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Section

BUSINESS AND MANAGEMENT

BUSINESS AND MANAGEMENT

The section covers papers relating to business, including management and organizational studies, business law and business ethics

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.

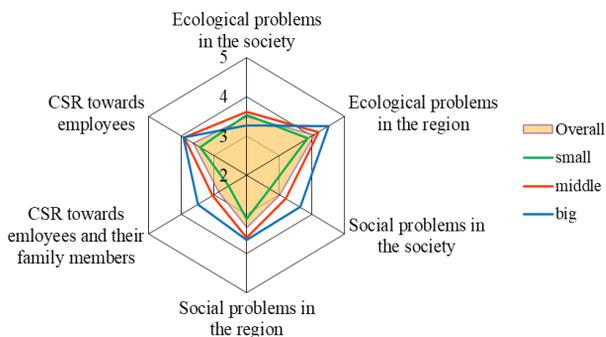


Figure 1 Structure of researched enterprises of applying CSR in the management and marketing by the size of enterprise

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.

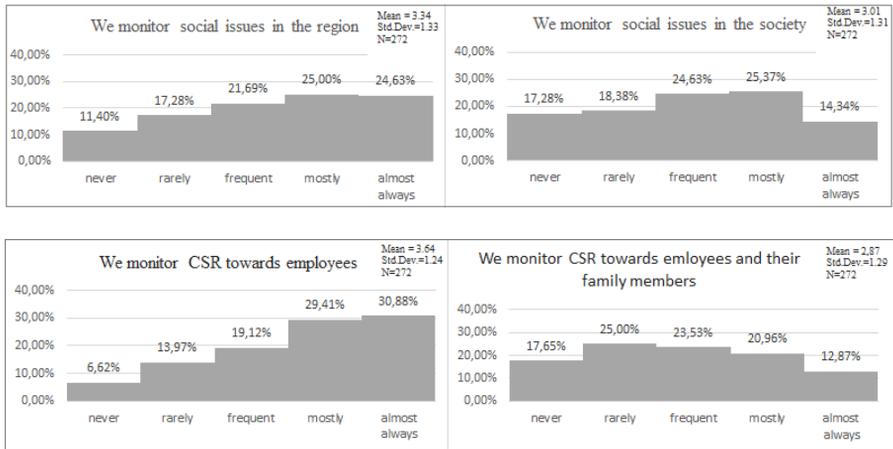


Figure 2 Four possibilities of applying CSR in the company’s management

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.

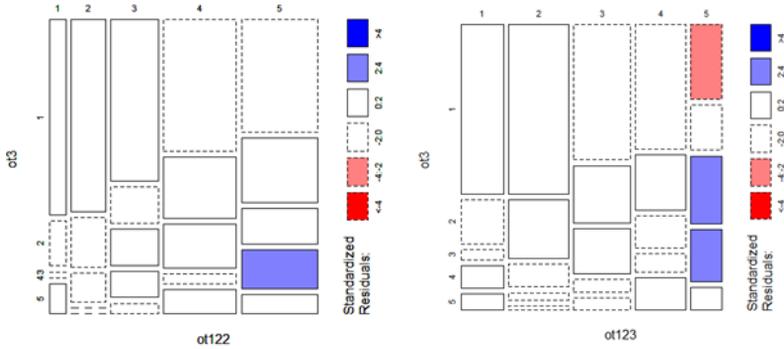


Figure 3 Mosaic plots of applying CSR towards employees and towards employees and their family members in dependence of yearly turnover of the companies. Program R.

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]

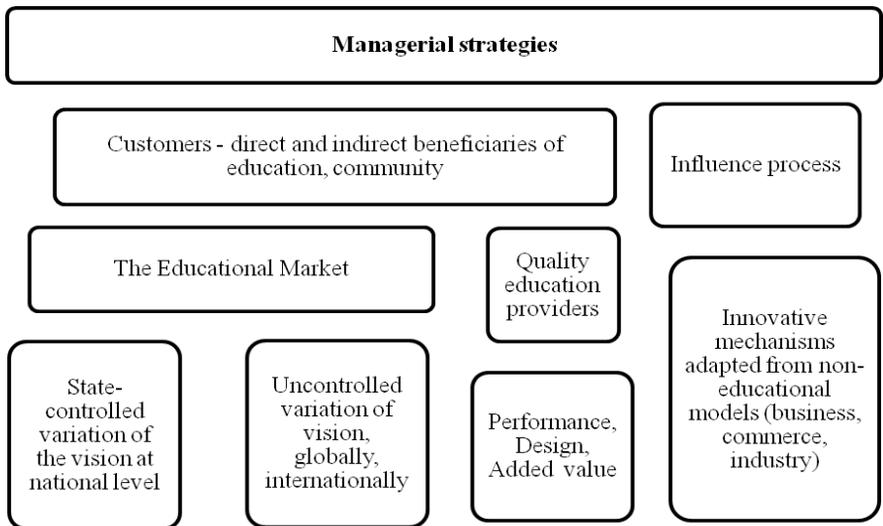


Figure No.1. Educational concepts and policies impacting the quality movement

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]

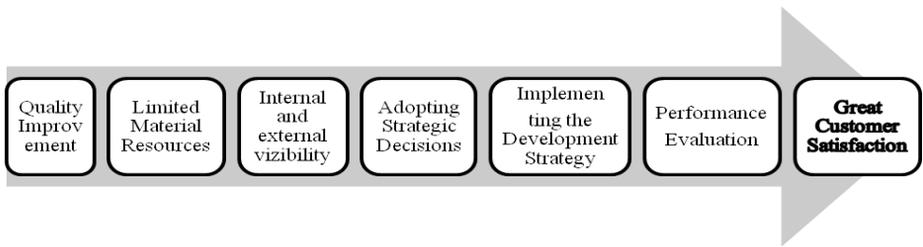


Figure No.2. Chain Reactions

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.

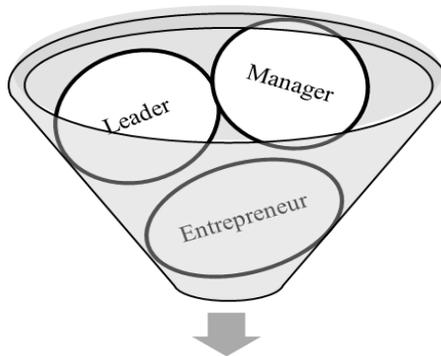
Like Juran, other leadership leaders such as Crosby and Taguchi have delivered the concepts of "compliance with requirements" and beneficiaries' needs, through an efficient design process with superior qualities such as reliability and quality, performance design, but the date this orientation has shifted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

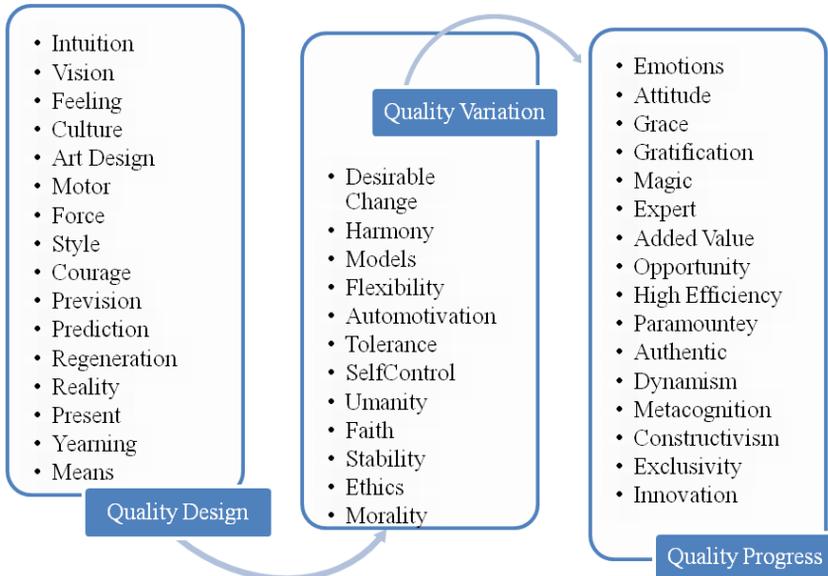


Figure No.4. Conceptual Model of the Quality Trilogy
 Source: The authors' own concept based on Juran's Trilogy

