garbage like that
 (2.0)
 J ((dictating)): if the crime (5.0) had been committed by another person (12.0), they would have all been equally frightened.]

(8) (Case 9-Witness 3)

- J: V-ați speriat în momentul în care v-a amenințat?

→ W: Păi, foarte tare, nu?
J: Păi, eu vă întreb.
W: Da.

[J: Were you scared when he threatened you?
→ W: Well, very much, don't you think?
J: Well, I'm just asking you.
W: Yes.]

CONCLUSION

The courtroom is the arena for the study of spoken legal language, which depends on special rules of language use, very different from ordinary conversation. It is an essentially hierarchical place, with the judge at the top, the lawyer in the middle and the witness, who is seen as being powerless, at the bottom of the pyramid.

Power is used mainly by those who have the most right to speak and to control, i.e. the judge/lawyer. Thus, speaking rights in this institutionalised context are extremely restricted, the interlocutors being divided into questioners and answerers. These roles are fixed by law and can never be interchanged.

The speaker turns are also pre-allocated and fixed by law. This means that the questioners have special institutional powers to demand answers from the answerers and answerers must provide them.

My research has presented the fact that, in spite of these institutional constraints, witnesses sometimes rebel against such restrictions and use all the ammunition they have at their disposal to show their discontent.

The analysis of the Romanian corpus has revealed that Romanian witnesses, as opposed to their American counterparts, seem to be let to vent their frustrations by the Romanian judges asking the questions. Thus, witnesses make use of counter-questioning strategies and dispreferred answers trying to show that the system of justice is not perfect and to escape, even if only for a second, the rigidity and the strictness of the courtroom.

TRANSCRIPTION CONVENTIONS

:::	Prior sound, syllable, or word is prolonged or stretched.
(.)	More colons indicate longer prolongation
(3.2)	Micropause (less than 0.2 sec)
[Timed pause (greater than 0.2 sec)
]	Beginning of overlapping speech
	End of overlapping speech

a turn	=	Latching between two turns or words within (contiguous stretches of talk)
	↑	Rising intonation
	↓	Falling intonation
	<u>Word</u>	Underline - Vocalic stress or emphasis
	(())	Transcriber's comments (e.g., gestures, non- speech sounds).
	J	Judge
	W	Witness

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Section
POLITICAL SCIENCES

THE NEW ITALIAN GOVERNMENT. EUROSCEPTICS TRIUMPH

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ABSTRACT

A sufficient amount of foreign research literature has been devoted to the study of such a political phenomenon as euroscepticism; recently, interest in it among the Russian scientific community has intensified due to the strengthening of its positions in the EU countries. Italy after the elections of March 4, 2018 turned into a “show-window” of the success of euroscepticism and populism. The purpose of this article is to determine the sustainability of the new government. The author identifies the causes of the weakening of the position of the Democratic Party in Italy, the coming to power of radical parties, whose leadership until recently was not taken seriously among the EU political establishment. The paper also analyzes the main concepts of the program called “Contract for the government of change” and the prospects for its implementation.

To solve these tasks, a historical and chronological method was used, which allowed to track the stages of weakening popular support for traditional parties and the growing popularity of euro skeptics. In the research was also used the theoretical research method as an analysis to determine the future prospects of the government in domestic and foreign policy.

The author comes to the conclusion that in the coming years Italy will become the leader of all eurosceptic forces with the prospect of creating and heading a similar faction in the European Parliament in May 2019. The conclusion is also formed that the Government’s attitude to cancel anti-Russian sanctions should not be considered too optimistic. Analyzing the declining rhetoric of the Italian leadership on this issue, the author assumes that the Russian issue is just a bargaining chip in knocking out EU preferences on fiscal and migration issues.

Keywords: *Italy, the European Union, euroscepticism, populism*

INTRODUCTION

The political landscape of Italy underwent serious changes in 2018. eurograndees and the former Italian political establishment hardly could imagine that yesterday’s civic activists with their ideas of implementation of the program of “direct democracy” and nationalists from the North of Italy, targeted with lay enforcement authorities, would create the government and define domestic and foreign policy of the country.

