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## FOREWORD

Globalization shapes our lives in a great extent: we work from 9 to 5, having our co-workers located in different countries, we eat food coming from various location all over the world, we use communication devices made in some Asian countries, and we share happy or sad moments with “friends” that we have never seen before. Internet connectivity becomes more and more an indispensable. Is this about global citizenship, the sense of belonging to the global community is more powerful than citizenship itself.

Recently, the DHL Global Connectedness Index <sup>1</sup> reveals that the world ended 2017 more globalized than ever, despite the predictions and the Brexit and Trump shock waves. The year 2018 brought new obstacles, such as tariff tiffs, the global business competition is still on track. The executives must think to build their business in new coordinates that might overcome today’s turbulences. More than ever, successful business decisions should rely on accurate perceptions of the environment, and a clear-eyed view of how globalization measures are trending. The Netherlands is the world’s most globally connected country. Singapore leads on the size of its international flows relative to domestic activity, while the United Kingdom has the most global distribution of flows around the world. Countries that integrate more deeply into international flows tend to enjoy faster economic growth and even the top-ranked countries have untapped opportunities to strengthen their global connectedness.

The foreign operations of multinational firms around the world generate only about 9% of global output. Exports of goods and services add up to 29% of world GDP, but even that figure comes down to about 20% if one adjusts it for output that crosses borders more than once. Succeeding across borders and distances is still much more difficult than winning at home, but some of the same barriers that constrain international flows also increase the rewards for companies that find ways to overcome them.

In this rather “hostile” environment, companies should think to implement organizational changes as rapidly as possible. The most convenient way to design potential organizational changes is in terms of three layers: What structure? Who leads? And how do we work together? Structural changes are the most disruptive, but more complex strategies, such as those combining substantial amounts of aggregation and adaptation, often require more complex organizational structures.

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<sup>1</sup> Altman, S., Ghemawat, P. Bastian Ph. – DHL Global Connectedness Index 2018: The State of Globalization in a Fragile World





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One-third of respondents in a recent McKinsey survey of global executives<sup>2</sup> said that uncertainty over trade policy is their greatest concern—and three-quarters of all companies say their global investment strategies are changing as a result.

So, strategic approach should tackle the internal structures and the mindset. More fundamentally, the organization could improve its health only by changing mindsets about how it should be run. To unlock the necessary entrepreneurship and creativity, the managers would have to shift employee mindsets from “my job is to follow the rules” to “my job is to improve what we do and how we do it.” Another issue is the way organizational silos had tightly controlled information: the traditional command-and-control structure had ingrained a “trust your leader” mindset. Shifting to “trust one another” would help employees share knowledge more freely. Finally, at the heart of the effort to increase personal ownership, mindsets would have to change from “I own what I control, and others hold me accountable” to “I own the full positive impact I can have on others and the business broadly.” Once the skill-set and mindset shifts required were fully understood, strategic plans were adjusted to ensure that they enabled the needed shifts and thereby paved the way for successful execution of the strategy. So, this is the ideal workflow able to generate and implement change, but we frequently see companies miss some of these vital steps. It seems that most companies ignore the peril of not being flexible and adaptive enough internally as well as externally. That makes the difference between success and failure in a globalized market.

Editor-in-chief,

Prof. Manuela Epure, PhD

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<sup>2</sup> McKinsey’s Survey of Global Executives- <https://www.mckinsey.com/business-functions/organization/our-insights/leaders-in-the-crisis-mckinsey-global-survey-results>



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## The Chief Digital Officer – Savior for the Digitalization in German Banks?

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*Abstract: Digitalization is changing processes in the German banking market. These changes pose significant challenges for companies. Many German banks could miss the connection in the age of digital transformation. They are forced to digitize processes due to low yields, as new players in the market (FinTechs) could shed up to 40% of sales and up to 60% of profits from traditional banking. How to deal with digitalization has been discussed widely. One idea that has been promoted and implemented, was installing a Chief Digital Officer along with the Chief Information Officer / Head of IT. Among the 2,500 largest publicly listed companies worldwide, 160 CDOs have been hired in 2016, 124 in 2017 and 54 in 2018, according to a 2019 study by PWC's strategy&. Numbers have gone down and it is in question whether and how long the position of a CDO will be crucial for business success. Only 7% of German banks currently employ a CDO. Creating the role of a CDO alone will not be a measure for success in organizations, as long as it is not accompanied with a suitable digitalization strategy and a change management process that effectively highlights and persuades all of the organization stakeholders of the benefits.*

**Keywords:** Change Management, Digital Transformation, Digitalization, CDO, Chief Digital Officer, German banks

**JEL Codes:** G21, M54

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### 1. Introduction

The use and integration of new digital technologies is one of the biggest challenges facing businesses today. No company can defend itself against the effects of digital transformation. Digital transformation describes the integration of digital technologies into business processes (Liu, Chen, Chou, 2011). The potential is market-changing and often greater than sales channels, business processes or supply chains. Complete business models are often redesigned. As a result, digital transformation has become a very high priority at management level (Hess, Matt, Benlian & Wiesböck, 2016).

Digital transformation can be considered as a paradigm shift. The concept of "paradigm shift" was coined by US historian Thomas Kuhn in his work "The Structure of Scientific Revolution" in 1962. According to Kuhn, science is not a continuous, piecemeal expansion of knowledge - it is shaped by occasional revolutions. These revolutions each reveal a new "paradigm", a system of innovation that shapes science at a particular time. New paradigms emerge when the weaknesses or contradictions in "normal science" pile up (Kugler, 2012). Over the past decade, the influence of digital technologies has had a huge impact on



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businesses and people's daily lives. Digital devices and new digital technologies have swept the market and it has become unthinkable to halt or slow this process of rapid innovation due to the many advantages and positive effects they have created.

The banking sector is one that is largely impacted by this paradigm shift. Traditional banking is experiencing negative consequences as many lack viable digital strategies. Newly created financial technology (FinTech) companies mainly offer a wide range of services with added value for banks. Their focus is on improving service quality through the use of information technology (IT) applications (Gai, Qiu & Sun, 2018). The term FinTech is made up of the initial syllables of financial services and technology. They are considered to be one of the most important innovations by the financial industry, evolving rapidly. FinTech is the industry in which financial services are transformed using technology. This is partly due to the sharing of information on information technology. FinTechs promise a reorganisation of the financial sector as they can improve the quality of financial services. Technological innovations in the areas of big data, data analysis and mobile devices allow FinTech start-ups to support traditional banks with personalized services (Lee & Shin, 2018). Due to its explosiveness and topicality, digital transformation in the banking sector can be described as a paradigm shift for sure. Hence, businesses in the banking market need to think about how to effectively manage this transformation. One way to do so is the implementation of the role of a Chief Digital Officer within the managerial board.

## 1. Methodology and Research Question

Managers often lack a focus on the various options and elements that arise from digital transformation. Recent approaches to research show that there is a need for advice on certain aspects of digital transformation. However, research does not address a holistic approach to developing a digital, enterprise-wide transformation strategy (Hess, Matt, Benlian, Wiesböck, 2016). **Therefore my research question focuses on whether and to what extent a CDO can be the savior for the German banking sector in the age of digital transformation.** An age that faces the challenge of optimally balancing the interaction between "man and machine", and an age that is more and more influenced by big data. The methodology consists of several months of literature research. I used the keywords: CDO, Chief Digital Officer, digitalization, digital transformation, German banks, and banking sector and retrieved the literature from Google Scholar and Elsevier, newspapers, company websites and other web pages.

## 2. Literature Review and Current State

The search for suitable literature posed a significant challenge, because the subject has not been clearly defined yet. Although, I researched various journals, articles in those journals did not deal with the German banking market in particular. For this reason, this paper has been supplemented with sources and studies



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that are relevant to answering my research question and focus on the German market. On closer examination, no concrete CDO figures for the German banking market could be researched.

In the US and UK, for example, 90% of executives expect digital technologies to make a growing strategic contribution in the coming years. The question is no longer when companies will give digital transformation a high priority, but rather how (Hess, Matt, Benlian, Wiesböck, 2016). In many industries, from industry to science, a "digital change" can be observed along the various value chains. The activities of the companies are carried out with a growing amount of internal and external information. Companies also increasingly believe in information-based impulses to promote innovation, solve problems or improve processes (Kauffmann & Weber, 2018). There are two perspectives in the age of digitization: on the one hand, the data-driven, on the other – the theoretical perspective. Focusing exclusively on data-driven analysis can help identify correlations but may not contribute to any scientific lasting knowledge. Hence, the theoretical perspective is not any less important. However, without the emphasis on the use of data-driven knowledge, opportunities may be missed and negatively impact businesses (Maass, Parsons, Purao, Storev & Woo, 2018). A look at the banking sector shows that due to technological change and globalisation, financial markets have become more fragmented.

An important challenge for research is to unpack the existing massive collections of various data (big data) and use them profitably (Seddon, Currie, 2017). In recent years, big data has been seen as a major technological breakthrough. However, there is still a limited understanding of how organisations translate their potential into real economic and social value. It is an insight that companies need to constantly reorder their organizational models and work practices in order to reap the benefits of big data. (Günther, Mehrizi, Huysman & Feldberg, 2017).

Many banks in Germany could miss the connection in the age of digital transformation. On the one hand, external influences such as customer behaviour, customer expectations, technological change, willingness to pay and product life cycles are gaining in importance. On the other hand, the internal expectation of employees, e.g. the acceptance of new technological solutions and processes happens rather slowly. According to a study by the management consultancy McKinsey, traditional banks could lose 29-35% of revenue due to competition with FinTech businesses (Drummer, Jerenz, Siebelt & Thaten, 2016). According to the study, German banks are forced to digitize processes due to low returns. As new players enter the market, they could lose as much as 40% of their sales and up to 60% of profits. FinTechs pose serious competitors in entire product areas in the banking sector. An example is giving loans or credits - Auxmoney.de respectively smava.de or the current account area with N26.com are two players in the market attacking traditional banks in the credit sector. The difficult part of the digitalization challenge is the simplification of structures and processes and how to optimally face this challenge (Drummer, Jerenz, Siebelt, Thaten, 2016). There are always new players in the market who want to win customers from banks with a special service offering. These reach the customers on sales channels that have not even existed years ago. These include, for example, various social networks and chat bots. The challenge lies in the



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constantly changing lifestyles and needs of the customers (Giebe 2018), and therefore German banks need to keep up with the speed of this change. Hence, how can digitalization not only be seen as a CHANGE, but rather as a CHANCE for German banks? Thorsten Dirks, Chief Executive Officer of Telefónica Deutschland AG, said in an interview with the Süddeutsche Zeitung on October 16, 2016: "If you have a shit process and digitalize it, then you have a shit digital process." This quotation impressively describes the current challenges of digital transformation. Hence, the way to properly structure processes and digitize them is constantly being discussed. Amongst other factors, digitalization and competition from more innovative banking trends, can be seen as one reason for the decline in savings bank in the past 25 years. As depicted in the graph below, the amount of savings banks existent in Germany between 1993 and 2017 has almost halved. Numbers dropped steadily from around 780 to 400 in 2017.

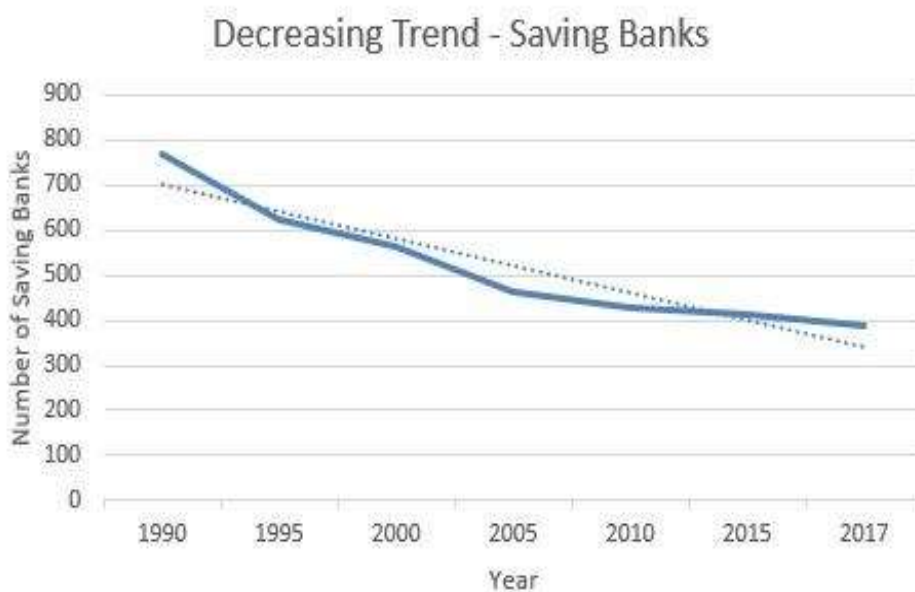


Fig. 1: The number of individual savings banks in Germany has almost halved in 25 years

Source: 17.05.2018 Deutsche Bundesbank (German Central Bank)

### 3. Solution Approaches

A company's digital strategy can only add value if it pools resources and promotes investment. Many Chief Executive Officers (CEOs) are reluctant to define a digital strategy. However, the best digital strategies



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have guided operational decisions, and strategic decisions at the same time. An interesting finding is that the success with the chosen digital strategy also led to results that are linked to other strategies, for example a strategy to achieving customer loyalty (Sebastian, Ross, Beath, Mocker, Moloney, Fonstad, 2017).

One way to manage the organization effectively is to install a Chief Digital Officer (CDO). This position is being installed in companies to coordinate the digital transformation. Results of previously mentioned research show, that the execution and implementation of change processes is one of the central tasks of the CDO. Furthermore, it is necessary to observe the development of digital trends. A digital strategy must be developed and acted out across divisions as well. Maintaining networks and creating efficient structures are also considered to be tasks of a CDO. The CDO is designed to create fundamental innovations. And its activities are not limited to individual departments. Digital agendas should be anchored across the company. All this should be reflected in the task of interface coordination of the CDO (Walchshofer, Riedel, 2017). The CDO's current priority is to change the mindset within the top management team and among employees, before any specific digital projects can be initiated. New perspectives should be used and upcoming changes in the market should be presented by the CDO. Innovative solutions are key to facing future challenges and secure a profitable market share. Although the CDO operates in a separate entity, it works closely with various stakeholders, notably the internal communications department and client advisors (Singh, Hess, 2017). Looking at other industries, there are examples of CDO implementations from overseas, such as the US (Doonan, 2018). The latest study by PWC and strategy& authored by Péladeau and Acker from March 2019 shows declining numbers of CDO implementations within the 2500 largest publicly listed companies compared to their prior study findings from 2016 and 2017. Distinctly new CDO position was only created in 54 companies, compared to 154 in 2017 and 160 in 2016. 60% of CDOs were hired in 2015 and 2016 (strategy&, 2017)

#### **Proportion of companies with CDOs - a sector comparison**

As depicted in the chart below from 2016, the use of CDOs in banks is currently at seven percent. Hence, only a few major banks have installed the CDO position (strategy&, 2016). Communications, media, entertainment (13%) and food, beverage, agriculture (11%) businesses, were in the top, but even in these industries, the figures are rather low. Hence, the position of the CDO is either not widespread enough yet and may increase in the coming years or tasks around digitalization might be integrated in other organizational functions.