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 US\$. Nearly 200 "unicorns" – start-ups, follow these flagships: with a market value of more than 1 billion US\$ 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*):*

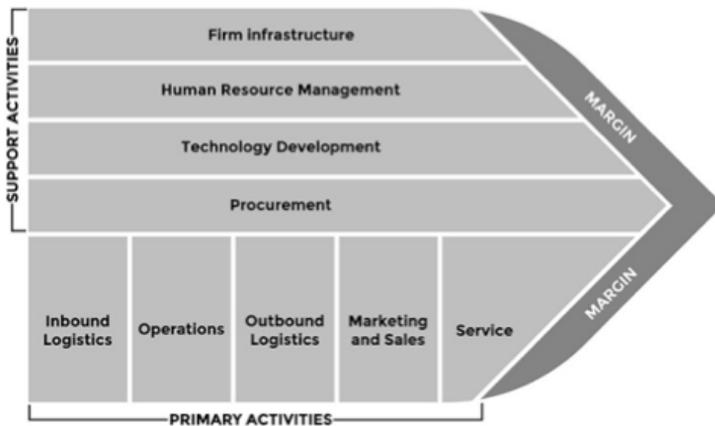


Figure 1. Linear Company's Porter Value Chain[6]

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.

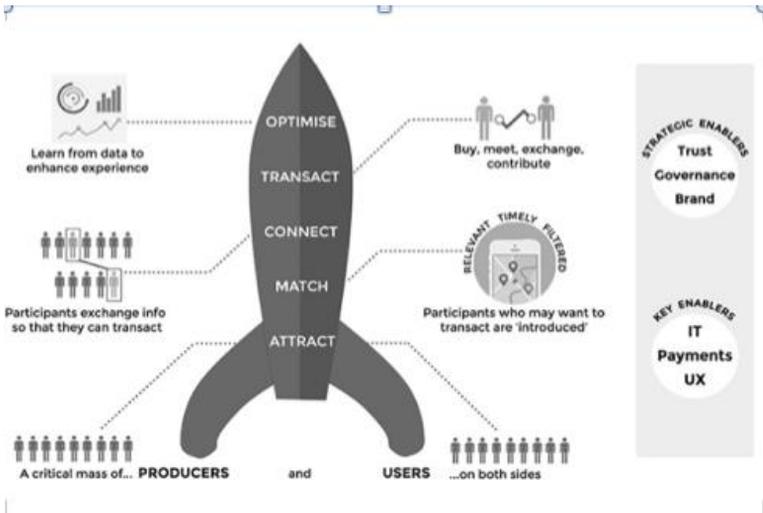


Figure 2. Main components of the business platform – “rocket” model[6]

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 unprecedented 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.)	
		Abso- lute 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 be 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

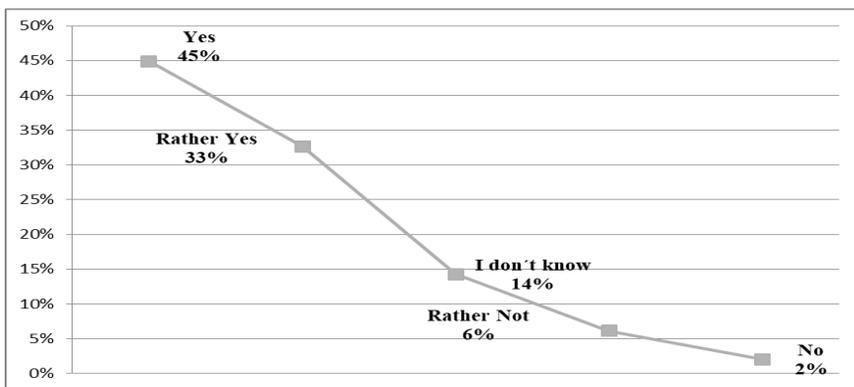
contact just four prisoners who were willing to share their experience after they released from prison.

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)

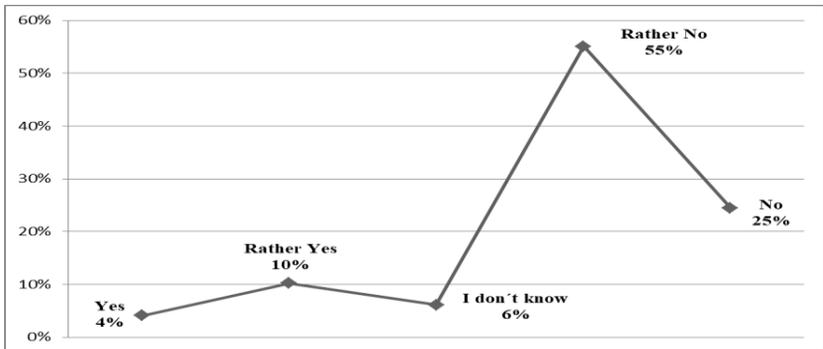
Graph 1: Interest of persons released from serving a sentence in the service sector



Source: Author's own

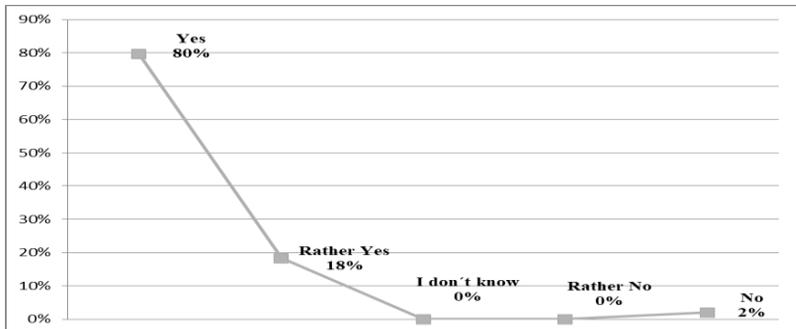
Most PRFCs work in the gastronomy and hotel industry. 45% respondents answered YES; 33% respondents answered Rather Yes; 14% respondents said "I do not know"; 6% respondents answered Rather Not; 2% respondents would not want to work in the gastronomy and hotel industry. PRFCs also expressed their interest 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)

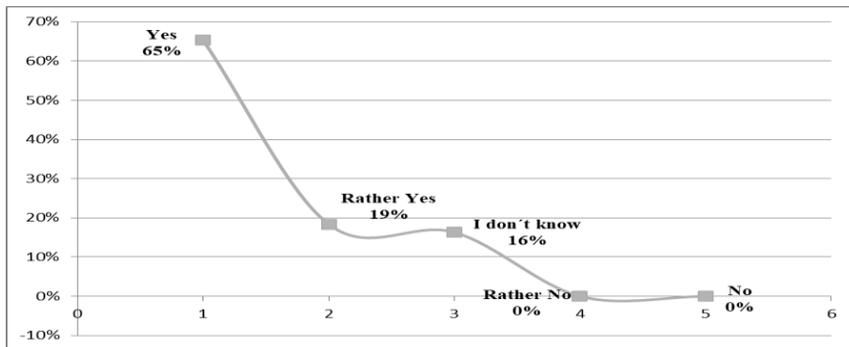
Graph 3: Requirement - not to impart to the employer a criminal past