Nevertheless, for many experts the success of the eurosceptic centre-right coalition on the elections on March 4, 2018, including right-wing Lega (The League) – 17,37 percent, centre-right Forza Italia (Forward Italy) – 14,01 percent and national-conservative political party Fratelli d'Italia (Brothers of Italy) as well as the populist Movimento 5 Stelle (Five Star Movement, M5S) – 32,68 percent, was predictable.

The Italian political scientist Ettore Ferrini in his article on web-based portal “Ultima voce” even in winter predicted the triumph of M5S, having emphasized the attraction of their political platform in comparison with Matteo Renzi’s Democratic party. Moreover, the phenomenon of euroscepticism became the tendency of the Pan-European policy [1], and Italy became a ‘shop-window’ of its success.

PER ASPERA AD ASTRA

For better understanding the reasons of accession to power of eurosceptics and their massive support by Italians it is necessary to allocate the most significant stages of political evolution of the parties which created the government. These are M5S and Lega.

Five Star Movement, since the period of the basis, surely showed growth of Italian voters’ support of its political convictions and its program. political organization was created in 2009 by an Italian actor, comedian and political activist Beppe Grillo, who became the “face” of the party, and Gianroberto Casaleggio, who was sponsoring his political undertakings. The party gained popularity among Italians thanks to charging the Italian political establishment of violation of national interests in the service of the Euro-Atlantic solidarity, of the inability to optimize the public expenditures and corruption. Appeals of withdrawal from the eurozone and reduction such deputy privileges as the raised salary and of “Auto blu” also found support among Italians. Being the main oppositionist and a counterbalance to all political “caste” – all statesmen of Italy at the supranational level, M5S, nevertheless, is considered the member of the camp of eurosceptics [2].

The sequence in upholding of the ideas, startling behavior and the principles of “direct democracy” consisting in carrying out online referendum on political life of Italy at the local and national levels gave 25 percent of support among voters on parliamentary elections in 2013. The movement got 108 seats in the Chamber of Deputies and 315 in Senate.

In 2015 M5S was already perceived by Italians not as an “eternally oppositional” party but as a real alternative of ruling Renzi’s Democratic Party. According to the polls, the rating of the Grillo’s movement was 27.4 percent and considerably approached democrats who showed 31,6 percent of voters’ support. Replacement of an old “guard” by new politicians became another factor

promoting more serious perception of M5S on a political arena. In 2016 Casaleggio died and both all financial and a part of ideological tools passed to his son David. It was obvious that Grillo could not further hold the head post having a criminal background of manslaughter in the accident which claimed several lives. Besides, despite the growth of party's popularity, he was a politically undesirable person in Italian and European political circles. Casaleggio Jr. and many party functionaries decided that Luigi Di Maio, a young ambitious politician who dropped out of the university for sake of the politician career in M5S, from a humble background, was an ideal person for a post of a new head of Five Star Movement.

With a change of the head it was succeeded to make transition from political nihilism to more constructive strategy. Di Maio announced refusal of some critical statements towards the EU, such as a withdrawal from the eurozone, and also allowed a possibility to make alliance with other parties. Such steps not only made him "persona grata" among national political establishment and eurograndees, but also showed a high-quality growth of voters' support (25,55 percent on the elections in 2013 and 32,68 percent on the elections in 2018). It is necessary to emphasize that populist moods of M5S were less radical in comparison with the statements of its partners in the coalition. The movement criticized the Europeans principles of management, but does not deny the European integration as such [3].

However not M5S but Lega is considered the main politician and social troublemaker in Italy. If Di Maio, being de facto the guide of the will and the interests of certain Italian business circles, is capable to make concessions in dialogue with the EU, then Salvini openly shows obstinacy and inflexibility in upholding of his positions. Actually, exactly thanks to him the League is obliged by such unprecedented political success.