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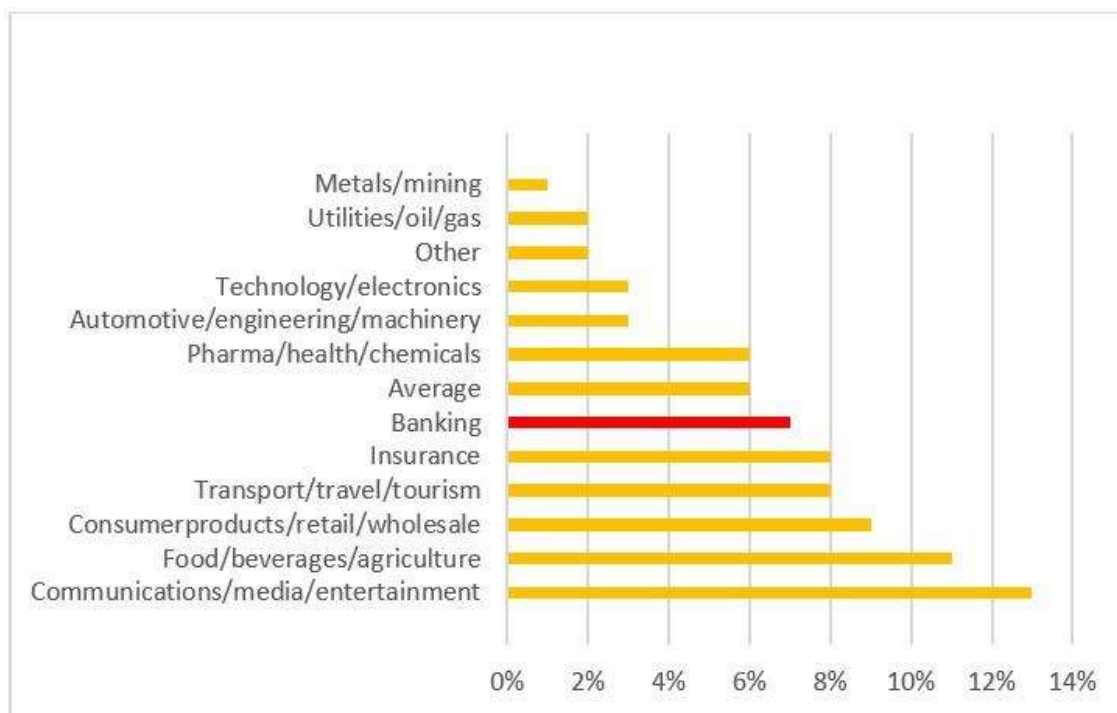


Fig. 2: The share of banks with a Chief Digital Officer is just above the average of all sectors

Source: <https://www.der-bank-blog.de/chief-digital-officer-und-change/studien/digitalisierung/21099/>

#### 4. Appraisal

The question is whether a CDO can solve the problem of the current unstructured or lacking digital processes consistently? Due to the novelty of this management position, there is no clear definition of the requirements profile of the CDO. So it is not always clearly defined which tasks and activities the CDO has. The question of whether the CDO is a permanent or a temporary position in the company could not be answered clearly during my research either. Also, the perceptions of the tasks are similar to those of a Chief Information Officer (CIO) which are currently installed in German banks. It is therefore important to work out the differences and the similarities in order to avoid a competency overlap between the two functions. Solutions that have been developed on the basis of recognized empirical research methods do not exist yet (Kawohl, Schneider, 2017). What are the tasks of the CDO and what kind of results are expected from this position? In general, CDOs help their companies make the most of digital technologies. They are constantly involved in the development of digital skills. The CDO of an organization is also responsible for challenging the existing business model. To meet the requirements, the CDO must be able to experiment





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with and apply many digital technologies. However, these emerging areas are steadily increasing (Tumbas, Berente, Brocke, 2017). There are organizations with IT departments that do much of what CDOs do. These include, for example, innovations with digital technologies. Therefore, CDOs have to delineate their responsibilities. For this reason, CDOs should focus to a high degree on their identification in the company (Tumbas, Berente, Brocke, 2018). The CDO must be incorporated at senior management level. He/ She is to connect the external and internal perspectives in the digital transformation. This means being able to connect the internal processes with customer wishes. In addition to technological knowledge, the CDO must also have an understanding of the customers (Zisler, Mohr, Strahl & Dowling, 2016). Regardless of the position of the CDO, digital transformation should be considered as a change management process. Changes in organizations, processes and technologies have a large impact on human capital. Change management involves the development and implementation of positive and goal-oriented strategies. Almost every major intervention in a company can be supported by change management. The resulting benefit should be a smooth change process that results from less resistance from employees. Other possible positive side effects are resource cuts and the acceptance of the actual change. However, the prerequisites are a clear vision and measurable goals of the planned project. Meticulous planning and preparation are fundamental. Significantly, these processes should be supported by management. In addition to goal-oriented communication in support of change management, the development of "quick wins", immediate positive effects for each individual employee, is essential (Schawel, Billing, 2018).

## 5. Further Aspects

Human Resources focus on training and personnel development. But talent management, performance management and compensation management also play an important role in implementing the digitalization strategy. Staff should play a more active role in the age of digitalization. This is the only way to ensure that human capital is competent and qualified. In this way, the need for digitalization can be met both now and in the future. It is important to coordinate all human resources activities. If this is the case, a company's digitization strategy can be achieved (Fenech, Baguant, Ivanov, 2019).

In addition to the described organizational measures, external business coaching for executives is a very effective means of digital transformation. The goal of this process-oriented form of counselling is to accompany a manager in the digital transformation process by giving advice and support in a coaching relationship. In doing so, it is important to support them to be sustainably successful and to experience their work as fulfilling. This has been recently identified as part of a study during the last financial crisis to measure effects on stress, resilience and performance. The research results showed that the coaching program helped managers to improve their performance. Coaching digitalization can therefore be given as a managerial recommendation (David, Ionicu, Imbăruș, Sava, 2016).

Concerning the need for qualification, the demands on the social skills of the workforce are increasing again in the digital age. Ultimately, it requires employees with strong communication skills and a high level of cooperation. By contrast, the long-term professional experience with its positive benefits, such as enhanced soft- and communication skills, is called into question because even successful start-ups are



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founded primarily by young people without extensive professional experience (Hammermann, Stettes, 2016). Therefore, it could be beneficial for the banking sector to allow young professionals into roles that require not only technical capabilities but also advanced social skills.

## 6. Conclusion

Taking a look at the banking industry, a need for action can be identified quickly. This is largely due to an environment that prevails in this sector, in which rapid environmental changes are combined with strict IT governance requirements. Banks face increasingly stringent regulatory and complex requirements in order to limit business risks. To comply with these requirements, robust governance and complex IT infrastructures must be ensured (Gregory, Kaganer, Henfridsson & Ruch, 2018). Therefore, it is important to align the company's capabilities with new technologies, whereas the emphasis should be on the internal processes of companies. Furthermore, the way in which they are used and how they will develop. Competitive advantage depends on which strategic assets banks can serve and how to use these assets in a changing market. This could include the implementation of a CDO in the organization (Teece, Pisano, Shuen, 1997). As there is massive pressure on retail banks, the situation offers exceptional opportunities for traditional players, new entrants and new companies. An innovation in the customer experience is essential. The optimization of processes is a prerequisite for economic success. Traditional banks must become digital banks to a great extent in order to take advantage of the opportunities of the digital economy (Ilie, Popescu, Iacob, 2017). Hence, there is a lot of dynamism in the market, but a stringent digital strategy is missing. Along with this however, stands the assumption that a CDO in the traditional banking sector may not necessarily have to be the perfect way of successfully managing digital transformation. In fact, Péladeau and Acker (2019) hypothesize that “as transformation becomes part of the core business, the next step will be for the CDO to disappear. Digital transformation will become the responsibility of every member of the executive team.” So, can the CDO be considered the salvation giver for the digitalization of banks in Germany? It is crucial that the responsibility for the success of the digital transformation is not limited to the person of the CDO alone because the mere installing of a CDO does not solve the challenges of digitalization. Due to the low occupation of a CDO - seven percent in 2016 in banks, one has to assume that the CDO will not be a saviour at the moment for German banks. However, as the trend of implementing this position is increasing, this is just a fixed number representing one year in time. A CDO philosophy is currently developing in Germany. The bottom line is that digitalization is not a project that ends sometime. Digitalization does not belong in a separate area. Digitalization is a process that accompanies banks from now on and needs intelligent implementation strategies. Digitalization will become a natural part of the daily work in the organization. From the cleaning personnel to the CEO, every employee has to demonstrate and develop digital skills. How successful a change management process will be in terms of digitalization therefore depends largely on the willingness of banks in Germany to make a



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change. This can only be achieved by clarifying this problem, raising awareness and developing strategies that involve and enable all employees.

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## The Effect of Perception on the Benefits of Tax toward the Discipline of Paying Taxes in Jakarta

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*Abstract. Perception of the benefits received by the community as compensation for paying taxes is one of the factors that influence the discipline of society in paying taxes. Thus the purpose of this study is to examine more deeply the effect of perceptions on the benefits received from paying taxes on discipline in paying taxes in Jakarta. The population in this study was individual taxpayers who work as lecturers on two campuses located in Jakarta. The number of respondents involved in the study was 56 people. The analysis method used is descriptive statistics. The results of the study show that the perception of the benefits of paying taxes will affect the willingness of the community (especially taxpayers) to pay taxes on time. So that in increasing the discipline of society, especially taxpayers, the Government needs to provide concrete examples of development that directly impact and can be felt by the community.*

**Keywords:** Tax, perception, discipline, Jakarta

**JEL Codes:** A01

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### 1. Introduction

Tax is one of the sources of state revenue that has an important role in supporting development finance and illustrating economic independence (Meuwissen and Quick, 2019). On State Revenue and Expenditure, it is known that tax is one of the main components of State revenue (Simanjuntak and Mukhlis, 2012). For the country, taxes are the largest source of state revenue where state revenues from the taxation sector account for almost 80% of total state revenues (Supramono and Damayanti, 2010).

Compliance with paying taxes becomes a problem related to tax issues in Indonesia. Tax compliance is a taxpayer willing to carry out its obligations without any coercion in paying taxes based on regulations that are still valid (Trisnawati and Sudirman, 2015). Compliance with taxpayers can be said as compliance with reporting requirements where taxpayers submit, report and pay their obligations in accordance with



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applicable regulations (Devos, 2009). Compliance of taxpayers to fulfil their tax obligations needs to be increased in order to create the desired tax target (Doran, 2009).

People or taxpayers who are aware of making tax payments will improve the welfare of the community indicating that they want to participate in supporting the country's development (Tatiana and Hari, 2009; Untari et al, 2017). However, it does not rule out the possibility that the awareness of taxpayers to pay taxes is getting lower by delaying tax payments and reducing tax burdens, causing State revenues to tax to decline (Nalendro and Isgiyart, 2014)

Knowledge of tax regulations is important to foster obedient behaviour because of how taxpayers may be ordered to comply if they do not know how the tax regulations (Untari, 2016). In addition to knowledge about tax regulations, perceptions of the benefits received by the community as compensation for tax payments are one of the factors that influence the discipline of the public in paying Widayati and Nurlis taxes (2010).

Since the issuance of Law No. 6 of 1983, which was later amended by Law No. 28 of 2007 concerning General Provisions and Procedures for Taxation (KUP) known as the Self Assessment System that gives trust to taxpayers to calculate, pay, and report their own tax payable. To realize voluntary compliance, optimal functions are needed such as tax dissemination, tax services and tax enforcement. With the adoption of the Self Assessment System, in addition to relying on taxpayers' awareness and honesty, adequate tax technical knowledge also plays an important role, so that taxpayers can carry out their tax obligations properly and correctly. Because through this system, every taxpayer is obliged to fill in himself and submit an Annual Announcement Letter (SPT) correctly, completely, and clearly (Nalendro and Isgiyart, 2014). Based on this background, it is important for researchers to examine more deeply the influence of perceptions on the benefits received from paying taxes on discipline in paying taxes in Jakarta.

## **2. Taxes in Economic Development**

Tax is a means of equalizing the income of citizens and the source of state development funds for the government. So in the long run the general public can enjoy the effects of this development (Aladejebi, 2018). For example, if you pay highway tax, you will enjoy the benefits of repairing highways in your area. Based on Article 1 number 1 Law No. 6 of 1983 which was then refined with Law No. 28 of 2007 concerning general provisions and tax procedures. Tax is "compulsory contribution to the state owed by an individual or entity that is compelling based on the Law, with no direct reciprocity and used for the state's needs for the greatest prosperity of the people"

So in addition to reciprocal services that are indirect, tax collection is based on legal norms and is forced so that refusal to pay taxes or avoid them generally includes violations of law (Adigamov and Tufetulov, 2014). Therefore, every citizen must pay taxes according to the rules. Tax has a very important role in the life of the state, especially in the implementation of development because tax is a source of state income to finance all expenses including development expenditure. Please check the various tax functions in the description below.

As a source of state income, taxes function to finance state expenditures. To carry out the routine tasks of the state and carry out development, the state needs money. This fee can be obtained from tax revenue. Today taxes are used for routine financing such as employee expenditure, goods shopping, maintenance,



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and so forth. For development financing, money is spent on government savings, namely domestic revenues minus routine expenses. This government savings from year to year must be increased according to the increasing financing needs of development and this is mainly expected from the tax sector.

**Regulating Function (Regular).** The government can regulate economic growth through tax policy. With regulating functions, taxes can be used as a tool to achieve goals. For example, in order to bring investment, both domestically and abroad, various types of tax relief facilities are provided. In order to protect domestic production, the government sets a high import duty for foreign products.

**Stability Function.** With taxes, the government has the funds to carry out policies related to price stability so that inflation can be controlled, this can be done, among others, by regulating the circulation of money in the community, tax collection, effective and efficient use of taxes.

**Revenue Redistribution Function.** The tax that has been collected by the state will be used to finance all public interests, including also financing development so that it can open employment opportunities, which in turn will increase people's income.

### 3. Methodology

The population in this study were individual taxpayers who work as lecturers on two campuses located in Jakarta. The number of respondents involved in the study was 56 people. In this study Cross-Sectional Design is used, where information collection from each element of the sample population is carried out only once at a certain time. Then, the researcher conducted a survey, namely a research design that collected data from a number of sample respondents selected from a population. Data was collected using a questionnaire instrument. The questionnaire is structured. At the time of the survey, the sampling technique was carried out by convenience sampling.

The analysis method used is descriptive statistics, descriptive analysis techniques are used to analyze data by describing or describing data that has been collected as it is without the intention to make conclusions that apply to the general or generalization. Inferential Statistics with a statistical model  $Y = a + bX + e$ , this technique uses inferential analysis to explain the results of the study. With t test aims to test the regression coefficient. Welcome to JEDEP, Issue nr.1. The journal's coverage is : general economics, sustainable development, eco-development, distribution of wealth, household behaviour and family economics, human resources, incomes distribution, human development, migration, business management, marketing, consumer behaviour It also provides a friendly platform for academic and application professionals from crossing fields to communication together.