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)

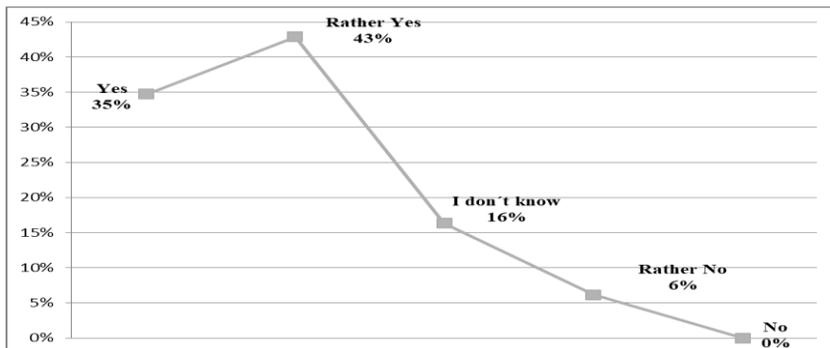
Graph 4: Requirement of no disclosure to the employer of the type of crime committed by PRFCs



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)

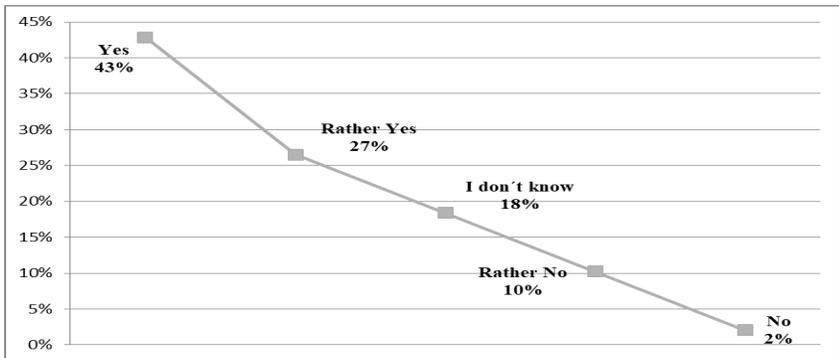
Graph 5: PRFCs' opinion on making it easier to take up employment in the gastronomy and hotel industry as a result of requesting the submission of a criminal record extract



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.

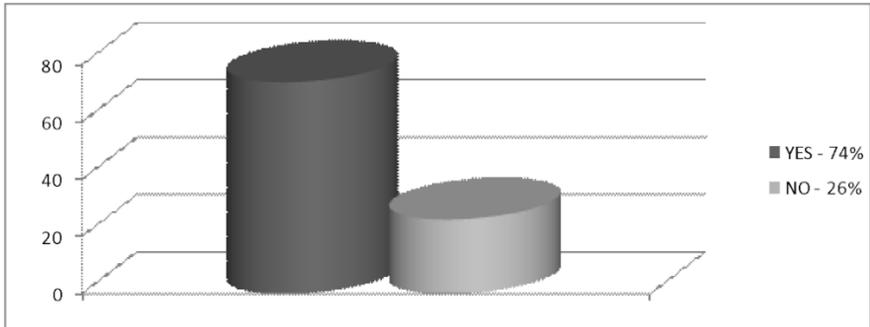
Results of the second survey - Managers who are willing to employ people released from custody

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 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:

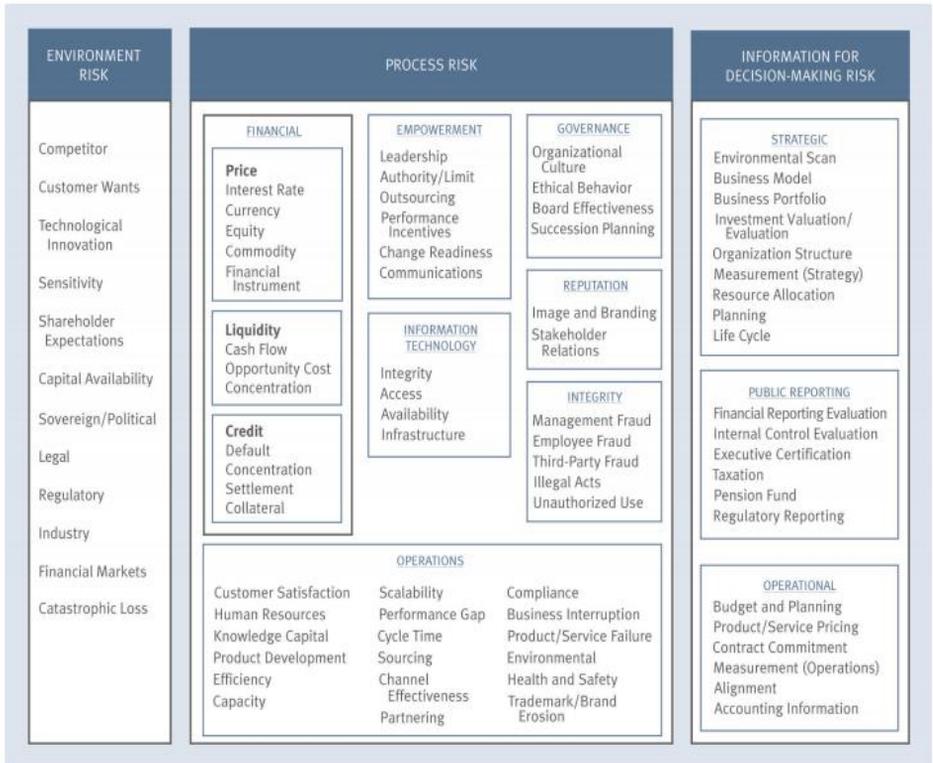
- Board members of the enterprise,
- Board members plus senior line managers (directors of all departments of the enterprise).

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.)

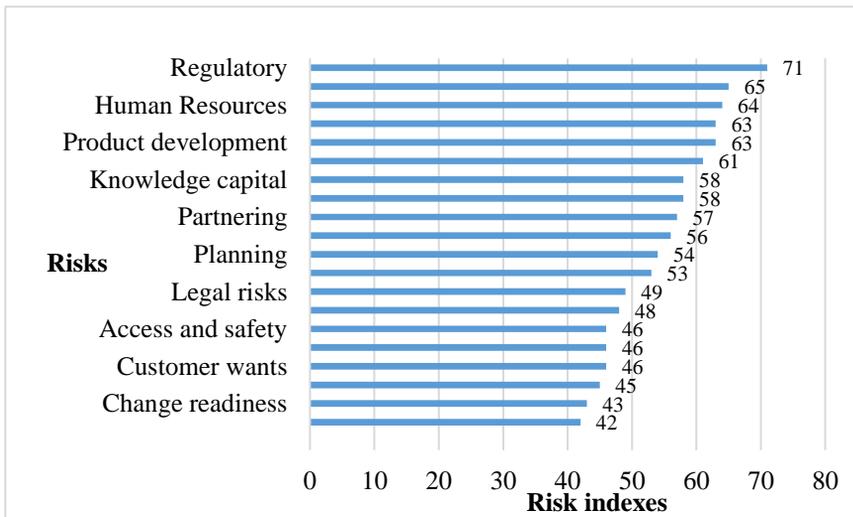


Figure 2. TOP 20 risk indexes in pharmaceutical enterprise (identified and prioritized by Board members)

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.