The electorate of "ligists" was generally concentrated in industrial areas of the North and the centre of Italy. When a former party's head Umberto Bossi took office, the party had strong positions in areas Piemonte, Veneto, Trentino-Alto Adige, Friuli-Venezia Giulia, Emilia-Romagna and Liguria. Citizens of the central regions Toscana, Marche and Umbria also showed sympathy to the League. Reforming of Italy to the federal state, the translation of the solution of problems of education, medicine and taxation to regional authorities and also tightening of the migration issue were the key ideas of Bossi. Lega acted for radical forms of federalism and for receiving more rights for the industrially developed Italian North to the detriment of the southern provinces [4]. On the elections to European Parliament in 2014 Lega took the fourth place in Italy after Democratic Party, M5S and Forza Italia, having gained 6,2 percent of votes. Whereas corruption scandals of party and the subsequent resignation of its head Bossi, lots of politicians considered that result as a real victory of a new leader Salvini [5]. His policy, based on the refusal of a word "North" in the name of party (ex League of North) and of a part the nationalist slogans calling for a

separatism, showed growth of popularity of the party all over the country. Since he took office in 2014 the political organization has increased support of voters by 13 percent (17,37 percent in 2018).

NOVUS REX NOVA LEX

In 2017 the real prerequisites for political transformations in the country were created. These are: 1) a gaining popularity among the population criticism of social policy of the democrat's government of Paolo Gentiloni by eurosceptic and populist parties; 2) an ongoing flow of refugees from the MENA countries because of which Italy could not take the appropriate measures for its restriction without intervention and political pressure from the European institutes [6]; 3) negative consequences of the international sanctions against Russia on the Italian economy, especially on the agriculture sector.

The disappointment if Italians with the policy of Italian Democratic Party led by Matteo Renzi, focused on performance obligations more in front of the EU, became also one of key factors of loss of trust among voters. Sonia Lucarelli in her article "Italy and the EU; from true love to disenchantment?" notes that eurosceptics skillfully could use these moods and the anti-European rhetoric and also delegitimization of political institutes at different levels to antagonize even more the Italian public concerning the EU. Moreover, she emphasizes that populists do not carry out difference between the policy of these European institutes and the EU as such [7].

The internal contradictions among democrats that began back in 2017 led to a natural split of political unification and the withdrawal of such "heavyweights" of the Italian political establishment as former Democratic Party National Secretary Pierre Luigi Bersani, head of the Democratic Party in Italy's Chamber of Deputies Roberto Speranza and ex-premier Massimo D'Alema, who created their own political movement Liberi e Uguali (Free and Equal, LeU). This gap has hit hard the image and ratings of the then ruling Renzi's party. Coupled with the failure of the referendum on constitutional amendments at the end of 2016, initiated by the Prime Minister, the loss of control over the party and its influence in the country became apparent.

Preserving the policy of the cabinet of Paolo Gentiloni, Renzi's successor as prime minister, unpopular euro obligations, and following the Pan-European political course in the sensitive for Italians issue in relation to migrants, as well as the results of sanctions against Russia, led to a sharp and irreversible decline in support for the Democratic Party among citizens. So, if according to the results of the parliamentary elections of 2013, the political movement was able to get support of 25.42 percent of voters, then already at the elections of 2018 only 19 percent. According to the former director of the newspaper "L'Unita", a possible alliance of Renzi's Democratic Party with political force of Silvio Berlusconi would have been an excellent counterweight to European sceptics. However,

instead of the expected 20 percent, the center-right Forza Italia managed to get only 14, which finally undermined the hopes of Brussels to form a balanced Euro-oriented Italian government.

Nevertheless, the eurocentrists did not abandon attempts to prevent eurosceptics from coming to power. The Italian President Sergio Mattarella, using his constitutional powers, did not approve Paolo Savona, a well-known advocate Italy's exit from the eurozone, to the post of Minister of Economy and Finance. However, the political ambitions of the winners of the parliamentary elections did not allow the formation of a technical government headed by the proposed president, former euro functionary Carlo Cottarelli, and eventually led them to form a government through a series of concessions to the president. The nonpartisan politician, lawyer and professor Giuseppe Conte, a figure suiting both eurosceptics and representatives of traditional parties in Italy, became the formal head of the new cabinet. The post of minister of foreign affairs was received by the also "neutral" politician Enzo Moavero Milanesi, a staunch anti-fascist and supporter of a constructive dialogue with the EU. After taking his post, he refused to sit at the desk of Benito Mussolini, thereby emphasizing his ideological mood for a constructive dialogue with the EU and non-reprobation of himself with any nationalist ideas in Italy, including the radical wing of Lega. Italian Economy and Finance Minister Giovanni Tria also became a compromise figure between the president and the Brussels on the one hand and the new government on the other hand.