### 4. Result

In the perception variable, the statement used is 7 statements, recapitulation of questionnaire calculations on the X variable in Table 1.

Based on the recapitulation data, it can be seen that the majority of respondents' perceptions of the benefits received from paying taxes are positive; 22.56% in the hesitation category, 21.30% in the agree category and 24.31 in the category strongly agree. In the discipline variable, the statement used is 5 statements, recapitulation of questionnaire calculations on the Y variable in Table 2.





Table 1. Recapitulation of Variable X

Questions	1	2	3	4	5
X1	7	6	11	17	16
X2	10	7	7	15	18
X3	5	16	13	11	12
X4	9	13	21	9	5
X5	3	11	11	15	17
X6	6	12	11	11	17
X7	9	13	16	7	12
Total	49	78	90	85	97
Percent	12,28	19,55	22,56	21,30	24,31

Resource : Data processed, 2019

Table 2. Recapitulation of Variable Y

Questions	1	2	3	4	5
X1	11	8	10	11	17
X2	5	11	7	15	19
X3	7	11	11	16	12
X4	3	14	16	5	19
X5	5	12	9	13	18
Total	31	56	53	60	85
Percent	10,88	19,65	18,60	21,03	29,82

Resource: Data processed, 2019

Similar to the results of the perception variable, respondents' assessment of discipline in paying majority tax is positive; 21.05% in the agree category and 29.82 in the category strongly agree. Based on data processing, obtained a simple regression equation with a regression equation:  $Y = 1.127 + 0.643X$ , where  $a = 1.127$  is a constant, explaining that if Perception on benefits obtained from tax payments (X) is 0 then the discipline of paying tax (Y) is equal to 1,127. While the regression coefficient  $b = 0.643$  states that every increase in variable X is equal to 1 unit, it will be able to increase the Y variable by 0.643. So that in increasing the discipline of society, especially taxpayers, the Government needs to provide concrete examples of development that directly impact and can be felt by the community.

Validity test is used to test the extent to which the accuracy of a measuring instrument can reveal the concept of a measured phenomenon / event. The test results show that all indicators used to measure all variables in this study are stated as valid items. That is obtained from the variable indicators used in this study has a correlation value or r count which is greater than r table which is equal to 0.294 for a sample of 57. And in the Reliability test, all item questions have a Cronbach Alpha coefficient greater than 0, 60 so that it can be said that all measuring concepts of the variables used in this study are reliable.





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Partial Test (t test) The results of partial tests (t test) explain that the effect of perception on discipline is indicated by the value of t count of 16.017 with a significance value of  $0.000 < \alpha = 0.05$ , so there is a significant influence between the perception of the benefits of tax payments to discipline in paying taxes. From the results of data processing obtained the value of R is equal to 0.875 or 87.5% indicating that the correlation / relationship between perception and discipline is very strong because the magnitude  $> 0.80$ , while the coefficient of determination (R Square) is 0.724 or 72.4%, means that the variation of the perception variable towards the discipline variable is 73.3%, while the remaining 26.7% is influenced by other variables not examined in this study.

## 5. Conclusion

Based on the results of the study it can be concluded that the perception of the benefits of paying taxes will affect the willingness of the community (especially taxpayers) to pay taxes on time. Often development is uneven and the Government's slow response to public complaints regarding infrastructure development will degrade the willingness of the community to pay taxes on time. Thus the Government needs to provide concrete examples of development that directly impact and can be felt by the community and improve the response to complaints related to infrastructure and development

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## Analysis of the Main Employment Trends at EU and Romanian Levels

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*Abstract. Lately, the European Union has made progress in the labor market, especially in terms of employment, except in the economic crisis. The purpose of the article is to highlight the main labor market trends at European Union level, with an emphasis on employment as well as differences between Member States in the context of current challenges, namely long-term demographic trends and technological change. In this respect, two EU Member States, namely Romania and the UK, were also taken into account in order to highlight the differences between advanced and less advanced economies in terms of employment opportunities and the integration of vulnerable people on the labor market. The analysis, which emphasizes demographic change and employment, can serve as a basis for knowledge for the design of national policy instruments by emphasizing deficits, surpluses or equilibria. Trends are analysed dynamically over the 2007-2017 period, based on EUROSTAT data. The challenge for decision-makers is to increase labor force participation and to ensure that every citizen has the chance to make full use of his productive potential.*

**Keywords:** labor market, demography, employment, NEET's, gender gap

**JEL Codes:** J01, J11, J18, J21

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### 1. Introduction

After the economic crisis in 2008, the evolution of the employment rate registered an ascending trend starting with 2013, both at the EU28 level and in the two analysed cases, Romania and the UK. If the employment rate continues to rise at the pace since 2013, the employment rate targets set by the Europe 2020 Strategy could be reached, both at EU28 and in Romania, respectively by an increase of 2, 8p.p. at the EU28 level and 1.3% in Romania. EU accession and the economic crisis have facilitated important changes in labor market dynamics in the new Central and Eastern European member states (Trif et al., 2016) and generated labor shortages in some countries and sectors as a result of occupational mobility (Kaminska and Kahancova, 2011).



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The growth of jobs in the services sector continued, but this has been further mitigated lately and there have been signs of recovery in the construction and manufacturing sector (Cedefop, 2016). As well as new opportunities and challenges related to technological developments, automation, artificial intelligence and new forms of work, combined with globalization and the aging of the population emerge in the labour market. The size of the discouraging effects of looking for a job for young people, long-term unemployed, older people, women, people with low education, young people who are not professionally trained and do not have any education or training (NEETs) indicates that there are still structural weaknesses in the economy.

The number of older people is rising rapidly due to the increase in longevity and demographic dependence is expected to double by 2060 at EU level<sup>28</sup> (European Commission, 2018). At the same time, the active population will continue to decline in the coming decades, which will likely limit the potential growth of the European Union. The challenge for policy-makers will be to give every citizen the opportunity to make full use of his productive potential, maximize this potential and share it fairly between generations (European Commission, 2017).

The first sections of the article illustrate the complexity of current and prospective labor market issues as well as the breakdown of the objectives and indicators underlying the analysis undertaken to highlight the main trends in the labor market. Despite significant advances in the Romanian labor market after the economic recession, it is still observed that there is a major gap between it and the labor markets of the advanced economies of the European Union, especially with regard to the total employment rate and for the groups disadvantaged, remuneration of employees on the background of lower labor productivity and employment opportunities. In order to avoid national imbalances, it is necessary to regularly anticipate demographic trends, including the phenomenon of migration, employment trends and the need for qualifications.

## **2. Objectives and indicators**

In this article, we have proposed an analysis of the main labor market trends at the level of the European Union as well as differences between Member States in the context of current challenges, namely long-term demographic trends and technological change. In this respect, two EU Member States, namely Romania and the UK, were also taken into account in order to highlight the differences between advanced and less advanced economies in terms of employment opportunities and the integration of vulnerable people on the labor market. Depending on the availability of data, the EU27 (without Croatia), the EU27 (without the United Kingdom), the EU15 and the euro area EA18 și EA19 (refers at European Union countries that have adopted the euro as the single currency) have been envisaged to analyse the dynamics of indicators at European level in order to highlight trends with irreversible character, in conditions of maximum integration of countries. Interpretation of these indicators may be restricted in some cases due to similarity of values, such as EU27, EU28 and EA19, EA18 cases. In the analysis of the employment trends, the emphasis was on demographic change in order to identify its main challenges for the labor market. Romania has been introduced into the analysis to identify certain deficiencies, pluses or convergence compared to the EU28 or UK situation that can be an important knowledge base for designing policy tools at national level. The United Kingdom (UK) choice was made on the basis of a comparative analysis of the situation on the Romanian labor market with an economically advanced Member State.



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The analysis of the main employment trends will be made in dynamic, on socio-economic dimensions, between 2007 and 2017, using Eurostat data, based on the following indicators: structure of population on age; employment rate on age, gender, education; share of newly employed persons; young people in NEETs (not in Education, Employment, or Training). It also analyses the graphical correlations between the employment rate and the vacancy rate and the employment rate and productivity. Interpretation of these indicators may be limited in some cases due to similarity of values, such as EU27, EU28 and EA19, EA18 cases (previously defined).

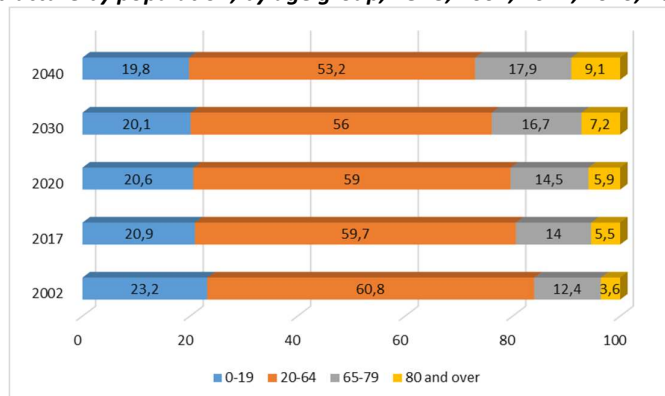
### 3. Results and discussions

#### 3.1. Demographic issues at UE28 level

Although the population of the EU-28 as a whole increased in 2018, estimated at 1 January 2018 to 512.7 million people, the population of 9 Member States declined compared with 2017 (Bulgaria, Greece, Croatia, Italy, Latvia, Lithuania, Hungary, Portugal, Romania). In 2018, the number of inhabitants in the EU28 increased by more than 100 million people as compared to 1960, but the growth rate has gradually slowed over the last decades. The relative size of the EU's working-age population is declining due to the aging of the population. The EU28 faces a growing population but aging, driven by low fertility rates and a steady increase in life expectancy. This trend, which is already evident in many Member States, will lead to a higher proportion of older people and a lower proportion of the population aged between 20 and 64 in the total population in the coming decades (European Commission, 2015).

Between 2002 and 2017, the number of people aged 65 and over increased by 26.9% at EU 28 level. The increase was particularly strong for the 80-year-old group, with more (58.1%), while for the active population aged 20-64 the growth was slow, with only 2.7 % during the same period. The number of children aged 0 to 19 decreased by 5.7%. The latest population projections support the continuation of these trends, an increase in the number of elderly people accompanied by a decrease in the 20-64 age group: from 59.7% in 2017, to 56.0% in 2030 and 53.2% in 2040. This means a decrease of more than 12 million people by 2030 and more than 24 million by 2040 in this age group. At the same time, the number of elderly people aged 65 or over will increase by 25.8 million by 2030, which means that in 2030 almost every fourth person in the EU28 will be 65 or over.

**Graph 1: Age structure by population, by age group, EU28, 2002, 2017, 2020, 2030 and 2040 (%)**



Data source: EUROSTAT



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### 3.2. Trends in employment

#### ➤ Total employment rate

In 2008-2017, the employment rate increased across the EU28 as a result of the growth in most Member States, with strongest growth in Malta (12.2 pp) and Hungary (11.8 pp). However, in 10 Member States (Greece, Cyprus, Spain, Denmark, Finland, Croatia, the Netherlands, Latvia, Italy and Ireland), employment rates were still below the 2008 level. In dynamic terms, the effects of the economic crisis felt on the labor market in 2009-2013, after which there is an increase in all analysed cases. Moreover, in 2017, nine Member States - Ireland, the Czech Republic, Lithuania, Estonia, Germany, Sweden, Latvia, Malta and Croatia - have already reached their national employment targets.

The total employment rate for the 20-64 age range reached 72.2% in the EU28, 71% in the euro area (AE19), 68.8% in Romania (RO) and 78, 2% in the UK (MB). In 2017, employment rates in the Member States ranged from 57.8% in Greece to 81.8% in Sweden. The countries of Central and Northern Europe recorded the highest rates. Among the top five countries with the highest employment rates are Sweden, Germany (79.2%), Estonia (78.7%), the Czech Republic (78.5%) and the United Kingdom (78.2%) and Greece, Italy (62.3%), Croatia (63.6%), Spain (65.5%) and Belgium (68.5%) are among the countries with the lowest employment rates. Romania ranks 6th in the rising hierarchy of Member States according to the employment rate, positioning itself after Belgium.

**Table 1. Total employment rate for EU Member States, age group 20-64 (%)**

geo/time	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TARG	growth 2017/2 007	growth 2017/20 08
EU28	69,8	70,3	69	68,6	68,6	68,4	68,4	69,2	70,1	71,1	72,2	75	2,4	1,9
EU27	69,9	70,3	69	68,6	68,6	68,5	68,5	69,3	70,1	71,2	72,3	75	2,4	2
Euro area 19	69,9	70,2	68,8	68,4	68,4	68	67,7	68,2	69	70	71	:	1,1	0,8
Euro area 18	69,9	70,2	68,8	68,4	68,4	68	67,7	68,2	68,9	69,9	70,9	:	1	0,7
Belgium	67,7	68	67,1	67,6	67,3	67,2	67,2	67,3	67,2	67,7	68,5	73,2	0,8	0,5
Bulgaria	68,4	70,7	68,8	64,7	62,9	63	63,5	65,1	67,1	67,7	71,3	76	2,9	0,6
Czech Republic	72	72,4	70,9	70,4	70,9	71,5	72,5	73,5	74,8	76,7	78,5	75	6,5	6,1
Denmark	79	79,7	77,5	75,8	75,7	75,4	75,6	75,9	76,5	77,4	76,9	80	-2,1	-2,8
Germany	72,9	74	74,2	75	76,5	76,9	77,3	77,7	78	78,6	79,2	77	6,3	5,2
Estonia	76,9	77,1	70	66,8	70,6	72,2	73,3	74,3	76,5	76,6	78,7	76	1,8	1,6
Ireland	75,1	73,5	68	65,5	64,6	64,5	66,5	68,1	69,9	71,4	73	69	-2,1	-0,5
Greece	65,8	66,3	65,6	63,8	64,6	55	52,9	53,3	54,9	56,2	57,8	70	-8	-8,5
Spain	69,7	68,5	64	62,8	62	59,6	58,6	59,9	62	63,9	65,5	74	-4,2	-3
France	:	:	:	:	:	:	:	69,2	69,5	70	70,6	75	#####	#####
Croatia	63,9	64,9	64,2	62,1	59,8	58,1	57,2	59,2	60,6	61,4	63,6	62,9	-0,3	-1,3
Italy	62,7	62,9	61,6	61	61	60,9	59,7	59,9	60,5	61,6	62,3	67	-0,4	-0,6
Cyprus	76,8	76,5	75,3	75	73,4	70,2	67,2	67,6	67,9	68,7	70,8	75	-6	-5,7
Latvia	75,2	75,4	66,6	64,3	66,3	68,1	69,7	70,7	72,5	73,2	74,8	73	-0,4	-0,6
Lithuania	72,7	72	67	64,3	66,9	68,5	69,9	71,8	73,3	75,2	76	72,8	3,3	4
Luxembourg	69,6	68,8	70,4	70,7	70,1	71,4	71,1	72,1	70,9	70,7	71,5	73	1,9	2,7
Hungary	62,3	61,5	60,1	59,9	60,4	61,6	63	66,7	68,9	71,5	73,3	75	11	11,8
Malta	58,6	59,2	59	60,1	61,6	63,1	64,8	66,4	67,8	69,6	71,2	70	12,6	12
Netherlands	77,8	78,9	78,8	76,8	76,4	76,6	75,9	75,4	76,4	77,1	78	80	0,2	-0,9
Austria	72,8	73,8	73,4	73,9	74,2	74,4	74,6	74,2	74,3	74,8	75,4	77	2,6	1,6
Poland	62,7	65	64,9	64,3	64,5	64,7	64,9	66,5	67,8	69,3	70,9	71	8,2	5,9
Portugal	72,5	73,1	71,1	70,3	68,8	66,3	65,4	67,6	69,1	70,6	73,4	75	0,9	0,3
Romania	64,4	64,4	63,5	64,8	63,8	64,8	64,7	65,7	66	66,3	68,8	70	4,4	4,4
Slovenia	72,4	73	71,9	70,3	68,4	68,3	67,2	67,7	69,1	70,1	73,4	75	1	0,4
Slovakia	67,2	68,8	66,4	64,6	65	65,1	65	65,9	67,7	69,8	71,1	72	3,9	2,3
Finland	74,8	75,8	73,5	73	73,8	74	73,3	73,1	72,9	73,4	74,2	78	-0,6	-1,6
Sweden	80,1	80,4	78,3	78,1	79,4	79,4	79,8	80	80,5	81,2	81,8	80	1,7	1,4
United Kingdom	75,2	75,2	73,9	73,5	73,5	74,1	74,8	76,2	76,8	77,5	78,2	:	3	3