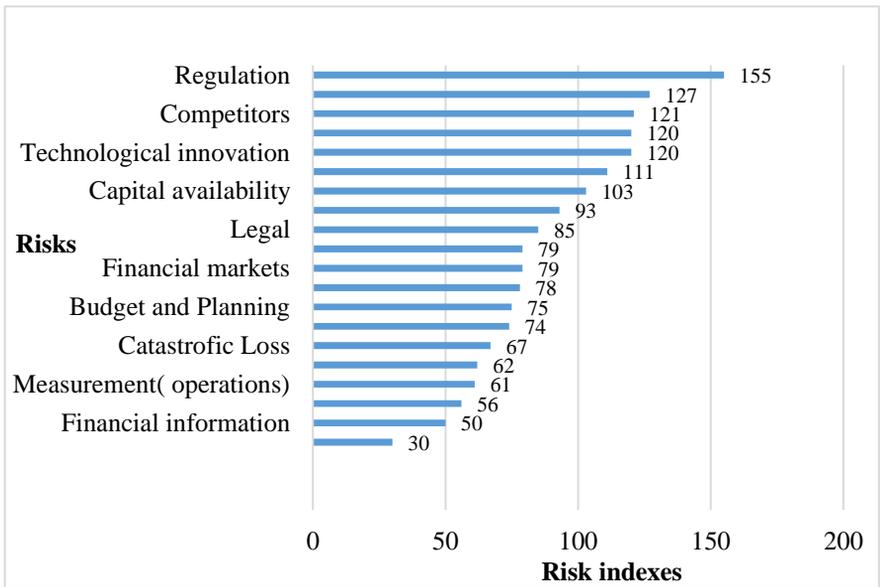


Figure 3. TOP 20 risk indexes in pharmaceutical enterprise

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(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 lime 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 educations 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.

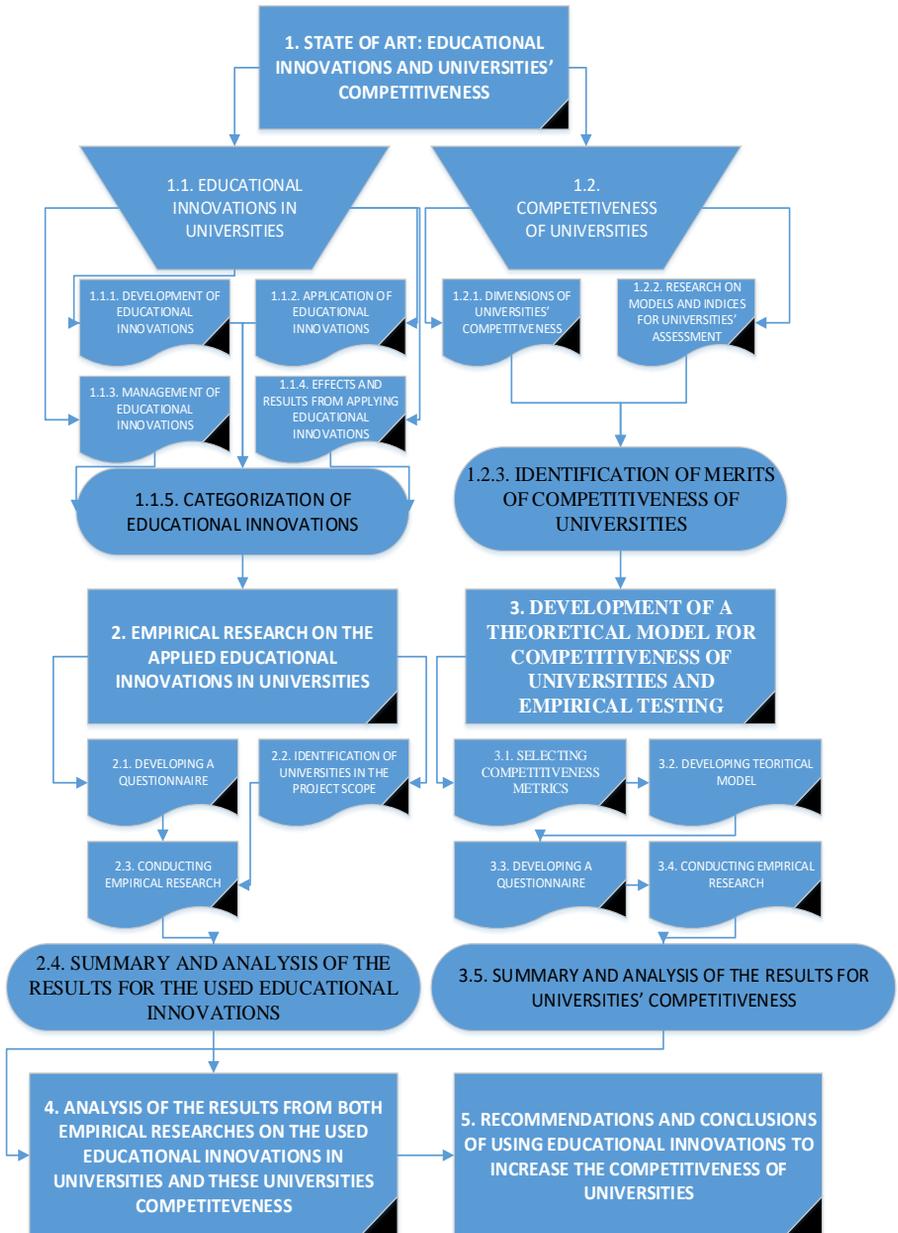


Figure 1. Methodology for repetitive measuring of innovation competitiveness of universities

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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**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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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 understand 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.

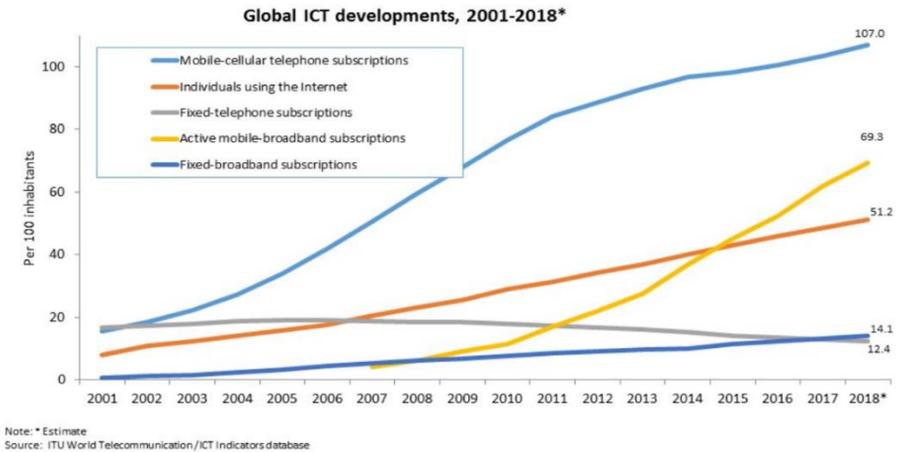


Figure 1. Dynamics of ICT penetration in the world

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	Evraz	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.