VENTUS MUTATIONIS

The head of the Italian Cabinet, Giuseppe Conte, announced a number of radical measures that he was going to implement in his domestic and foreign policy. They are set out in the "government of change" program, represented by both eurosceptic parties.

In domestic policy, the absolute priority for the Italian government was to reduce financial dependence on Brussels and stabilize its own economic situation. Among the main requirements of the Yellow-Green government to the European Union were the write-off of 250 billion euros of Italian debt to the European Central Bank and the abolition of the budget and financial restrictions established by the Maastricht Treaty regarding the limit of acceptable budget deficit of public debt, which has already exceeded 130 percent of the country's GDP.

Another equally important internal problem for Rome is the solution to the migration problem. Due to its geographical location, Italy is in the first line of European countries hosting refugees from the MENA countries. Against this background, the growing level of criminal threat, riots and violence in the country has increased the anti-migrant sentiment of the Italians. A new minister of the interior, deputy prime minister and leader of Lega Salvini is the main supporter of a radical solution of this problem. It should be noted that extremely fast-

growing popularity of his party, which according to the rating of SWG is already ahead of its coalition partner, M5S, owes to the vexatiously push this issue by “ligist” as the main threat to the Italian national security. The interior minister demanded a revision of the Dublin Regulation, which obliges Italy to register and equip refugees, which entails significant financial costs. The recent unprecedented Salvini’s decision to deny entry to the Migrant rescue ship Aquarius, carrying 629 people rescued from the Mediterranean, only strengthened the Europeans’ understanding of Salvini’s determination to pursue the declared course.

Unlike the domestic policy, the foreign policy of the new Italian Cabinet is more balanced and meets the basic principles of Euro-Atlantic solidarity. Thus, the Italian government reaffirmed its commitment to NATO and the United States as a priority ally[8]. Moreover, Salvini was determined to intensify the activities of the structure at Italian Maritime borders. Taking part in the sea Guardian mission, in which also participates Italy, NATO is already present in the Mediterranean basin. United States Sixth Fleet has one of the bases in Gaeta and cooperates closely with the Italian coast guard. Nevertheless, Salvini wanted NATO to go beyond its anti-terrorist functions and assist in the fight against illegal migration from the MENA countries.

In parallel with its full political and military-strategic orientation to the Euro-Atlantic values, Rome sees Russia not as a military threat but as a potentially most important economic and commercial partner. In this regard, the eurosceptics called for the lifting or weakening of sanctions against Russia. The Italian Prime Minister on the eve of the June summit of the European Union issued a warning against the automatic extension of restrictions. Moreover, Conte said that during his visit to Moscow in October 2018 thirteen trade agreements were signed with Russia for almost 2 billion euros. The Italian political establishment believed that the rejection of the “branding” Russia as a military threat would also allow establishing possible cooperation between Moscow and NATO and the EU in the Mediterranean basin, where there is a potential for a joint settlement of regional crises in Syria and Libya.

CONCLUSION

Such pragmatic steps for the national economy provoked a new round of anti-Russian campaign in Italy. In the American and European mass media a large-scale propaganda campaign was launched to undermine the authority of the leaders of the Yellow-Green government. Repeated allegations of George Soros on Salvini blaming for working for the Kremlin was an attempt to force action on Rome in order to not allow any exemptions on the sanction issue against Russia. However, it should be noted that also without the American influence Rome is unlikely to risk aggravating relations with the eurograndees because of this issue. First, Italy will have to enlist the support of like-minded governments in Austria and Hungary, which also oppose the sanctions regime. Secondly, it is obvious that for Italy the solution of domestic political problems is a priority. In this regard,

the requirement to lift sanctions against Russia can be used by Rome as a bargaining chip in negotiations with Brussels to obtain concessions from the EU in the financial and migration problems.

The author comes to the conclusion that in the coming years Italy, being a “show-window” of the success of euroscepticism and populism in Europe has strong changes to lead all European sceptics. The 2019 European Parliament election in Italy were held on 26 May 2019. The League took the 1st place (won 28 seats and took 34,3 percent) and M5S took the 3rd place (won 14 seats and took 17,1 percent). The eurosceptics have increased their representation in the new composition of the European Parliament, but the majority still remained for the parties that advocate the preservation of the European Union.