Data source: EUROSTAT

In 2017, the EU27 labor market continued to show signs of improvement, boosted by economic growth, global prospects and macroeconomic policies. The growth rate of employment in 2017 compared to 2016 is:



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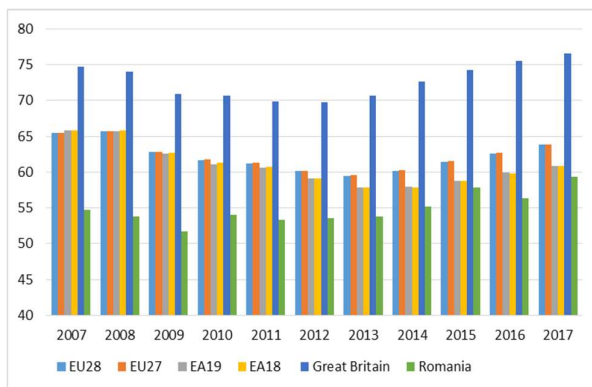
1.1% of EU28; 1% AE19; 0.7% MB and 2.5% RO. It should be noted that the employment rate of EU28 citizens was 76.1% in 2017, with 15.8p.p. higher than non-EU28 citizens.

➤ *Employment rate by age group*

The employment rate records the smallest values for the age range of 55-65 years in all analyzed cases. Lower employment rates than of the 20-64 range were registered between 55-65 years (57.1% EU28, 57.2% EU27, 57.2% AE19 and 57.1% AE18, 64.1% MB; 44.5% RO) and 20-29 years (63.9% EU28 and EU27, 60.9% AE19 and AE18, 76.5% MB and 59.4% RO). Significantly higher values are in the range 25-54 years, ie: 79.6% EU28; 78.1% ZE19; 83.8% MB; 79.9% RO. The trend of age employment curves respects that recorded for the 20-64 age range. Eichhorst and others (2014) argue that there is no competition between young and older workers on the labor market and it must be developed active polices for both groups.

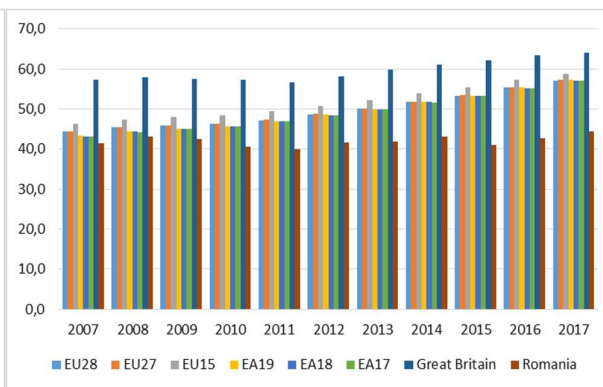
The main reasons why young people face difficulties in moving from education to work are: segmentation of the labor market and variability in the performance of education and training systems, availability of quality work experience, and the effectiveness of tailored support provided to young people by public employment services of the labor force. Concerned is the fact that in the 2007-2017 period, young people registered a decrease in the employment rate in EU28, respectively: (-1.6%) EU28; (-4.9%) AE19. For Britain and Romania, increases of 1.8% MB and 4.7% RO are recorded.

**Graph 2. Total employment rate for age group 20-29 (%)**



Source: Author's processing by EUROSTAT data

**Graph 3. Total employment rate for age group 50-65 (%)**



Source: Author's processing by EUROSTAT data

The higher value of the employment rate in Romania, over the EU average, recorded for the age range 25-54 and the values below the EU27 average recorded for the other age groups analyzed, indicates certain imbalances and the need to step up active measures to support employment for people in the affected age groups, especially in the 55-65 age group, where Romania recorded the largest gap in 2017, compared to the EU28 (12.6%). It is encouraging that for the age group 55-65 years there are increases in the time interval considered in all the analyzed cases, the lowest growth being recorded for Romania, namely: 12.6% (EU28); 13.9% (AE19); 6.7% (MB) and 3.1% (RO). Increasing the employment rate among older workers is one of the main drivers of total employment growth in the EU28. These increases may be linked to structural factors such as cohorts with better educational outcomes, especially for women, changes in the age pyramid (population age structure) showing the magnitude of the demographic aging phenomenon of the population, and recent pension reforms, such as increasing retirement age, early retirement age, and duration of





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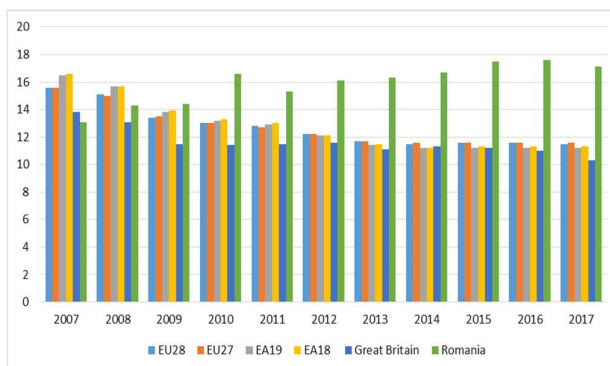
contribution to the pension system. These aspects have influenced the prolongation of active life for both women and men.

➤ *Gender gap on employment*

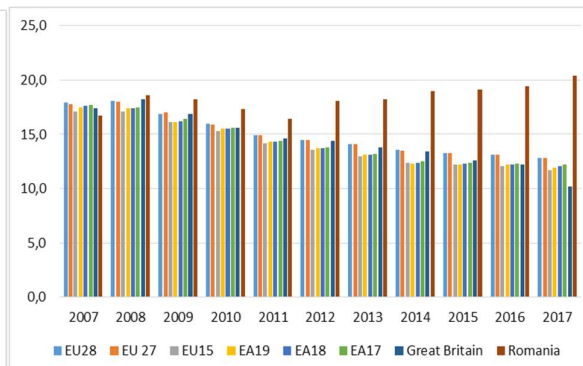
The gender gap in employment for the 20-64 age group has a declining trend for 2007-2017 in most of the analysed cases (EU28, EU27, AE19, AE18, UK), with the exception of Romania showing an upward trend until 2016, where it reaches the maximum value (17.6 pp), and will decrease slightly in 2017. Romania recorded higher values than those in the EU28 starting with 2009, reaching 20% in 2017: 11.5pp. UE28; 11,2p.p. AE19 p.; 10,3p.p. MB 17,1p.p. EN. The high value of the gender gap in Romania can be explained by the low employment rate of women, which, although rising in 2017, is well below EU28 (66.5% EU28 and 60.2% RO). A number of structural factors that influence women's participation in the labor market could explain how the gender gap in employment in the EU27 has fallen by raising the female employment rate. These include changes in social values and attitudes; Policies that enable women to reconcile work with domestic responsibilities, such as the provision of childcare services, flexible working hours; reducing financial barriers; improved mechanisms to encourage parental engagement and pension reforms. European employment policies that promote new forms of flexibility and security address the specific situation of women to help increase the employment rate.

The gender gap for the 55-64 age group is higher than the age group 20-64. In the analysed range it is decreasing in most of the analysed cases except in Romania, where it is increasing since 2011. In 2017, the indicator reaches the following values: 12,8pp. EU28 and 27; AE19 11.9; MB 10.2 p.p. and RO 20.4 pp. The employment rate of Romanian women in this age group is well below the level of the other analysed cases, the values being as follows: 34.9 RO; 50.9 UE28; 53.1 EU15; 51.4 AE19, 59.1 MB). This can be explained by early retirement, non-participation in the labor market when younger or reflecting the lack of care facilities for grandchildren, dependent parents or other carers.

**Graph 4. Gender gap on employment, age group 20-29 (%) Graph 5. Gender gap on employment, age group 55-64 (%)**



Source: Author's processing by EUROSTAT data



Source: Author's processing by EUROSTAT data

➤ *Employment rate by level of education*

The level of education is a major factor influencing employment rates. Employment rates are higher for better educated people, reaching the following values in 2017: 84% (EU28); 83.1% (AE19); 85.1% (MB)





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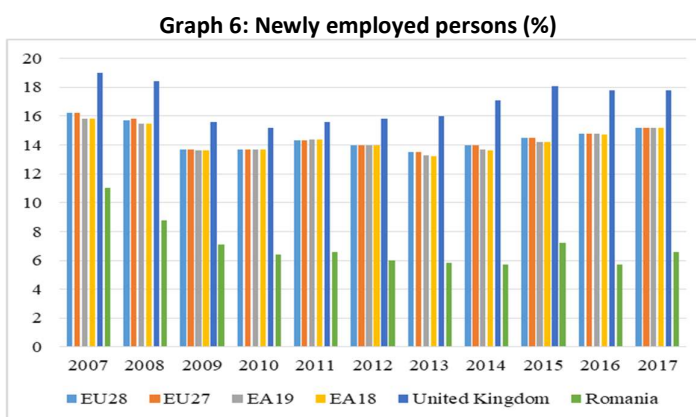
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and 87.9% (RO). In 2017, the employment rate among tertiary education graduates was much higher than the total average with 11.8 pp. in EU28 and 19.1 p.p. in Romanian. Only a little over half of those who have reached primary or secondary education have been employed - 54.9% (EU28); 54.4% (AE19); 63.6% (MB) and 54.7% (RO). The employment rate for people with medium education was between the two mentioned levels. The rise of the proportion of highly educated people is very important for increase overall participation rate on the labor market (Gros, 2019) and reducing in-work poverty (Ghenta, 2017). Raising the level of education and endowing people with skills for the knowledge-based society is a major concern of European employment policies that address the core objectives of the Europe 2020 strategy on employment and education.

### 3.3. *Creating jobs*

Employment rates are closely linked to the economic cycle. This is usually expressed in terms of GDP growth, which can be seen as a measure of the dynamism of an economy and its ability to create jobs. The link between GDP growth and employment growth is also reflected in the share of new entrants, expressed by the share of current job holders of 12 months or less in total employment. In 2017, the share of newly employed people, which is an indicator of job creation, accounted for 15.2% in the EU28; EU27, EA19, EA18; 17.8% in the UK and only 6.6 in Romania. It declined considerably in 2009 as a result of the economic downturn and the fall in GDP and employment. Labor market challenges can be transformed into opportunities through multidimensional and innovative approaches (OECD 2011, OECD 2012). Also, measures for the development of SMEs in terms of effects on employment have an important role to play (Pascu, 2018).



Source: Author's processing by EUROSTAT data

### 3.4. *Young NEETs*

Young NEETs refer to young people who are neither in employment nor in education and training between the ages of 18 and 24. In 2017, 14.3% (EU28); 14.7% (AE19), 13.2% (MB), and 19.3% (RO) of the 18- to 24-year-olds were neither in the workplace nor in education or training, exposing to the risk of exclusion from the labor market and social security dependence. It can be seen from the chart that this category was strongly affected by the economic crisis in all analysed



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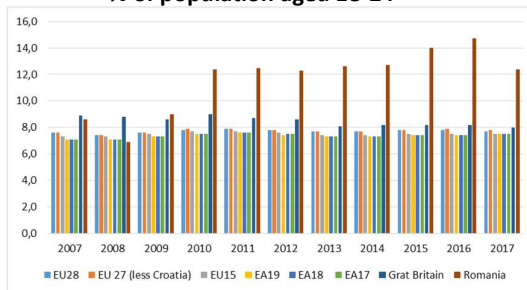
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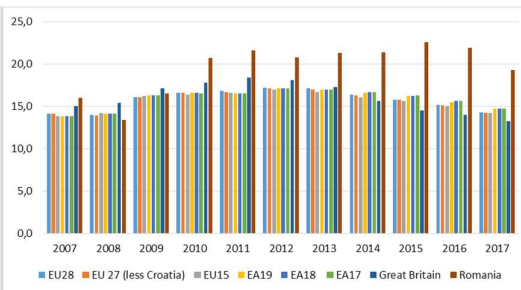
cases, and in Romania there were values well above those in the EU28 starting in 2010. In the case of the inactivity rate of the young NEETs, the higher values in the case of Romania, starting in 2010. The values registered in 2017 are: 12,4% (EU28); 7,5% (AE19); 8% (MB) and 12,4% (RO).

**Graph 7: Inactivity rate of young NEETs, % of population aged 18-24**



Source: Author's processing by EUROSTAT data

**Graph 8: Young NEETs, % of population aged 18-24**



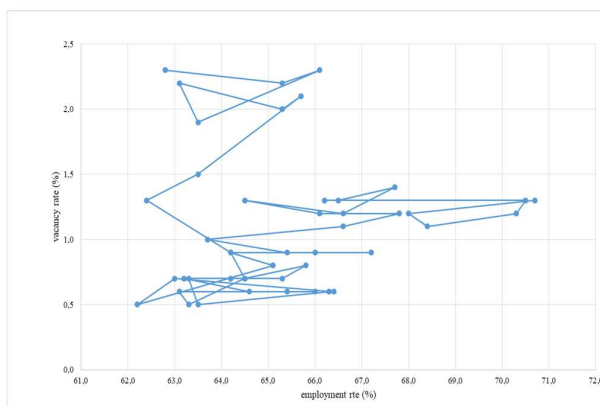
Source: Author's processing by EUROSTAT data

### 3.5. Graphic correlations

➤ ***the correlation between the employment rate and the vacancy rate***

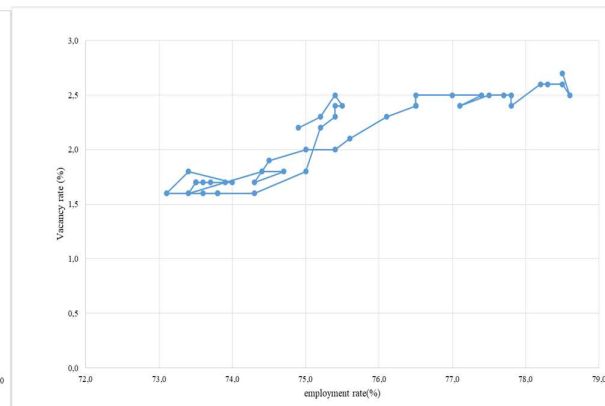
The correlation curve between the employment rate and the vacancy rate in all three analysed cases (EU28, Great Britain and Romania) shows 3 phases specific to the contraction, trough point and the expansion. Both in the case of Great Britain and in the case of Romania, there is an obvious tendency to increase the employment rate with the increase of vacancies starting with 2013. In the case of Romania, after 2016, the curve moves to the right, but the values of the vacancy rate are significantly lower than those recorded for the EU28 and the Great Britain. The increase of about five percent of the employment rate in Romania was accompanied by the decrease by about one percent of the vacancy rate, while in the other analysed cases the vacancy rate slightly increased during the analysed period.