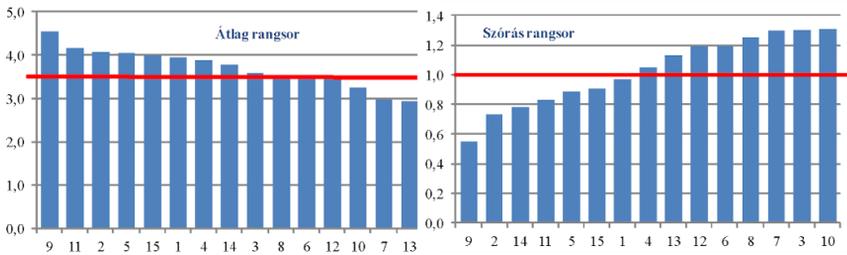
The range of corporate expectations is expanding nowadays, seen as the core tasks of companies such as increasing economic performance, creating jobs, and meeting social expectations even more than mitigating environmental impacts, ethical behavior with stakeholders, and the responsibility to do so.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

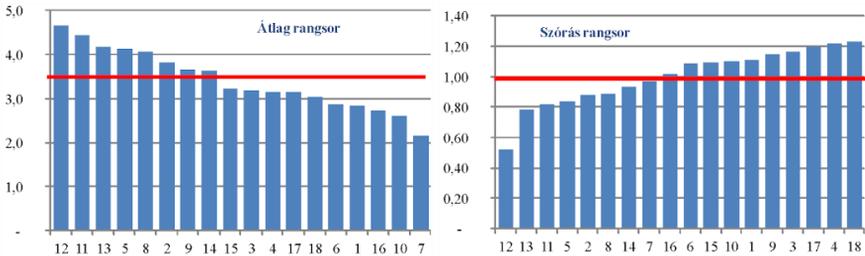
It is important for respondents to inform local residents, consumers, customers, authorities, suppliers, and the communication with stakeholders, none of the respondents evaluated negatively this statement, as shown in question 2. Answers to question 5 reveal that respondents pay attention to controlling 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

ECONOMICS AND TOURISM

The section covers papers relate to the production, distribution, and consumption of goods and service, macroeconomics, microeconomics, political economy and all specters of 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.

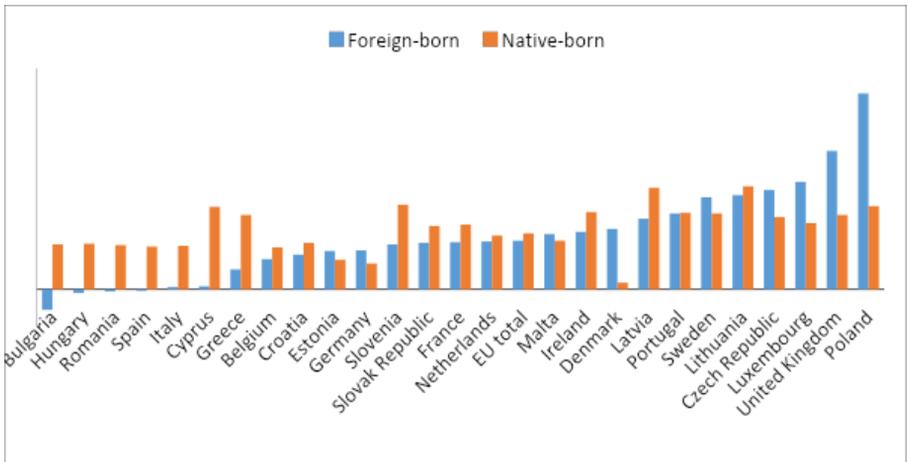
Amongst these sociodemographic characteristics, the education level plays an important role. Migrants in general are overrepresented among people having an education level below the second cycle of secondary studies. In many countries, a non-neglecting proportion of this population didn't reach the first 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.

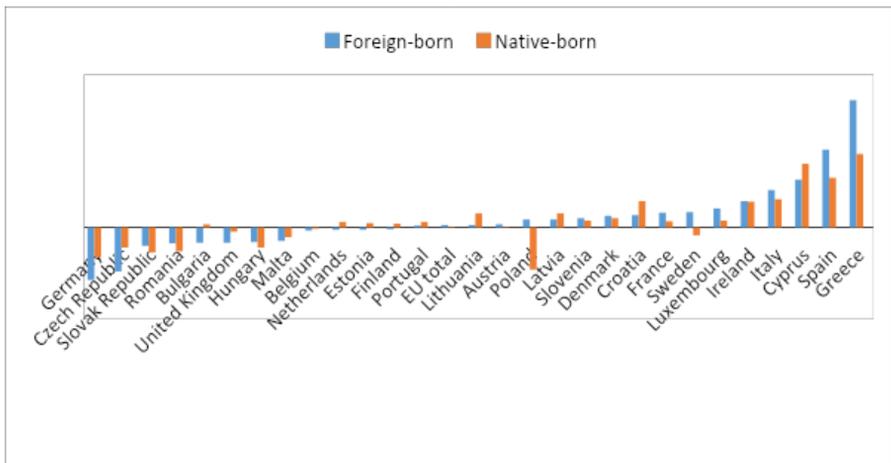


Figure 2 – Changes in the unemployment rates

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 of 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).

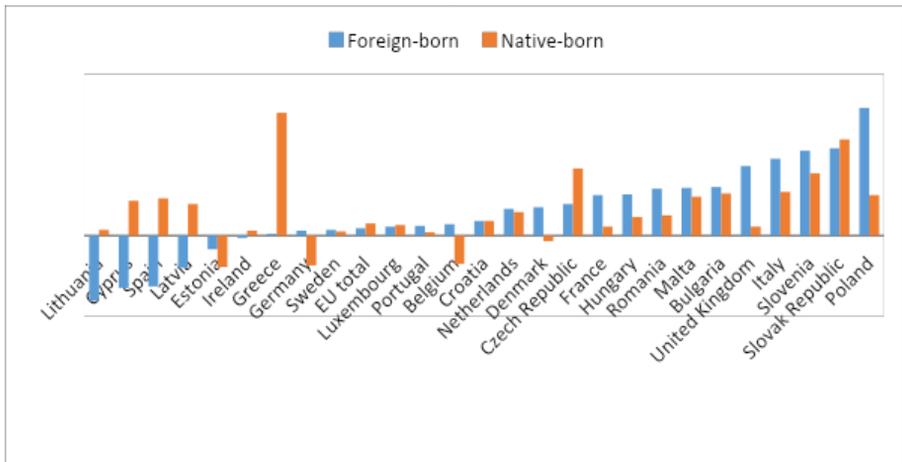


Figure 3 – Changes in the over-qualification rates

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 form 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.

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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.

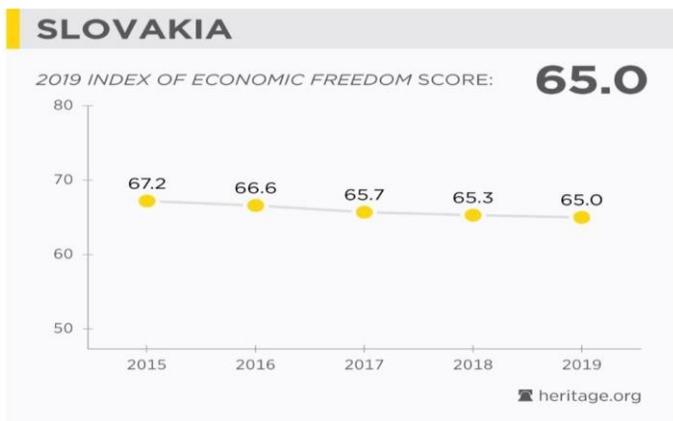
***Keywords:** Economic system, economic development, Industry 4.0, technological changes*

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.

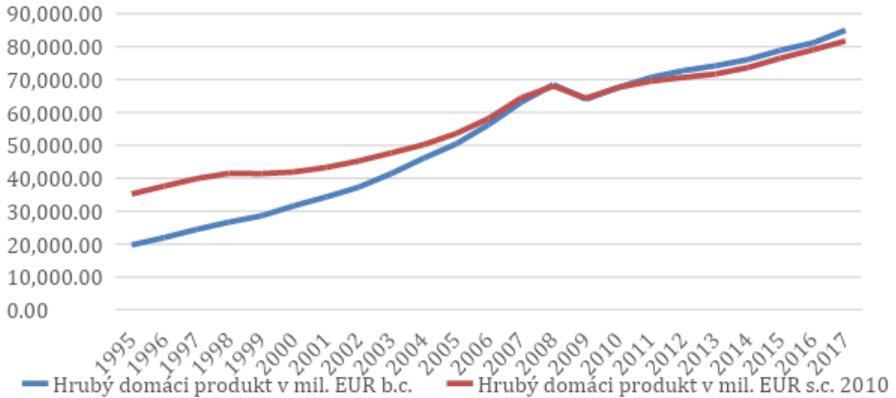
TECHNOLOGICAL CHANGE

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%).