Generally, we should not forget that the European Parliament is one of the elements of decision-making in the EU, the most important role continues to play a consensus between the governments of the member States in the EU Council. Even one eurosceptic government for the EU is a bigger problem than all eurosceptics of the European Parliament.

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THE RELATION BETWEEN THE POLITICAL SELF- IDENTIFICATION AND SOCIAL WELLBEING OF POLITICALLY-ACTIVE YOUTH IN RUSSIA

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ABSTRACT

In this paper, we present the analysis of the relation between the political self-identification and social wellbeing of politically-active youth in Russia.

The method we used to study political self-identification included the identification of respondents' political views in the specter of ideologies representing the most established ideological and political trends in the public consciousness. We measured the social wellbeing using a scale from 1 to 5 points to assess the subjective satisfaction with the situation in the country in various fields. Although we measured the level of young people security: how do they assess their future - as confident or not?

The political activity of Russian youth exists in two forms: "support" and "opposition"- whether they support the authorities or oppose them. Based on this principle, we surveyed two groups of respondents. The first group includes participants of youth organizations actively cooperating with authorities, as well as participants of regional Youth Parliaments, Youth Governments, Youth Public Chambers (active supporters, N=300). The second group includes those young people, which represent the modern youth protest, first of all, volunteers of the Progress Party and the Libertarian Party (active oppositionists, N=300).

The study revealed that among active supporters, there are a lot of those who are not following any political ideology (40%) or cannot identify their political and ideological views (17%). Respondents with such position are quite a few among active oppositionists. The significant proportion of active oppositionists share liberal or libertarian views (51%). In both groups, radical views are not popular - almost no one identifies himself with the Communist or Nationalist ideology. We found that several wellbeing indicators have significantly different values in both groups. In particular, young supporters of the authorities are more secure: almost 80% of respondents feel security in one way or another, and only 16% are not secure, while among oppositionists, only 15% felt secure, and more than 80% of oppositionist respondents not feel security. The results of the survey showed that low levels of satisfaction, in general, characterize the social wellbeing

of politically active youth. Politically active youth is most critical in the economic sphere of society. If we compare the social wellbeing of the two groups of politically active youth (supporting and opposing authorities), the indicators of satisfaction with the situation in the political, economic, social and cultural spheres of society among active oppositionists are significantly lower than those of supporters.

We concluded that there is a relation between the social wellbeing of young people and their self-identification in politics: young people who identify themselves with liberal political views (close to the ideology of liberalism) express pessimistic social sentiment and sharply critical assessment of social wellbeing. Young people with uncertain or "blurred" political orientation, show more optimistic mood and satisfaction with the current situation.

Keywords: *youth, political activity, social wellbeing, political self-identification*

INTRODUCTION

The social well-being studies have gone interdisciplinary today. Their research activity conducted between different human sciences such as social psychology, sociology, economy. Diener, Easterlin и Hagerty are those who contributed a lot in studying this issue [1], [2], [5]. Thanks to them we have understandings of social well-being as positive (happiness, joy, satisfaction) and negative (fear, unease, anxiety) conditions; also, they allocated social component of well-being - how one assesses his life concerning the situation in society. Basically, in their studies, they compared economic development and social well-being, and for the decades the results consistently demonstrated the stable connection between the welfare of the population and the level of happiness [5]. Also, the results of the studies conducted by Easterlin demonstrated that this connection is not so clear, and it is mediated by specific national and cultural features of perception [2]. The study of Petrova added to the understanding of this issue the notion of social well-being as a system of complex subjective assessments showing the degree to which people's diverse social, economic and cultural needs are being met [9].

The economic crises and political turbulence in recent years highlighted the problems related to well-being. Basing on the results of a national survey conducted in 2018, Mareeva allocated three zones: subjective well-being, a subjective ill-being, and an intermediate zone that lies in between [7]. According to results of her studies, subjective ill-being zone is much larger now, than a such of well-being. It is determined not by a low income, but to the problems its inhabitants meet every day but cannot resolve alone [7]. At the same time, the ill-being zone is typical for rural areas, elderly people and manual laborers, and the well-being zone is usual for the young urban "middle class". When we assess social well-being and subjective well-being we can identify and analyze young

people as a specific social group because they occupy an uncertain position in the system of social inequality and is primarily focused on social change [14]. The place of young people in the life cycle is associated with the ability to successfully accumulate educational, professional, and other resources and with the possibility of self-realization.