**Graph 9: Romania, 2007-2018**



Source: Author's processing by EUROSTAT data

**Graph 10: Great Britain, 2007-2018**



Source: Author's processing by EUROSTAT data



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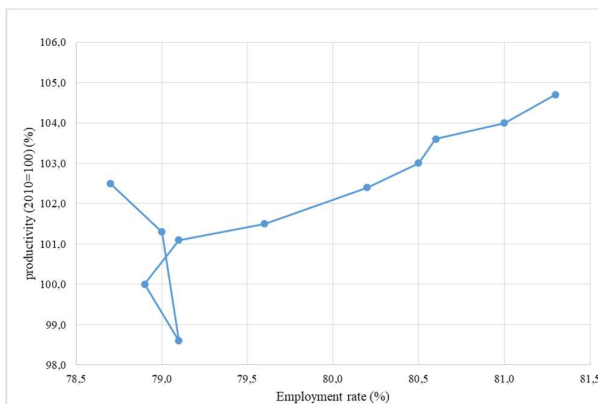
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➤ ***the correlation between employment rate and productivity***

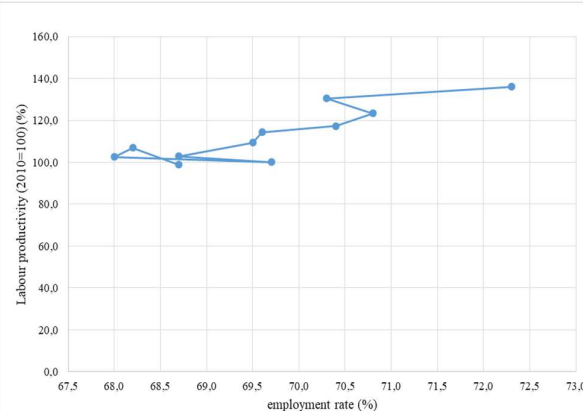
It can be noticed that although the correlation between labor productivity and employment rate exists both at the level of the Romanian economy as well as of the Great Britain and the whole of the European economy, which is experiencing a sharp increase after the economic crisis and the global recession in 2008 - 2013, however, for Romania, this correlation is not so significant. This is a zigzag way in the case of Romania, unlike the linear and monotonous ascendant course after the crisis, of the British economy, for example. This path of the Romanian economy is the reflection of a defective economic structure, unstable and with a reduced capacity to generate jobs. In fact, what is noticeable is a rather low correlation between high productivity gains, it is true from extremely low levels and gains in terms of employment. In a decade, of course, marked by the episode of the crisis and the global recession, for 40 percentage points earned by labor productivity, the employment rate for the 20-64 age group earns just 5 percentage points.

**Graph 11: Romania, 2007-2018**



Source: Author's processing by EUROSTAT data

**Graph 12: Great Britain, 2007-2018**



Source: Author's processing by EUROSTAT data

#### **4. Conclusions**

The relative size of the working-age population is falling at the EU-28 level due to the aging of the population, with economic migration becoming increasingly important in order to cope with a declining workforce and skills shortage. The EU28 faces a growing but aging population, driven by low fertility rates and a steady increase in life expectancy. Although there was an increase in the number of the employed population in the EU28, there are countries where there have been decreases, the highest in Romania. Considerably lower employment rates for young people aged 20-29 compared to active ages (20-64) reflect the less secure position of young people on the labor market, which makes their employment be more sensitive to macroeconomic fluctuations than adult employment. Professional training and the acquisition of skills required on the market play an important role in increasing employment in the labor market. The gender gap in employment is decreasing at EU28 level and rising in Romania as a result of the low employment rate of women, especially in rural areas. In 2017, following the growth of GDP and employment, the share of newly employed persons was at the highest level in 2009 in the EU28, namely 15.2% (2017), compared with 13.7% (2009). In Romania, employment opportunities are significantly lower than in the rest



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of the analysed cases, and this explains the continued attractiveness of the mobility movement of Romanian workers to the economically advanced Member States.

## 5. Important Information

Parts of the article were presented at The National Economic Conference-CEN 2019, organized by Spiru Haret University.

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## How Globalization Influences the Developing Countries' Human Resources Strategic Policy

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*Abstract. Development of human resources is one of the key issues of today's economics and management scholars. Starting from the basic concepts of human resources – definition, trends of development, related indicators the present research evolves under three components: education, life expectancy and gross domestic product per capita. Figures that sustains our demarche flow according to the ranking data in terms of globalization index and The United Nations Human Development Index (HDI), calculated with the STATGRAF statistical software. We used the Spearman correlation coefficient and correlated the intensity between the two variables (R=76%), to show the close relationship between the Globalization Index and Human Resource Development. Taking such conclusions into consideration, could make more successful the advances in the field of human resources.*

**Keywords:** Human resources, Globalization, Human resource development

**JEL Codes:** O15, F66, O2

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### 1. Introduction

The development in terms of definition and action has always been one of the most controversial economic issues. Reducing the poverty and inequality that plagued society during the last 70 years led to an emergence of economists specialised in development, able to providing an environment for the advent of different views, patterns, and ideas to get rid of these problems. Thus, the first group of economists defining the development process focused on economic growth. The welfare economic approach about the development topics led to the use of goods and services as the basis elements to determine economic prosperity. Therefore, the amount of national income was considered as a criterion in order to measure the welfare and development (or the consumption amount of goods and services), of the country. In this approach, the issues of poverty and the distribution of income are ignored, because it is an assumption that everyone can benefit from the GDP increase. Opposite to this perception appeared the approach of development peaked in the mid-1970s. Many countries accomplished their economic growth goals, but it did not change the living conditions at society level. Nevertheless, some of the new development functions and tasks such as "growth with equity" and "redistribution of growth" were considered by development

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economists, giving a special place to social and human concepts in the definitions of national development. 1999 Human Development Report mentions when refers to the relationship between economic growth and human development: "*Despite rapid economic growth in fifteen countries over the past three decades, about 1.6 billion people have become poorer and their lives, situation has been worse than fifteen years ago*". In fact, if preventive policies do not apply for the proper distribution of growth, the human resources will not grow and develop in the right way and proper direction. Therefore, the report outlines that no automatic link and connections between economic growth and human development can identify without the presence of policy-making and decision-making as the two mutual contributors to affect economic growth and help to improve human development.

Overtime, attention to human place and to his true status became the main component of development process phenomenological concepts. Development is a comprehensive move that involves major changes in social, economic, and national institutions to achieve widespread human welfare. Today, the main component of human welfare is about the development of individual choices. In societies which, people have the power to choose more and more in terms of economic, social, political and has freedom of speech and express personal beliefs, are more successful and more developed at providing human well-being. So the concept of the development process evolves from economic growth to human development and the development goals have improved much bigger than the past. According to this, we retain for analyse here several elements emphasised below: definition of human resource development and its related indicators; how a historical perspective of concept springs the development process; what is the relationship between the human resource and the globalization process; how important and necessary are the review and assessment processes for the status of the human resources' needs; does the relationship between the globalization and national development strategies deserve a careful examine and investigation?

## **2. Conceptualization of Globalization**

In the 20th century, the transformation and development processes entered in a new phase influencing, during the mid-1980s, almost all sectors of activity. New concepts started to be studied: industrial society and postmodernism. The 1990s brought the concept of globalization becoming the today life dominant.

Globalization signifies as a process of intensification of political, technology, economic, social and cultural interconnectedness among the various actors in the global system at countries. It means the absolute freedom of business, and eliminates of all barriers to the easy flow of capital and its influence in all areas of information flow, financial affairs, services and, finally, the exchange of cultures in a coherent way and all have occurred at the global scale. (Vujakovic, 2010)

Globalization can eliminate borders and identities, care and attention to the people, goods, information, habits, norms, and institutions and allowing borders to be moved. The agricultural revolution, and then the revolution in the industrial and post-industrial age, is among the main reasons of the booster for the phenomenon of globalization. (Axel et al, 2019). Globalization is the multi-dimensional phenomenon, there is no doubt that the main aspect of globalization and what is agreed upon and criticized against this phenomenon, it's there economic effected and result. Hence, in this research its necessary, first to get, know the economic source of this globalization process.



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The globalization process is, in fact, a part of a historical process of social evolution and, in the opinion of some economist, it is due to the nature and essence of capital growth, the effort to survive and acquire new and profitable markets and the need to export capital from saturated markets to potential markets. While these funds and capital transfer has many positive and negative consequences for the underdeveloped and developing countries. In general, we can say that the economic basis of the globalization phenomenon is the economic neoliberalism.

Globalization obviously has also a political dimension. In the political arena it leads to the growth of transnational operations, the growth of neighbourhoods and global cities that create global functions and activities, the decline of the effectiveness of political instruments of government, the reduction of government authority and in general, the emergence of a new political space.

The social and cultural dimension is the main aspect of conflict and opposition at the process of globalization because the migration and brain drainage will increase, which leads to demographic deformation of many countries of the world. There is no consensus, among those who have addressed the issue of globalization from the social dimension and culture, some people have considered it a plausible phenomenon and all have to submit that sooner or later and they should give up and accept it. Others have said that communities are free to accept or reject it and all must have the authority to decide on it. Those who consider globalization as the unselective and indiscriminate phenomenon, they argue that globalization is occurring in the present time due to economic, political, scientific developments and the communications developments, and countries must inevitably adapt themselves to this process. (Lundby & Jolton, 2010). Based on this notion, it must be accepted that particular culture will impose its domination on ethics, art, economics, politics, as well as in the individual and social behaviours of human and the world will eventually become at the same cultural heritage. But those who do not have this perception of globalization, believing that globalization phenomenon do not mean the domination of a particular culture on all countries in the world. Because all humans are members of the international community, they must think about the issues that the international community is facing and work together to overcome the bottlenecks that humanity faces. While accepting cultural pluralism as a reality, they introduced the idea of dialogue among civilizations, cultural understanding, achievement values shared, mutual respect, international participation, and patience as the best solution to the effects of globalization in the cultural and social aspects. In this context, some have said that the formation of global culture does not lead to the disappearance of national and regional cultures of cities. Because native cultures have a powerful value system and global culture cannot digest these cultures. If a culture is declining, it is due to the internal weakness of that culture, not to the emergence of a global culture and the globalization phenomenon (Huntington & Harrison, 2000).

### **3. Phenomenological Aspects of Human Resource Development**

Today's manpower and human resource are seen as a valuable asset that has the power of reproduction. In fact, the quality of human resource and their performance is the main issue in all developed countries and they try to make a system for equipping and upgrading human resources and maintaining it in a comprehensive and dynamic manner. In 1990, the first human resource development UNDP Report defined the human resource as "*the process of expanding the range of human choices*". Seven years later, the definition was reformulated stating that "human resource development is a process that





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adds to human well-being, making possible to have better choices, expanding the richness of human life rather than that of the economy in which human beings live. Thus, the new definition of human resource development is focused on people, choices and opportunities.

Walton defines human resources development process as "*a set of organizational activities that take place over time and designed to make behavioural change in the staff*". The main strategic resource of any organization or any society is their human resources (Kornai *et al*, 2009). In the long run, societies will succeed, if they are able to develop and cultivating their human resources properly and in principle, along with enhancing their knowledge and developing the required technical skills. According to the new concept of human resource development, the organizational human resource should be equipped with qualities that have no conflict with the organization's aim and strategies. The human resource has to use all abilities, energy, expertise and thoughts, with compassion, commitment and scientific insight in the same direction with organizational missions. Human resource has to constantly create new intellectual and qualitative values for the organization. In general, the human resource development process has the following components: create scientific knowledge and promoting employee knowledge, create scientific and balance behaviour at an employee, promote employee capabilities and create added-value as quality for employees, develop work skills performance, improve and update employees' information and the ability to solve problems scientifically, develop people personality and ability for rational decision making combine and build new collections. To fulfil and achieve all those components requires a change in the understanding, attitude and behaviour of human resources and all these changes are possible by training and improving human resources.

Education and training are considered the best in creating and increasing knowledge, skills and improving the attitude and performance of human resources. The main focus of globalization is the human resource development process. In this regard, the university training and educations are especially important for achieving human resource development goals. Also, this will improve the index of human resource development and the country will move towards the knowledge-based development and its indicators too. Efficient manpower in a country is one of the most valuable assets of that country. Basically, "knowledge capital" is more important than "production capital". Nowadays the developing countries use human capital more than physical capital, according to statistics, human resource has the primary role of wealth creation in developed countries with 67%, while the share of natural and physical resources is only 33%. It is the human capital that can be used as the backbone of the great social movement of the 21<sup>st</sup> century. (HDI, 2019).

Human development is a concept that seeks to bring human to development, in other words, human development is ultimately a process that focuses on the development of people's choices. In the first Universal Report on Human Development 1990, "*The process of developing human choices*" is presented as a definition of development. In the human development approach, consumption of goods and services alone cannot provide prosperity, but the expansion of the needful facilities such as education and health for the use of capabilities and abilities as well as the development of capabilities are considered as the main components of development. Therefore, improving human capabilities such as political and civil liberties, education, health and economic power should be considered as the main focus of underdeveloped societies. People remain the main wealth of communities, and the aim of the development process is to provide better living conditions with more security. Attention to the challenges that humanity face in the





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society, it requires that people be at the centre of the development process. Therefore, economic growth is not seen as the main goal but as an instrument for increasing life's opportunities. Elimination of all problems such as poverty, hunger, disease, war, inequality, illiteracy, and so on, all are the reason to find the ways to expand human capabilities and choices, and that is the main reason in the benchmark of human development process; it has been emphasized on three dimensions of education, income and health.

#### 4. Human Development Index and its Components

The Human Development Index, as the main focus of human development reports, represents the latest international effort to find a developmental measurement unit for all countries. It is developed based on three criteria: education, life expectancy and gross domestic product per capita. The use of these criteria is due to their important, undeniable role and impact in enhancing human capabilities. (Baklouti & Boujelbene, 2018) The Human Development Index aims to increase the power of choosing and expanding human capabilities, and evaluate the amount of success in the process of human development. Human development index will represent the trend of the human development process in the world and its useful for comparison the status of countries in relation to each other. Although, the Human Development Index has not released its criticism, such as criticizing the number of selected criteria and the ways of choosing weights in calculating the index, but it still retains its popularity. Since this index can give the view of the human development situation and its global position then understanding the components of this index and its analysis, is a necessary and important subject (Analoui, F. 2000).