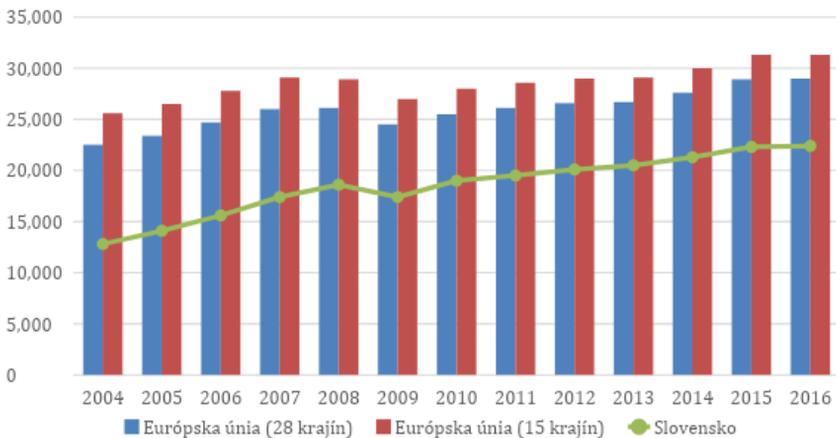
Graph 2 GDP 1995 - 2017 at constant and current prices



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

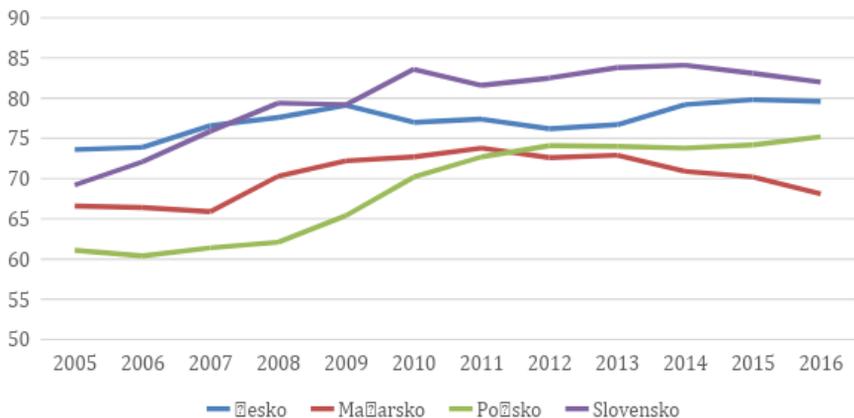


Source: Eurostat; 2017

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



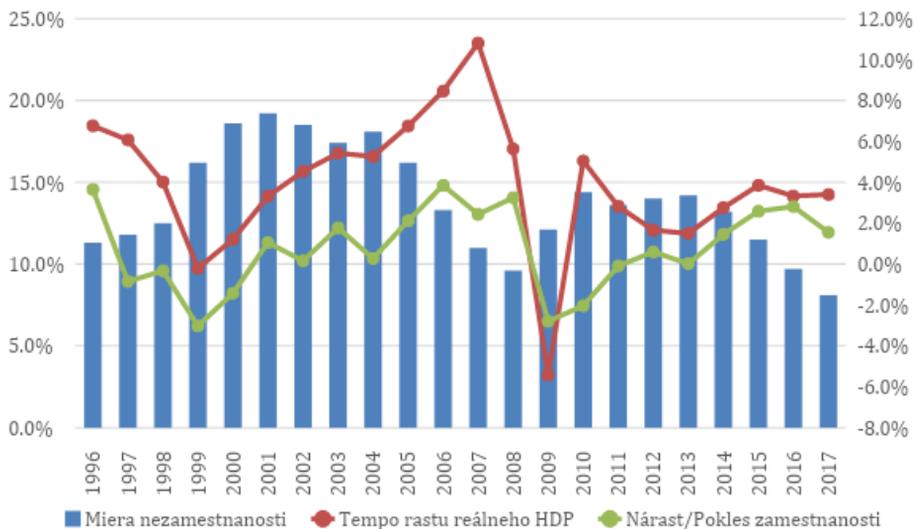
Soucre: Eurostat

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

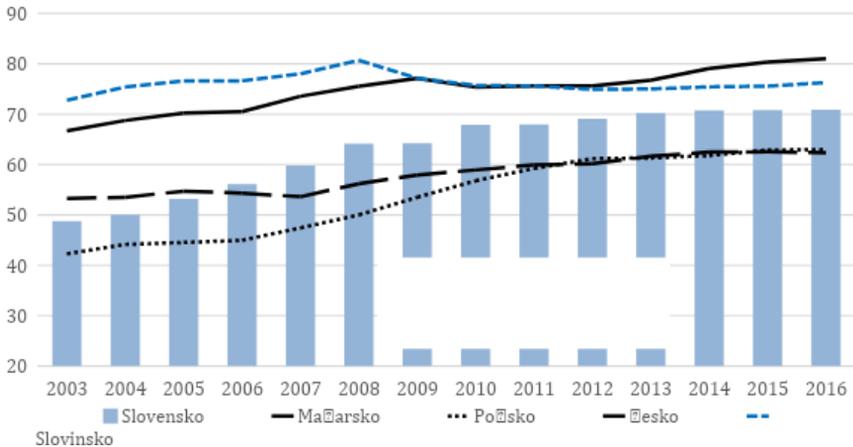
Based on the above, we can conclude that the nature of GDP growth was different in the pre-crisis and post-crisis periods, and the labor market also had different characteristics. Although the unemployment rate has been falling since 2010, it is still one of the highest in the EU. Its specificity is 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 od 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 od 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 od 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

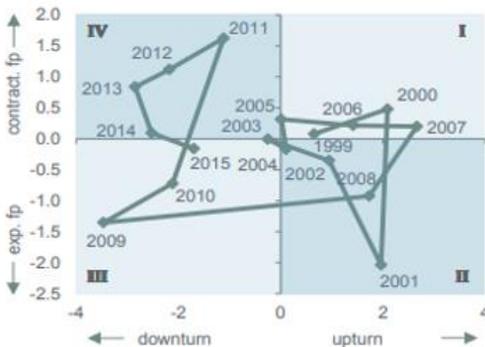
The issue of financial crises and fluctuations in economic performance has brought more attention to both economists and politicians, as well as to the general public in the context of the financial and economic crisis of 2008. After the emergence of economic and monetary union in Europe, with respect 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

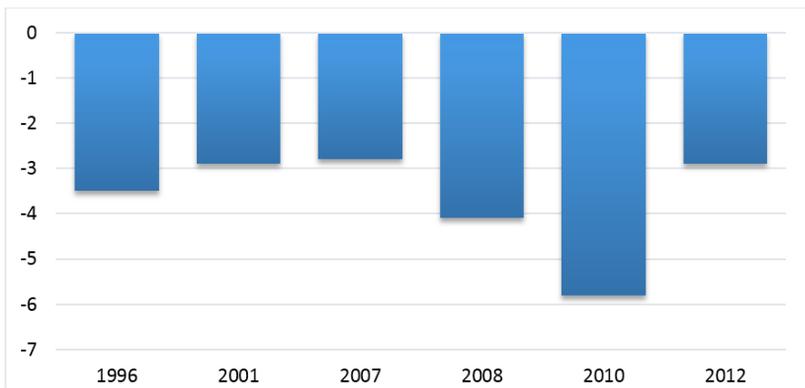


X-axis - output gap of the euro area, % of potential GDP,

Y-axis: change in the cyclically-adjusted euro area surplus, p. b. year on year. Source: EHMER, P. 2016. Fiscal policy in the economic cycle and closer coordination between member states. In

KFW. 2016, research no. 139. [3]

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.