Therefore, subjective assessments of youth satisfaction with certain aspects of life are primarily projective. According to the results of the studies, in developed countries, life satisfaction and other indicators of social well-being among young people are lower than among older age groups because of their marginal and more vulnerable social status. Meanwhile, in Russia and some other countries with transition economy we do not observe such a tendency: Russian youth much more optimistic and content with life than elderly and retired people in particular [7], [8]. For these features, Russian youth today are a specific and quite interesting object for the study of social well-being.

Several objective and subjective conditions affect the social well-being of young people besides economic well-being. Among other conditions, Hogberg distinguishes national educational policies as institutional causes of inequality in well-being among youth [6]. Narbut and Trotsuk believe that value orientation - educational and work values - together with assessing one's generation in terms of actual threats determines social well-being of youth [8].

In our perspective, one of the subjective conditions affecting life satisfaction and other indicators of social well-being of young people is its involvement in the socio-political process and its political identity. Youth political and social activity issues are discussed very often in scientific papers [12], [13]. There are studies devoted to the youth and student's political involvement and political parties' recruitment issues [4]. Rainsford, in her research, depicted young activists from three main youth factions of British parties, their political attitudes, and motives for political participation [11].

Around different types of studies, the study of protest forms of youth activity is a special one [3], [10]. However, we practically see no studies of political self-identification of young people in the context of their social well-being. Therefore, the main aim of the article is to introduce the relationship between political identity and social well-being of young people who are actively participating in the political process.

DATA AND METHODOLOGY

We studied the social well-being of young activists according to two different forms of political participation - support and opposition. We studied political self-identification of young activists through the determination of their political position from the specter of ideologies representing the most established ideological and political trends in the public consciousness. We studied social

well-being: first, as an extent of youth security; second, using a scale from 1 to 5 points to assess the subjective satisfaction with the situation in the country in various spheres, where 1 means 'things going in an absolutely wrong way' and 5 means 'things going in an absolutely right way'. Our findings based on the data of a sociological survey of politically active youth from one of the largest Russian regions - Ural Federal District. We surveyed two groups of respondents. The first group includes participants of youth organizations actively cooperating with authorities, as well as participants of regional Youth Parliaments, Youth Governments, Youth Public Chambers (active supporters, N=300). The second group includes those young people, which represent the modern youth protest, first of all, volunteers of the Progress Party and the Libertarian Party (active oppositionists, N=300).

RESULTS

First, we wish to make a review of the politically active youth self-identification characteristics. The study results in convincing us that most young activists from both groups not sharing any political ideology (33%) and cannot identify their political and ideological views (Tab.1).

It is especially true for supporters (40%). For most of them, it was hard to answer this question (17%). Opposing activists responded to this question in such a way much rarely. The significant proportion of active oppositionists share liberal or libertarian views (51%). Social-democratic ideology more widespread among active supporters' group, and anarchist ideology more widespread among active oppositionists. In both groups, radical views are not prevalent - almost no one identifies himself with the communist or nationalist ideology (Tab.1).

Tab. 1 Political self-identification of young activists, %.

What political ideology if any are you sharing?	Political activists		
	Active supporters	Active oppositionists	Total
Not sharing any political ideology	40,4	25,3	33,0
Liberal	13,9	40,4	26,9
Social-democratic	15,2	6,2	10,8
Anarchist	1,3	8,2	4,7
Libertarian	0,0	9,6	4,4
Conservative	7,3	1,4	4,4
Nationalist	1,3	4,1	2,7
Communist	2,6	0,0	1,3
Other	0,0	3,5	1,5
Hard to tell	17,9	1,4	9,8
Total:	100,0	100,0	100,0

Source: Cramer's V [0..1]: 0,550, significance: 0,000

Thus, at the present phase, Russian youth is based its opposition mainly on liberal ideology, which is quite clearly presented in the criticism addressed to the authorities (excessive strengthening of the state apparatus, democratic opportunities restrictions, freedom of speech restrictions, etc.). Youth authorities support lacks a clear ideological platform or varied from social-democratic to conservative ideology.