The latest international effort to measure the degree of development and international comparison of countries, it is led to the creation of the Human Development Index (HDI) by the United Nations Development Program in 1990. Since its first release in 1990, it has been published annually in the form of reports by the United Nations and is being used by various countries and international organizations. The Human Development Index is a combination of four different criteria that have three components: life expectancy, education and GDP per capita. The Human Development Index is a simple average of the three components above. (Vujakovic, 2010) Life expectancy, education, and real income are all factors that increase the power of human's choosing. Lifespan as an index to measure the life expectancy, it is also can showing better nutrition and having health facilities, and provides more opportunities for life and choice for humans. Education also can learn people how to think and the power of decision making and also the power to take advantage of using the opportunities. Today, except the role of education in the human development process, it is also emphasized as its impact on economic growth, and ultimately the impact of real income growth on the expansion of individuals' free choice and using the material resources. Therefore, UNDP uses three indicators to measure human development index. The value of each indicator is calculated according to the following formula:

DIMENSIONS	INDICATOR
Health	Life expectancy
Education	<u>Expect years of study</u> Mean years of study
Standard of living	Gross domestic income per capita



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Index value =  $\frac{\text{Index value for the target country} - \text{Min value of index}}{\text{Max value of index} - \text{Min value of index}}$

Max value of index- Min value of index

The minimum and maximum of each index are calculated based on the UN's assumptions.

**Life expectancy.** The World Health Organization defines health as "*good and favourable physical, mental, and social situation of a person*". The full health situation is the physical, psychological and social health and it's not only being a lack of illness or disability. From the above definition, it is concluded that human and his health are provided or threatened from the three aspects of physical, mental and social relationships. Each society's goal is to ensure and guarantee the health of members of the community and the mental health is part of overall human health. In terms of mental health, it is a particular aspect of human being, such as intelligence, mind, mood, and thought. What is threatens health conditions; it is not merely a factor but a combination of multiple factors that lead to non-healthy behaviour. Therefore, it is very necessary to examine society's realities and needs, predisposing factors, and other social factors for providing educational materials and their evaluation (Hansen & Strulik, 2017). The minimum and maximum life expectancy limits are 25 and 85 years. The value of this indicator for Iran based on the latest Human Development Report (2017), calculated for 2015, is 0.746 since calculating this indicator is the only measure of life expectancy, so its value is equal to the value of the life expectancy index (HDI, 2019).

**Education.** Education has always been known as the reliable main tools for improving the quality of performance and solving management problems and the lack of education is one of the basic and acute issues of each organization. Therefore, to equip the human resources and to improve and utilize them as much as possible, it's necessary to use education and education is undoubtedly one of the most important and effective measures for improvement of the organization's affairs. It should be noted that education is a fundamental task in organizations and is a continuous and on-going process that is not a temporary process. Employees at each level of the organization, whether their work is simple or complex, they are manager or subordinate, all need education and learning, and acquire new knowledge and skills. The human resource needs to learn the new methods, techniques and information to do their job better and, in addition, whenever a job is changed, new skills and knowledge are needed to educate to continue successfully and complete the tasks for the relevant occupation. For the education indicator, there are two criteria: adult literacy rate and gross enrolment rate as a combination of enrolment rates for elementary, secondary and higher education. The adults' literacy rate is including those people over the age of 15 who are able to read and write their brief statements. The ratio of gross enrolment for elementary, secondary and high school education is equal to the average of the ratios of student enrolment in each educational field as a percentage of the population in each age group. (Sodagary, 2019). The United Nations believes that literacy is the first step in learning and educations base plan. Therefore, in calculating the education index, the adult literacy rate has been given a higher rate, in the calculation of the education index, the adult literacy rate is considered with the combined rate of gross enrolment with a two-thirds coefficient (Payne, 2019) given that the minimum and maximum values of both training criteria are zero and 100. The value of Iran's education index for 2011 was calculated at 0.787.

**Gross Domestic Product per capita.** The calculation of gross domestic product per capita is more complicated than other indicators. Since this index is calculated using a logarithmic formula, therefore the



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importance of increasing GDP (the index of per capita) in its higher values is diminished. For example, an increase of \$ 100 in GDP per capita in Iran will increase Iran's human development index more than the Canadian Human Development Index, for the same amount of GDP rate growth. The method of calculating GDP (per capita) is as follows:

GDP = gross domestic product per capita, GDPX = Gross domestic product per capita for the country (x)

GDP min = Minimum gross domestic product per capita of \$ 100 (PPP) is 1;

GDP max = Maximum gross domestic product per capita is \$ 40,000 (PPP);

Iran's GDP per capita for 2011, according to the latest human development report, was \$ 7,681, \$ 1,176 higher than in the year 2010 which it was \$ 6,505 and the interesting is to look back a few years ago and compare with the year 2001 when the GDP was \$ 5,120.

**Calculation of the human development index.** In order to calculate the human development index, three indicators of life expectancy, education and gross domestic product per capita are taken as average (Todaro & Smith, 2006). The rank of HDI for country Iran for the year 2011 is calculated based on data for the year 2012 was 74. Between 187 countries and during 1980 until 2012, the HDI rate increased to 0.742 is the increase of average around 1.6 percentages.

##### **5. Measures Sustaining the Human Capital Development by Productivity Increase**

The subject of human resources development and its relations with productivity is one of the major issues in HRM. (Watts, 2011) Human resource development focuses on education and development, and is based on these assumptions in bellow:

- Persons (human resources) are the most valuable source of the organization.
- Development processes is a long-term activity, and in this regard, the role of education is very important.
- The task of the managers is to develop human resource because managers are responsible for their work its environment.
- Managers are the centrepiece of the most meaningful and long-lasting of a business and their co-workers.
- Productivity refers to the efficient use of all resources to get the maximum value added of them. Therefore, the development of human resources means storage of the skills, organization, and learning experiences in order to realize the goals of the business. Hence, through the development of skills, knowledge, competency, learning power and interest of human resource at all levels, it makes the continuous organizational growth and organizational growth leads the growth and development of people.

Therefore, from a systematic and strategic perspective point view, the productivity through human resource development means that managers must be aware of all angles, aspects and environment of the organization and, accordingly, set up functional and effective HR development plans for their organization, with regard to their impact on productivity. In addition to developing human resources, managers must make great efforts to create the right mental environment. Human resource as the most important factor of productivity, once they have an optimal level of motivation at workplace, they will achieve productivity more sufficient, competent and faster (Pinkovskiy,2017). In order to strengthen and increase the human



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resource's motivation, a manager should attention to the work environment, their individual needs and their economic problems. A suitable mental or a conducive environment to accomplish the desired work, and also appropriate to their level of skill, interest, and training, makes the satisfaction of people from work. As a result, below factors affecting productivity are provided.

The most important of these factors are: employee perceptions of their work and organization; the nature of the work; specialist knowledge and information at work; work culture; mental and physical balance of the staff; individuals' motivation for optimally perform their work; employee morale and job satisfaction; degree of cooperation of individuals in the organization; discipline in work and time management; employees' participation in decision making; effective and efficient management; availability of training facilities; innovation, creativity and environment provide for creativity development; experience and proper records for tasks. All of the above factors help to create an appropriate mental environment and provide the necessary environment base for increasing productivity.

The availability of communication facilities is one of the most important indicators of the human development process and part of the Global ranking of communication facilities development 2008-2018 and human development report compares the country's telecommunications indices (Global Internet usage, 2019).

Table 1: Global ranking of communication facilities development 2008-2018 (Source: ITU World, 2019)

ICT developments	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mobile-cellular telephone subscriptions	59.7	68.0	76.6	84.2	88.5	93.1	96.7	98.2	100.7	103.6	107.0
Individuals using Internet	23.1	25.5	28.9	31.3	34.3	36.9	39.9	43.0	45.8	48.6	51.2
Land-phone subscriptions	18.5	18.4	17.8	17.2	16.7	16.0	15.1	14.2	13.5	13.0	12.4
Active mobile-broadband subscriptions	6.3	9.0	11.5	16.9	21.9	27.4	36.8	45.1	52.2	62.0	69.3
Land-broadband subscriptions	6.1	6.9	7.6	8.6	9.2	9.7	10.1	11.4	12.3	13.3	14.1



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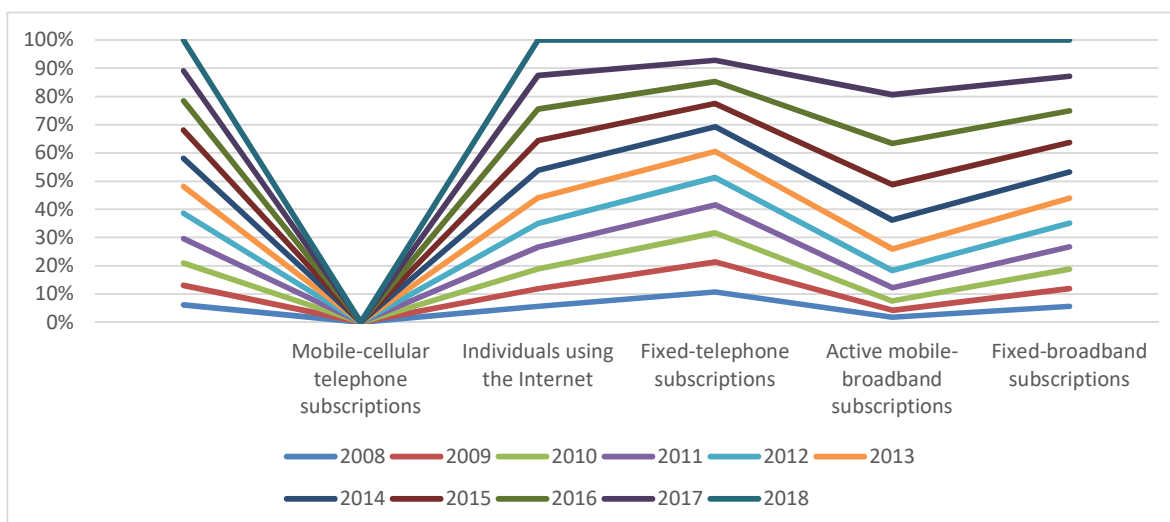


Fig.1: Global ranking of communication facilities development

Source: *Global Internet usage, 2019*

## 6. About the Index of Human Development

The most important indicator of the UN Human Development Report is about the Human Development Index (HDI), which combines indicators of products per capita, Indices of life expectancy and indicators of educational and health status, Owens, E. (1987). So, we can say in general, the human development index focuses on these 3 three factors, for this reason, the HDI Index is a very good tool for assessing the status of development and prosperity of countries in comparing to each other. (Watts, 2011)

According to the Human Development Report ("Human Development Reports | United Nations Development Programme," 2019) as in the past few years, Norway has the first ranked. Norway, which ranked first in the UN, HDI Index, between 2002 and 2005, it spends about 7.6% of gross domestic product GDP for the education sector. While at 2000, for about 7% of its gross domestic product spend in education. Between the selected countries in Table 2, the Malaysian education sector has grown most in the period of 2002 to 2005. This country had only 5.1 percents of its GDP in 2000, but in the period from 2002 to 2005, the share of education has increased to 8.1% of its production sector.

Iran, with a human development rate of 99, has allocated 4.9 per cent of its GDP to the education sector in 2002-2005, While in 2002, it accounted for 4.1 percents of the gross domestic product. By contrast, the Pakistani country with a human development rank of 135 has cut the share of education expenditures in its total GDP output, and the share of this sector has been reduced from 2.6% in 2000 to 1.8% in the years 2002-2005. On the other hand, according to the UN Human Development Report, the share of different educational levels, (kindergarten and primary, high school and university) is different from the total expenditure of the education sector in the selected countries.



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Table 2. "The Status of Education in the Selected Countries"

Countries	Human Development Rank	Education cost		Contribution the different levels of education and the education cost			Women's literacy rate for age over 15 years old	Literacy rates compared to men	The proportion of women admitted to university
		As part of GDP	As part of government payments	Kindergarten & primary school	High school	University			
Japan	11	6.3	5.10	2.38	8.39	9.14	-	-	0.47
Germany	20	6.4	5.9	8.22	0.49	5.24	-	-	0.51
Argentina	34	0.4	8.13	3.43	2.39	5.17	2.97	0.100	0.72
Malaysia	61	1.8	3.20	0.32	5.33	3.33	4.85	0.93	0.33
Saudi Arabia	77	-	-	-	-	-	3.69	0.80	0.30
Turkey	94	7.3	-	7.37	1.30	2.32	1.81	0.85	0.24
Iran	99	9.4	7.17	1.25	0.36	1.17	4.70	0.84	0.22
South Africa	120	3.5	5.18	8.47	3.31	6.14	9.80	0.96	0.16
India	127	1.4	7.12	4.38	1.40	3.20	8.47	0.65	0.10
Pakistan	135	8.1	8.7	-	-	-	2.35	0.57	0.2

Source: UN human development report 2019

For example, from the years 2002 to 2005, Norway has divided its education budget with ratio, 36.5%, 33% and 27.5%, into the difference grades of kindergarten and primary school, high school and the university is divided. However, in- country Iran, the share of academic grades is mentioned, from the budget of the education sector for each one is 25.1,36 and 17.1%. It seems to be in most countries the kindergarten and primary school section has a larger share of the education budget, which indicates the importance of the basic level of education. On the other hand, examines of the literacy rates for the women over age 15, as one of the indicators of the UN human development report, it shows that in 2007, about 70.4% of women over the age of 15 were literate in Iran. In compare to the proportion of over age 15-year-old women in countries such as Pakistan with a rate of 35.2% and India with a share of 47.8%, it seems a significant ratio. But, compared with Argentina, with ratio 97.2% for women with a literacy rate at age over 15 years, points to the need for more attention from the Iranian government and in Turkey, this rate is 81.1% for the women over age 15 years old (Sodagary, 2019).



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## 7. Describing Globalization Index Data

The description of the data related to the globalization index is extracted from the following resources: World Development Indicators; International Financial Statistic Yearbook; Telecommunications Union Yearbook of statistics; Compendium of Tourism statistics; Balance of Payment statistics; World Fact book.

The globalization index is not just economical and it is including political, technical, and individual factors but it does not include cultural criteria. Of course, for the coming years, with the efforts of two researchers at the University of Singapore, the culture has to be assessed for countries through imports and exports, and the press is also being evaluated. According to the Globalization Index, Europe is the most globalized region due to its free trade, foreign investment and easy condition of travel without a passport. (Glaister, 2013) According to experts from the Kearney International Counselling Institute, the most important indicator of globalization is a direct foreign investment because it is combined with economics, politics and technology.

### **Globalization indicators are based on four factors:**

- Economic factors: international trade, direct foreign investment, investment in bonds and income from the investment area.
- Individual factors: Foreign calls traffic, Tourism, International money transfers.
- Technical factors: Internet users, Internet hosts, secure Internet servers.
- Political factors: membership in international organizations, participation in the United Nations and Security Council and increase of embassies and contracts.