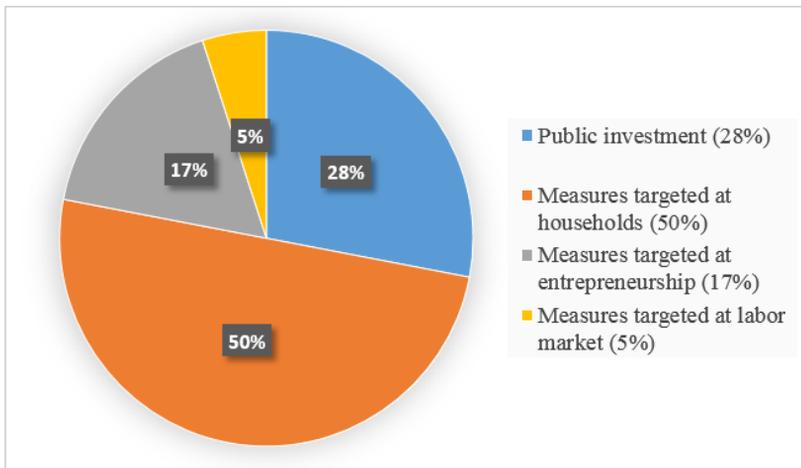
Table 1: Fiscal impulse and its components in the Euro area

	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 employees 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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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	What is the first word you think of when you hear about: - entrepreneurship?

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	down the first word that comes to their mind.	- oil products? - automated systems services?
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.

	<p>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.</p>
V. The marketing strategy	<p>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.</p>
VI. Action programs	<p>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.</p>
VII. Profit and expenses	<p>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.</p>

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 treat 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 ditribution 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

FINANCE

The section covers papers relating to finance, public finance, investment, taxation, banking and globalization

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 equity 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 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 wellbeing”[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:

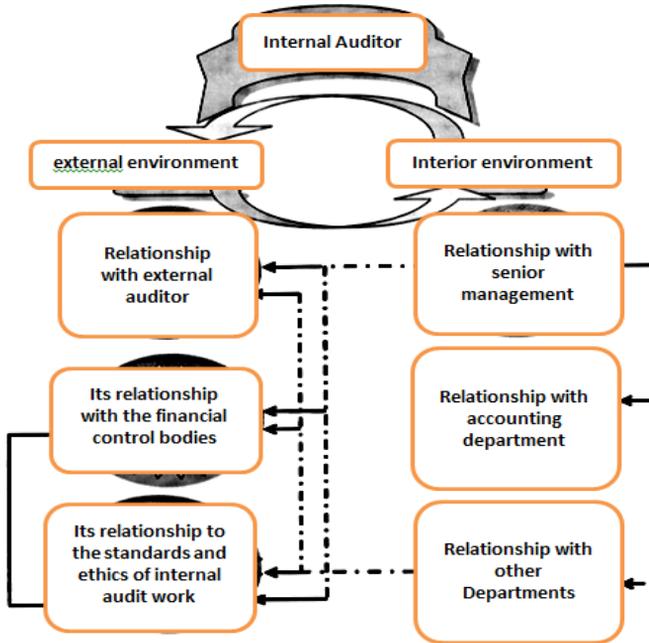


Figure 1 Internal Audit and Audit Performance

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].

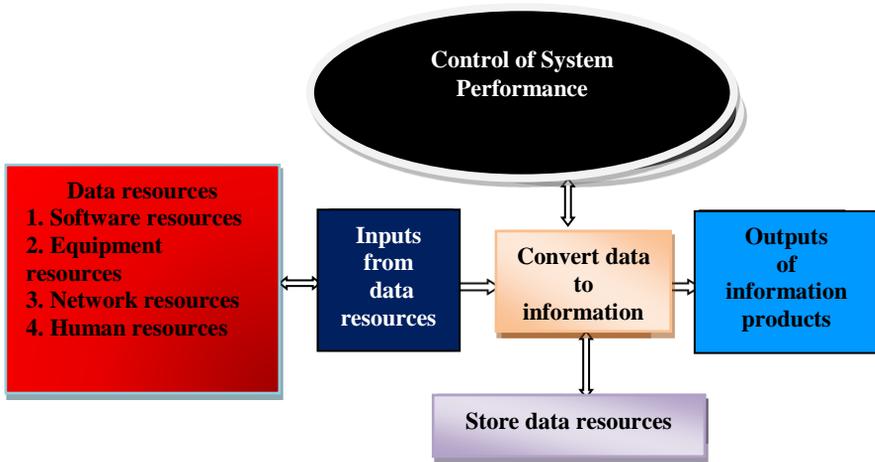
The components or elements of the system physical supplies, communications system, human supplies, and software requirements.

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 be 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:

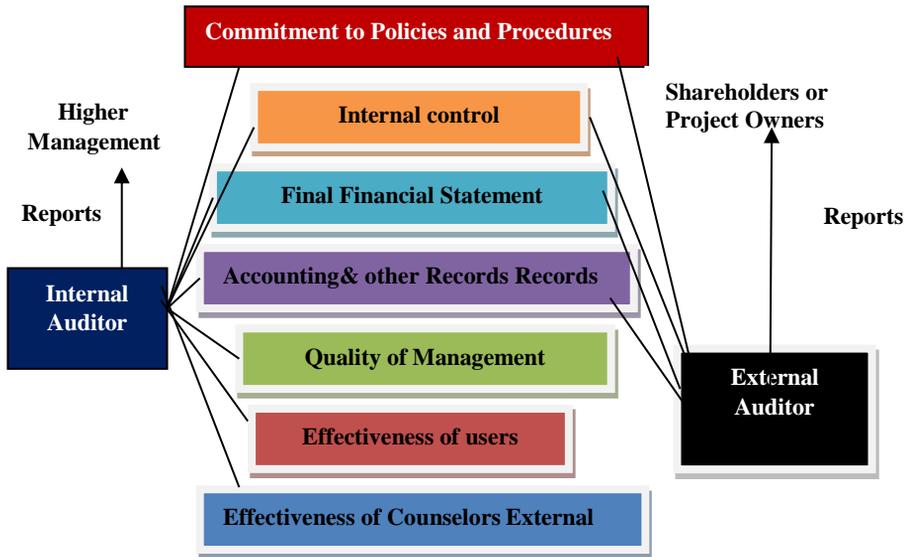


Figure 3 The Common Areas between Internal Auditor and External Auditor

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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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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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 (%)