Now we will review some parameters of social well-being of politically-active youth like its security and satisfaction with the situation in the country. We have found that active supporters are more secure: almost 80% of respondents feel security in one way or another, and only 16% are not secure, while among oppositionists, only 15% fell secure, and more than 80% of oppositionist respondents not feel security or rather feel it, than not (Tab.2).

Tab. 2 The activists' security extent, %

Do you feel yourself secure or not?	Political activists		
	Active supporters	Active oppositionists	Total
Yes, I do	41,4	1,4	21,8
Likely yes	38,2	13,7	26,2
Hard to tell	3,9	3,4	3,7
No, I don't	7,2	48,6	27,5
Likely not	9,2	32,9	20,8
Total:	100,0	100,0	100,0

Source: Cramer's V [0..1]: 0,681, significance: 0,000

However, considering more specific assessments of the current situation in various spheres of society – the economy, politics, social sphere, and cultural life, we found that the social well-being of politically active youth characterized by low levels of satisfaction in general, regardless of the form of political participation. Politically active youth is most critical in the economic sphere of society (Tab.3), in politics and social sphere it is vital too. Thus, not only the active oppositionists characterized by a critical attitude in the evaluation of current situation, taking into account that their satisfaction significantly lower than that of the active supporters, but active supporters give a rather negative assessment also: average points of satisfaction with health and development of the situation in the country of 3.00 or slightly higher (with the exception of the cultural life of 3.32), and the economy - well below the 3 and is 2.68.

Tab. 3. Youth evaluation of the situation in the country (1 - things going in an absolutely wrong way; 5 – things going in an absolutely right way), average points (index)

What do you think things in the country going in a right or a wrong way?	Political activists	
	Active supporters	Active oppositionists
In economy	2,68	1,27
In politics	3,09	1,23
In social sphere	3,00	1,36
In cultural sphere	3,32	1,82

Analyzing the data of this study, we have found a correlation between the indicators of social well-being, namely the degree of confidence in the future, and the political self-identification of young activists (Tab.4). It let us prove the central hypothesis of our study about the influence of political self-identification on the social well-being of politically active youth.

Tab. 4 Correlation between the political identity and security, %

Political self-identification	Security			
	More or less secure	More or less not secure	Hard to tell	Total:
Not sharing any political ideology	51,0	46,9	2,0	100,0
Social-democratic	65,6	28,1	6,3	100,0
Conservative	69,2	23,1	7,7	100,0
Communist	75,0	25,0	0,0	100,0
Liberal	35,0	62,5	2,5	100,0
Libertarian	13,3	86,7	0,0	100,0
Anarchist	14,3	85,7	0,0	100,0
Nationalist	50,0	37,5	12,5	100,0

Source: Cramer's V [0..1]: 0,297, Significance 0,000

Young people following communist, conservative, and social democratic ideology feel the most secure - 75%, 69% and 65% of them accordingly feel more or less secure. Young people sharing liberal, libertarian, and anarchist ideology are more pessimistic in their social sentiment and much more critical on their social well-being.

CONCLUSION

Thus, assessing the results of the study, we can conclude the following.

First, young Russian political activists today not sharing any radical ideology - neither communist nor anarchist ideology is popular among both groups of youth we studied. Considering the complex Russian political history of the 20th century,

as well as the current ambiguous situation in the country, this can be regarded as a very positive trend.

Second, political self-identification of active supporters is highly blurred, and they highly uncertain what kind of ideology they follow. In this group, we can't identify any dominating political orientation. The active opposers consolidated mainly over liberal ideology.

Third, social well-being indicators of politically active youth have rather low points, especially in the economic sphere. At the same time, the degree of security varies depending on the form of political participation of young people – active opposers have it significantly lower than active supporters.

There is a relation between the social well-being of young people and their self-identification in politics: young people who share the communist, conservative and social-democratic ideology, recruited in politics through the forms of participation approved by authorities are more optimistic; young people, who identify themselves with liberal, libertarian and anarchist ideologies express pessimistic social sentiment and sharply critical assessment of social well-being.

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