### **The Relations between Globalization Index and Human Development Index**

The relationship between the Globalization Index and the Human Development Index can be quantified quantitatively. According to data from the thirteenth globalization indexes and triple human development indicators that were published by the International Institute of Coronaries (Kearney) and the World Bank during 2019, also using the Spearman Correlation Coefficient The degree of correlation between the two indicators is calculated to be  $R= 76\%$ , which indicates that there is a close correlation between the Globalization Index and the Human Development Index, as we can see in the figure 3.

The success of governments in terms of globalization indicators reflects the human development of those countries. In other words, countries with a high rank in terms of globalization index, as a consequence, are ranked first in terms of human development indicators. (Axel *et al*, 2019).





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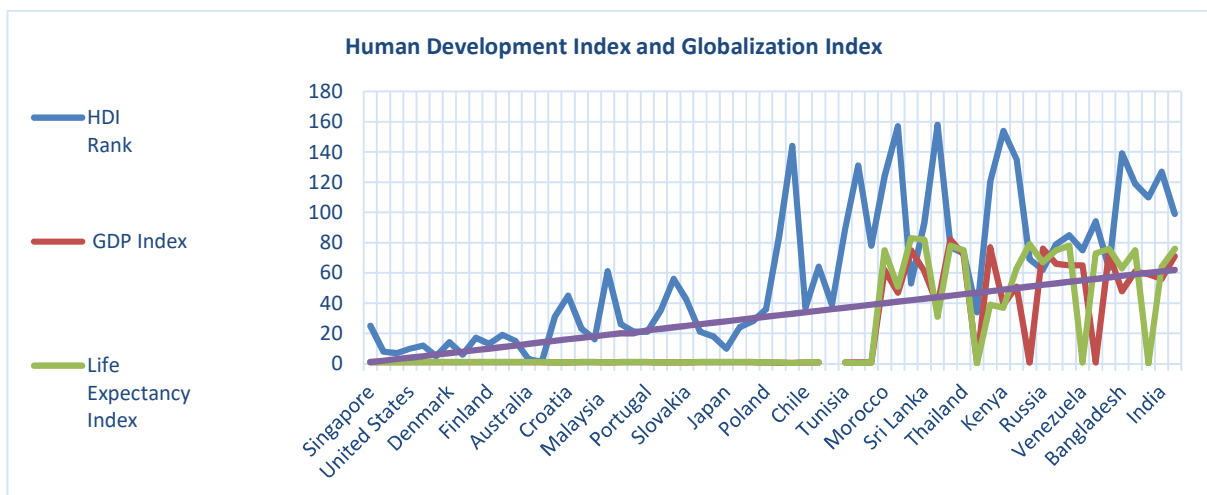


Figure 3. Human Development Index and Globalization Comparison

Source: Global Sustainable Development Report: Sustainable Development Knowledge Platform, 2019

\* The Globalization Index has been ranked among 62 countries.

\*\* The Human Development Index is ranked among 177 countries.

## 8. Conclusion

As described in the paper, globalization indicators are published annually by the International Institute of Kearney, which has four components: 1. Economic; 2. Political; 3. Technical; 4. Individual (Hallak, 1999). Each component has several indexes as follows:

-Economic component, Indicators: International trade and foreign investment.

-The political component has the following indicators: membership in international organizations, participation in the United Nations, Council of Europe, one-way and two-way contracts and the number of embassies.

-The technical component has indexes: Internet users, Internet hosts, and secure Internet servers.

-Individual components have indicators such as tourism, international money transfers and foreign exchange traffic. (Glaister, 2013)

The human development index has also three components: life expectancy, education and GDP. After extracting information about two indicators, and processing information, using STATGRAF statistical software, and then the correlation coefficient between two indices is calculated. The intensity of the correlation between of the two indexes is  $R = 0.76$ , which indicates that there is a direct correlation between these two indices. So we can say the more countries succeed in the globalization process, the more successful they will be in the human development process.

Therefore, it is necessary for countries to develop a human index, Take action and work on the globalization index.



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#### Annex 1: Human Development Index and Globalization

Countries	Globalisation Rank	HDI Rank	GDP Index	Life Expectancy Index	GDP per Capital Annual Growth Rate
Singapore	1	25	0.92	0.89	4.5 4.9
Ireland	2	8	0.99	0.88	4.5 6.7
Swiss	3	7	0.96	0.93	1.0 0.5
United States	4	10	0.99	0.87	2.0 2.1
Netherlands	5	12	0.95	0.89	1.8 2.1
Canada	6	5	0.96	0.92	1.6 2.3
Denmark	7	14	0.96	0.87	1.6 1.9
Sweden	8	6	0.93	0.92	2.0 1.6
Austria	9	17	0.95	0.90	1.8 2.1
Finland	10	13	0.94	0.89	2.5 2.0
New Zealand	11	19	0.90	0.90	2.1 1.0
England	12	15	0.94	0.89	2.5 2.1
Australia	13	3	0.95	0.92	2.6 1.9
Norway	14	1	0.99	0.91	2.9 2.8
Czech Republic	15	31	0.85	0.81	1.5 ....
Croatia	16	45	0.79	0.83	2.1 ....
Palestine	17	23	0.88	0.91	1.6 1.9
France	18	16	0.94	0.91	1.6 1.7
Malaysia	19	61	0.76	0.80	3.4 3.9
Slovenia	20	26	0.88	0.86	3.1 ....
Germany	20	21	0.94	0.90	1.3 2.0
Portugal	22	21	0.87	0.87	2.2 2.7
Hungary	23	35	0.83	0.80	2.6 1.1
Panama	24	56	0.71	0.83	2.4 1.0
Slovakia	25	42	0.82	0.82	2.4 0.51
Spain	26	21	0.90	0.92	2.4 2.2
Italy	27	18	0.94	0.92	1.5 2.0
Japan	28	10	0.94	0.95	1.0 2.4
Greece	29	24	0.88	0.89	2.1 1.0
South Korea	30	28	0.87	0.87	4.6 6.1



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<b>Poland</b>	31	36	0.79	0.81	4.2 ...
<b>Philippines</b>	32	84	0.63	0.76	1.2 0.3
<b>Uganda</b>	33	144	0.45	0.37	3.9 2.61
<b>Chile</b>	34	37	0.77	0.88	4.1 4.0
<b>Romania</b>	35	64	0.72	0.77	0.6 0.81
<b>Taiwan</b>	36	39			
<b>Tunisia</b>	37	89	0.71	0.80	3.1 2.1
<b>Batswana</b>	38	131	0.75	0.19	2.7 5.1
<b>Ukraine</b>	39	78	0.67	0.69	-4.7 -5.7
<b>Morocco</b>	40	124	0.62	0.75	1.0 1.3
<b>Senegal</b>	41	157	0.47	0.51	1.3 0
<b>Mexico</b>	42	53	0.75	0.83	1.4 0.9
<b>Sri Lanka</b>	43	93	0.61	0.82	3.3 3.4
<b>Nigeria</b>	44	158	0.39	0.31	0 -0.5
<b>Saudi Arabia</b>	45	77	0.82	0.78	-0.6 -2.4
<b>Thailand</b>	46	73	0.72	0.75	2.8 1.5
<b>Argentina</b>	47	34	0.80	0/82	1.3 0.4
<b>South Africa</b>	48	120	0.77	0.39	0.1 -0.6
<b>Kenya</b>	49	154	0.39	0.37	-0.6 0.2
<b>Pakistan</b>	50	135	0.51	0.63	1.1 2.5
<b>Columbia</b>	51	69	0.70	0.79	0.4 1.4
<b>Russia</b>	52	62	0.76	0.67	-1.5 -2.1
<b>Peru</b>	53	79	0.66	0.75	2.1 -1.5
<b>China</b>	54	85	0.65	0.78	5.8 2.8
<b>Venezuela</b>	55	75	0.65	0.80	-1.5 -1.1
<b>Turkey</b>	56	94	0.70	0.73	1.3 1.8
<b>Brazil</b>	57	63	0.73	0.76	1.2 0.8
<b>Bangladesh</b>	58	139	0.48	0.63	1.3 1.9
<b>Egypt</b>	59	119	0.61	0.75	2.5 2.7
<b>Indonesia</b>	60	110	0.59	--	2.0 1.4
<b>India</b>	61	127	0.56	0.64	0.4 3.3
<b>Iran</b>	62	99	0.71	0.76	1.2 -0.3

Source: [www.HumanKearney.com](http://www.HumanKearney.com)



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## The Power of Mentoring and Digitalization as Processes of Strengthening the Human Resource Departments' Activity

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*Abstract. Human resources (HR) represent the core of any organization. The way the human resources activities are understood, managed, standardised and mentored is vital for the survival, development and success of any organization in market competitions. In the digitization era HR and HR departments activities contribute to the safety and efficiency of the company, sharing part of assets, investment and profits. The professionals working in the HR department (HRD) are undergoing a profound transformation of mentality and technological change as main challenges of finding specialists and retaining employees. There present research studies the way the coming years will influence the company top management and staffs' activities so that the profit and market share not to be diminished or lost*

**Keywords:** resources, digitization, mentoring, HR department

**JEL Codes:** I25, O00, O15

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### 1. Introduction

Welcome In recent years, human resources (HR) development faces lot of challenges due to new practices and complex approaches facilitating or hindering adjustments to the emerging business confrontations in the market with profit and social implications. Thus, the HR development has begun to shift from a transactional, dedicated, to a transformational role with a truly strategic contribution to the company. In this evolution an important contribution is the technology, which takes over the burden of routine processes on the HR team's shoulders. Because digitalization and automation are replacing the existing skill sets at a rising pace, HR specialists are obliged to accept and embrace the transformation and develop their capacity to adapt to this new landscape. In the very near future, at a time of digital transformation and Big Data (Scholz, 2017), there will be a significant change in employee's engagement. In



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this fight, market talent is likely to win companies exploiting technology to maximize the potential of data in their human resources systems.

Lots of studies have been developed to identify the strengths and weaknesses of the HR activity. This managed to profound transformations (Filippone et al, 2012) of the human resource professionals obliged to grab the technological change and accept the challenge of finding high skilled specialists and retaining employees (Salleh & Wee-Keat, 2002). Such an example is given by the study "Trends and Challenges in HR 2017" developed by Valoria in partnership with Business Mark. This study refers on the perception of HR executives and HR executives about the strategic challenges that marked the transformation of the HR function. The report is based on questions regarding the way "the digital technology will turn human resources departments to become closer to the market and society needs" (Cernian, 2018).

Here is what the results of Valoria study about Romanian companies reveals.

The results of the study "Trends and Challenges in HR 2017" show that the biggest challenges faced by HR departments are to find specialists and retention of high-potential employees, as well as to increase the involvement of employees. The figures on the HR digitization budget show the reality: 6 out of 10 companies have roughly the same budget as last year's digitization of HR, 11% increased this budget by more than 20% in 2017, and 11% had an increase of less than 20%. However, for 7% of companies this budget declined in 2017 by more than 20% compared to last year, while 9% had a decrease of less than 20% of this budget.

**With regard at the automation of HR processes**, in 2017, half of the respondents say they hold solutions for automation of HR processes, while one third of them do not want to implement, and 15% say they do not even now and do not intend to implement it. In most cases (Johnson & Gal, 2011), where the HR department uses IT solutions, they are punctual and treat a particular process individually (such as payroll, timing, etc.), the essential component missing is the integration of these processes into one much more powerful tool. If 85% of companies say they use software for payroll, only 13% have software for employee management and training (Mathis, 2017). Only 17% use software to manage compensation and benefit programs, 19% say they have software for recruitment, and 26% have software for employee performance management.

**The use of HR technology is perceived with a positive impact** although more than half of the companies have estimated that the use of IT systems they use in the HR area has a positive impact on business, the survey results show that 4 out of 10 respondents say that the IT systems available to manage recruitment have no impact on the company's ability to deliver an efficient HR, and one in ten thinks the impact is negative. Of the respondents, 47% believe that the use of HR technology is of high importance for the department's performance measurement (ROI), 28% are undecided or believe it is only somewhat important, and 19% consider it to be a key critical item.

**The implementation of Artificial Intelligence** is perceived figure out as an addition beyond the IT systems implementation, for both managing HR processes and the hidden uncertainties. The global trend is increasingly going towards integrating artificial intelligence into HR automation, especially in the case of routine activities that take a long time. Only 30% of Romanian companies believe that artificial intelligence and process automation will be advanced enough to influence the HR function over the next 2-5 years, while 17% expect this period to be 6-10 years. 43% of companies believe that artificial intelligence is one of



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the most important trends that will significantly change the function of HR, other relevant trends being mobile and social media applications (47% of companies), political and economic developments (43%) and demographic change (42%). The main advantage is the reduction of time for the various standardized processes (Noe et al, 2017).

"Digitization" is a new term that coagulates under existing umbrella existing needs by giving them a name. Needs, however, are not us. We all want to make our work more efficient, we can bring real value to our job, and this involves allocating as little time as possible for "operational" activities such as a holiday or a travel request (De Mauro et al, 2017). These needs have become the basis of the pyramid for both employees who want to get the few clicks they need, as well as for the employer, who seeks to analyse, standardize and improve their processes using the data from digitized processes.

In HR processes, digitization typically takes the form of automation of HR processes through IT development improvements - with a high focus on self-service for colleagues and managers; or the introduction of robots into the HR Shared Services area for standardized processes (the so-called Robotic process automation). I say transition and not change, because I sincerely believe that there is no way back. It is only a matter of time until Romania, in everything that is industry, services, education or medicine, will enter the advanced world and technology will be available and present in the lives of all, not just those of the big urban agglomerations or those working in advanced and resourceful companies (Hecklau et al, 2016). But what does digitization really mean and what is the impact on our professional life? Everyone is talking about digitization today, companies are thinking about all sorts of initiatives, but if you ask executives, human resources people or employees, it is very possible to get completely different answers about understanding the phenomenon. For some, especially among executives, digitization is about deploying advanced technologies in everyday work: from 24/7 phone email to real-time tracking of sales results, to robotizing on lines production. For others, for example, for marketing and sales people, it means a new way of getting in touch with customers, keeping in touch and being able to communicate with them. For others, maybe even a whole new and totally new way of doing business.

In a recent article, McKinsey website said none of the above definitions is necessarily incorrect, but shows a lack of alignment with the vision, the direction in which companies need to grow. That is why, the same article shows, companies are starting different initiatives and efforts are being made in ways that not only do not use the market opportunities, but, more than that, they tire the company and squeeze out the performance of its potential real (Novak et al, 2018).

A wise thing for top management teams and equally for human resource people would be to define, first of all, what the digitization phenomenon means in their company. This requires even clarification of language, alignment with the vision of the future and the strategy to get there. Because digitization means, besides bringing technology into the hands of each employee, a profound cultural change, a change in how we relate to the use of technology, information security, the various levels of access to information, decision-making and team and team communication. Transformation is far more subtle than implementing a new system or new technology within a few months of the purchase decision. It is a paradigm shift that primarily affects people, and therefore business leaders, operational managers, human resources are the ones who have to prepare first and understand the effects of the transition to digitization.