	Year2014	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

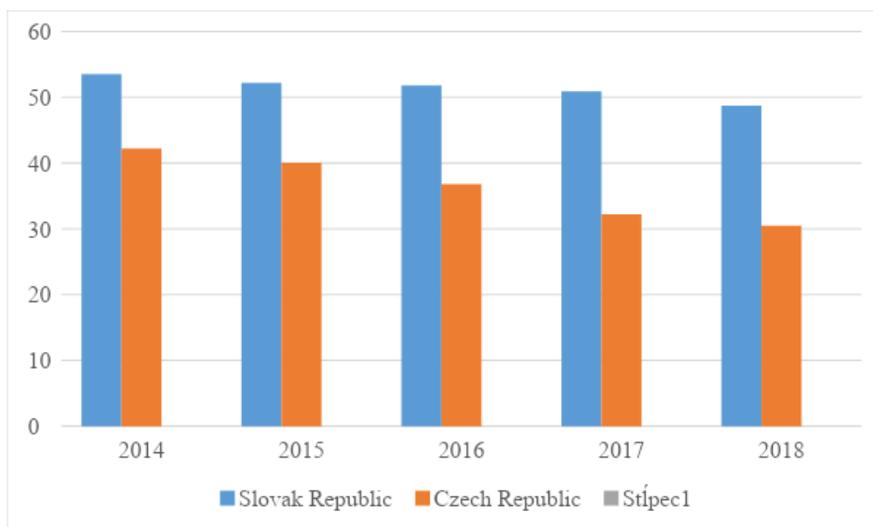


Chart 1 Development of the public debt share to GDP in the Slovak Republic and Czech Republic (%)

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

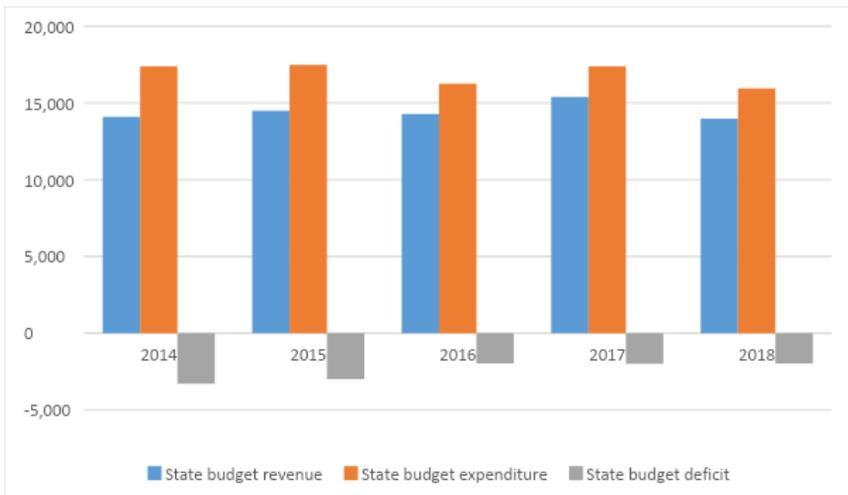


Chart 2 Total revenue and expenditure of the state budget in the Slovak Republic (EUR million)

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

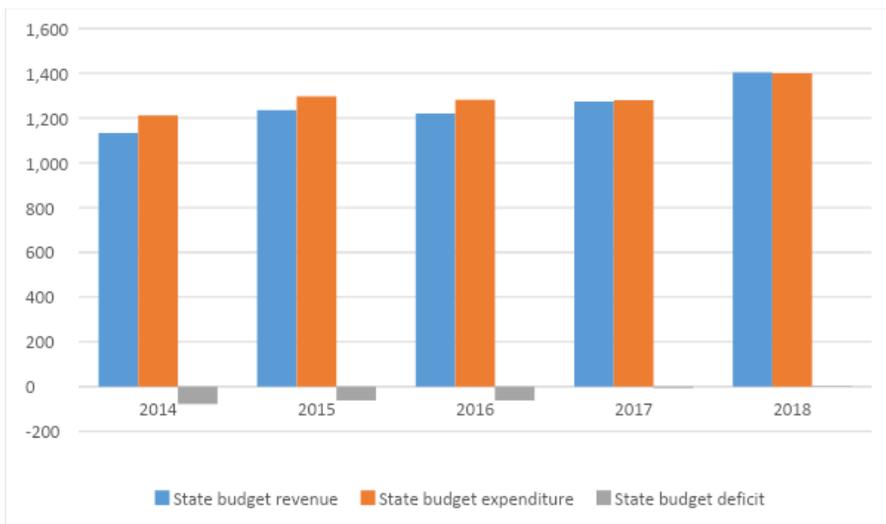


Chart 3 Total revenue and expenditure of the state budget in the Czech Republic (CZK milliard)

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.

ACKNOWLEDGEMENTS

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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.

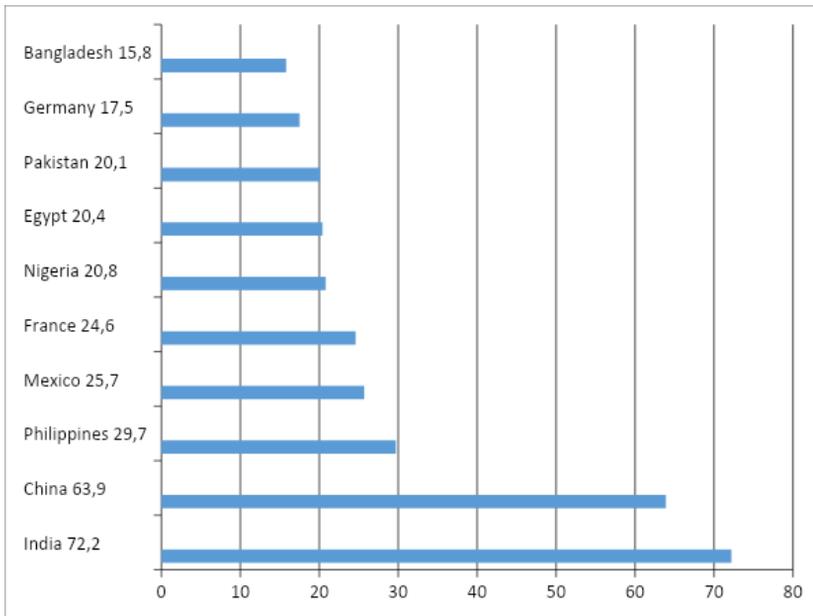
International organizations, as well as the scientific community, discuss in particular ways of the realization of these money transfers, as well as the economic impact of the given operations on the country of origin of the migrant.

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.

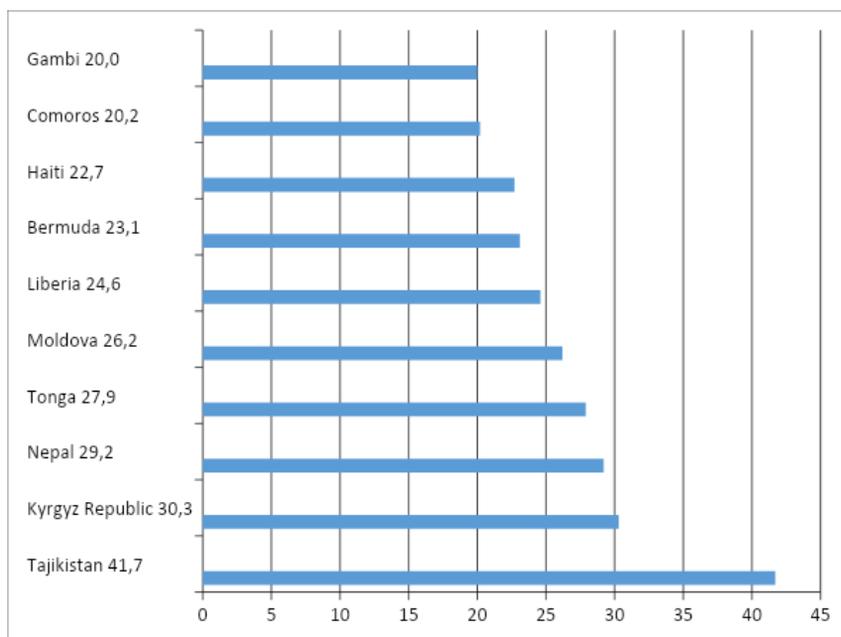


Graph 1 – Top Remittance – Receiving Countries, 2015, USD billions

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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