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## 2. The Propensity to Use New Technologies and Apply the Results

Over the past weeks, I have worked with a team of managers who run a car parts foundry within a large industrial platform. Already, team leaders have an ergonomic tablet mounted on their left hand and have access to information on process parameters, costs, people present at work, and their tasks. Real-time connectivity to all of these data, the need for correct use, or correct data entry in the system while you're in the middle of production operations require a team leader to distribute, concentrate, react instantly, understanding the impact of such a system on top management decisions on the client - who also has more access to information on production volumes, delivery times or other technical details (Manolescu, 2001). Here is the future here, begins today, and subjects people to trials they might not have thought about a year or two a year ago.

The skills I'm talking about here are difficult to train, require perseverance and awareness, require middle management skills for coaching and supervision, positive communication, and on-going feedback. The decision to implement tablets could be punctual, adapting to working with them, and changing relationships and how to make decisions across management levels can take a long time. Regardless of what form of digitization is I think we have faced, in the last decade, two interesting trends that influence the digitization of HR processes:

1. Changing perspectives in how HR systems (HRMS) are configured, with an increased focus on employee experience (the so-called Employee Experience Journey). In recent years, new HRMS solutions, especially cloud-based solutions, are built on an architecture that starts from the type of experience we want for the employee, compared with the 10-15 years ago, which were built around managers' needs and HR functions. New solutions focus on accessibility, applications available in all mobile formats, and open discussion forums within the communities where its members are.

2. Increasing the need for Data Analytics to quickly make decisions about human capital. In such a dynamic environment as today, it is essential that you have as a manager, but also as an employer, the relevant data to make the right decisions about retention and attraction of talent. Business intelligence is becoming an extremely important topic in the current context, not just for customer and colleague decisions. The way employers are able to understand trends in the labour market, but also from their own organization, looking at analytics (for example, generation change, average retention of talent, retention rate, and talent advancement) will help adjust their Human Capital strategy and interventions in anticipation of future changes (Rogers, 2016).

## 3. Conclusion

In this context, HR people should rethink their role, from a service provider to a solution facilitator and a promoter of a healthy organizational culture. The HR function faces a major transformation in which time for operational issues will be reduced, many of these processes being moved to the digital area, with most of the time and resources being allocated to support the organization in its role an internal consultant on all Human Capital initiatives.

With the change in the structure of the workforce, digitization will certainly increase. As such, our colleagues will have high expectations of response time for standardized HR services, which can be delivered in a digital format.



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In the coming years, at a time of digital transformation and Big Data, there will be a significant change in employee engagement. The results of the study "Trends and Challenges in HR 2017" show that the biggest challenges faced by HR departments are to find specialists and retention of high-potential employees, as well as to increase the involvement of employees.

In this fight, market talent is likely to win companies exploiting technology to maximize the potential of data in their human resources systems (Bengtsson & Bloom, 2017).

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## Opinions and Perceptions of Bank Managers on the Quality of Provision of Internet Banking Services

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*Abstract. Following the accession of Romania to the European Union, the services sector has made important progress. Currently, this sector exceeds 50% of Romania's GDP. Banking has an important role in the economy by making financial intermediation, attracting deposits and placing credits. The increase in the number of banks on the Romanian market has led to intensification of competition and especially the awareness of the quality of online banking services offered. Therefore, the bank management has to take into account not only the "quality desired or achieved by the bank", but also the quality perceived by the customer.*

*In this paper we will start with an introduction of bank sector, and then we will present the methodology of research. The design of interview guide is the next step and in the main part of the paper is the analyses of data obtained and interpretation of results.*

**Keywords:** online banking, services quality, managers perception

**JEL Codes:** M31, G29

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### 1. Introduction

Nowadays the most frequently used banking services are distributed by Internet thanks to the time and cost advantages provided by the Internet.

The banks promote their products and services on professional websites, answer virtually the requests of current and potential customers, maintain survey centres to learn their opinion and sell the whole range of products and services.

The bank no longer represents providers of standardized services, as the bank was perceived no so long ago, but a flexible, generator of new specialisations, and the innovation process is part of the structure of



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the new type of banking organization, which represents the prevailing trend in the institutional evolution in the banking sector.

*Internet banking* is an application which allows for the performance of banking transactions simply, fast and safe. This application has eliminated the waiting queues at the bank counters and increased the quality of financial services. The customers, in order to make transactions by Internet Banking applications, need to have minimal knowledge of computers, and need confidence in these mechanised systems for making transactions.

Quality is one of the main elements which differentiate the companies in services field. By quality, the organizations which provide services maintain existing customers and attract new consumers. (Jeong et al, 2016; Oh&Kim, 2017; Tonis&Manea, 2019;)

With reference to the **defining elements of the quality of** internet banking services, the elements mentioned by the respondents, managers can be grouped according to the dual nature of service quality (Donabedian, 2003), as follows:

- Elements aiming at the technical side of the service provided (refers to the technology and science that exist in the field): *realization of transactions; technologies used; functionality of internet banking applications; efficient support lines.*
- Elements aiming at interpersonal relations (regarding the application of technology and science in the field): *accessibility; professionalism and kindness of the employees on customer support lines; safety and promptness; fastness and security; the possibility of educating customers.*

In this context, having as main object the quality of Internet Banking services and following the stimulation of sales of banking services and increase of consumer's confidence, but also the knowledge and satisfaction of their needs we considered necessary to make qualitative research focused especially on the quality of Online Banking services.

## 2. Research methodology

The research carried out is exploratory, has as purpose a better understanding of the studied problem. Thus, the research was carried out by semi-directed interviews.

**The decision-making problem** which was at the basis of research included first the detailed knowledge of the interest manifested and the measures taken by the management staff of departments. Taking into account the research purpose, we established the following objectives:

**Objective 1:** Observation of the interest manifested in the quality of online banking services provided.

**Objective 2:** Identification of the main problems faced with by the management staff in daily activity to be able to provide higher quality services.

**Objective 3:** Identification of the meaning conferred to the notion of quality of internet banking services and its defining elements.

**Objective 4:** Identification of the degree in which the certification of online banking services provided is attested by specific documents.



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### 3. Design of the interview guide

The instrument used in realization of qualitative research was the interview guide. The interview guide designed is structured by three main themes of discussion, and contains a series of open questions for themes:

- ***The interest manifested towards the quality of internet banking services:***
  - Are you concerned about the quality of internet banking services provided?
  - What are the problems you have to face with in your daily activity to be able to offer best quality services?
- ***Definition of the concept of “quality” of internet banking services:***
  - What do you understand by the “quality of internet banking services” that your company provides?
  - What do you think are the defining elements of the quality of internet banking services provided in your company?
  - What do you think the customers understand by quality of e-banking services provided in your company?
- ***Quality management of internet banking services:***
  - What are the ways by which you monitor the quality of e-banking services offered?
  - What elements specific to service are important for customers?
  - In your company do you use procedures, standards, guidelines, protocols?
  - Do you consider that the current standards meet the safety requirements of the customer?
  - Are there documents which certify the quality of banking services provided?
- ***If you had available all the necessary resources, what would be two changes you would make?***

#### ***Sample’s structure and size***

Taking into account the type of research, which is qualitative, the **investigation method selected** was *the individual interview*.

The sample interviewed was composed of the management staff of the internet banking departments and the staff of other banking units in Bucharest.

For the creation of sample we envisaged several reasons, on one hand, its size and structure, quite relevant aspects in specialised literature (McIntyre et al, 2016) , even if the opinions of some authors do not excel in precision (Golafshani, 2003; Silverman, 2013), and on the other hand, the complex concept known as the “power of information” (Malterud, Siersma and Guassora, 2016), considered by the author as the most capable to lead to the achievement of purpose and objectives of research, because they cover multiple issues which are interdependent.



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The size of the sample is represented by 13 persons, a sufficient number for the achievement of objectives and the research purpose, considering that in Romania there are 27 merchant banks and 8 branches of foreign credit institutions (according to the National Bank of Romania, <http://www.bnro.ro/Banci-comerciale-1333.aspx>).

Nr.	Bank	Total assets in 2018	Market share
1.	<a href="#">Alpha Bank România</a>	64.068 mld. lei	16,28%
2.	<a href="#">Banca Română de Credite și Investiții</a>	127 mld lei	0.03%
3.	<a href="#">Banca Comercială FERROVIARA</a>	11.565 mld. lei	2.96%
4.	<a href="#">Banca Comercială Intesa Sanpaolo România</a>	4.054 mld.lei	0.95%
5.	<a href="#">Banca Comercială Română (BCR)</a>	64.068 mld. lei	15.83%
6.	<a href="#">BCR Banca pentru Locuințe</a>	2921 mld.lei	0.68%
7.	<a href="#">Banca de Export-Import a României EXIMBANK</a>	5.554 mld. lei	1.3%
8.	<a href="#">Banca Românească – Membră a Grupului National Bank of Greece</a>	6.253 mld. lei	1.46%
9.	<a href="#">Banca Transilvania</a>	51.776 mld.lei	13.15%
10.	<a href="#">Bank Leumi România</a>	1.183 mld. lei	0.28%
11.	<a href="#">BRD - Groupe Société Générale</a>	50.657 mld. lei	12,50%
12.	<a href="#">CEC Bank</a>	28.194 mld. lei	7.16%
13.	<a href="#">Crédit Agricole Bank România</a>	1.361 mld. lei	0.32%
14.	<a href="#">Credit Europe Bank (România)</a>	4.686 mld.lei	1.10%
15.	<a href="#">Garanti Bank</a>	8.959 mld. lei	2.28%
16.	<a href="#">Idea Ban</a>	1.845 mld. lei	0.43%
17.	<a href="#">Libra Internet Bank</a>	4.607 mld. lei	1.08%
18.	<a href="#">Marfin Bank (România)</a>	1.973 mld.lei	0.46%
19.	<a href="#">OTP Bank România</a>	9.151 mld. lei	2.14%
20.	<a href="#">Patria Bank</a>	3.465 mld. lei	0.85%
21.	<a href="#">First Bank</a>	10.923 mld. lei	2.55%
22.	<a href="#">Porsche Bank România</a>	568 mld.lei	0.13%
23.	<a href="#">ProCredit Bank</a>	1.311 mld lei	0.31%
24.	<a href="#">Raiffeisen Bank</a>	33.419 mld. lei	8.49%
25.	<a href="#">Raiffeisen Banca pentru Locuinte</a>	625 mld. lei	0.15%
26.	<a href="#">UniCredit Bank</a>	32.687 mld. lei	8.49%
27.	ING Bank	27.869 mld lei	7.08%

Table 1: The credit institutions in Romania depending on size and position held on the market in 2018

Source: Processing of the data of National Bank of Romania

#### 4. Analyses of data obtained and interpretation of results

In order to assure a natural and uninhibited communication, in the interviews we used the non-directiveness principles (Cătoi, 2009).

As for the first discussion theme tackled, *the interest manifested in the quality of internet banking services*, all the respondents were concerned about the quality of internet banking services provided.



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Considering the problems they face in their daily activity to provide quality services, most of respondents mentioned that they face various problems such as: *the people's fear of change, the legislative framework, the permanent adaptability to the customers' needs and the lack of information of customers.*

In this matter, most of respondents claimed that they do not have any problems.

The second perspective of the interest in quality of e-banking services aims at problems faced by the representatives of banks in their daily activity to be able to offer best quality services.

With reference to this question, eleven respondents said they encountered various problems such as: the lack of staff, the lack of information of customers regarding the banking services and taxes, reluctance of certain categories of persons regarding the internet banking services, the high flow of customers, the fear of not being integrated in leading banks, an overloaded internet network sometimes.

The second discussion theme was **definition of the concept of "quality" of internet banking services.** The respondents were asked what they understood by the quality of internet banking services provided by the company to which they belonged, and answered that they perceived the satisfaction of customers, the safety of services offered, a wide diversity of packages of services and protection of personal data.

One of the answers of respondents understood the quality of services as the assurance of permanent availability of services, the assurance of a prompt customer support line, the assurance of a high level of security, safety and confidentiality of data and the offering of necessary functions for the transactional needs of customers.

As for the **defining elements of quality** of internet banking services, we can mention that:

The elements identified which aims at interpersonal relations are: *safety, promptness, accessibility, professionalism, kindness and politeness of employees on customer support lines; fastness and security.*

To the question: **"What do you think the customers understand by quality of internet banking services provided in your company?"**, the respondents provided different answers as follows: seriousness, security, intuition, simple menu, mobility, comfort, easiness, time saving, availability, low costs, safety, confidentiality, protection, accessibility, fast connection, good functioning of software systems, lack of communication problems, confidentiality and safety.

As for the discussion theme regarding the **quality management**, we noticed that in all banking organizations they use procedures, protocols and guidelines.

As for the question **"What are the methods by which you monitor the quality of internet banking services offered?"**, most of respondents had similar answers: *opinion polls, online questionnaires, feedback of customers, administration systems, data monitoring and analysis applications, reporting systems, audit systems.*

In the third pillar, they debated the **service specific elements** with a high importance for customers, among which the safety in online environment, a variety of banking operations, fast access, accessibility from any device, confidentiality, costs, functionality, time, availability, security of transactions and low charges.

According to the interviewed respondents, **the main methods by which they monitor the quality of online banking services offered are:** feedback of users and use of quality indicators. Also, three quarters of





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managers have regular discussions with the banking staff who comes in direct contact with customers or they apply questionnaires to the customers to obtain feedback.

Their answers regarding the improvements they could bring if they had all the necessary resources are: "I would create a chat between companies under the umbrella of internet banking service, by promotion of their products and creation of partnerships, communication training for operators, more digitalization systems to avoid the waste of time and crowdedness, *I would add on application a field which offers the history of transactions from the opening of bank account to date*, I would invest more in accessibility, I would increase bank charges to motivate the employees to help increase the portfolio, I would hire more staff and I would invest more in marketing and communication, zero bank charges for customers who resort to internet banking, *extension of integration level with other entities in view of expansion of the system*.

## 5. Conclusions

Conclusion for this analysis of interviews, we can claim that all respondents are daily concerned about the quality of services offered, the loyalty of customers and the use of all documents compliant with the laws in force, the market survey and also to bring improvements in everything concerning the applications provided by them. Also, we highlighted a few thinking paters, which thus made possible the systematization of answers. Thus, as for the meaning of the concept **quality of internet banking services**, they can be characterised from the point of view of elements aiming at the technical side of services (*realization of transactions; functionality of applications; technologies used; efficiency of customer support lines*) and elements aiming at interpersonal relations (*accessibility; professionalism and kindness and politeness of employees on customer support lines; safety and promptness; fastness and security; the possibility of educating customers*).

*From the perspective of quality management, all the respondents declared that the banking organizations for which they work use guidelines, procedures and protocols. Their adoption by the employees is assured by the training programmes and hierarchical communication.*

*The changes the management of banking units would adopt highlight the need for a higher training volume for the operators who give customers support, would highlight the promotion of Internet Banking, some of them would eliminate the bank charges, others would increase the cost in order to motivate the employees to help increase the portfolio and would increase accessibility.*

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## Giving a Chance to the Green Energy to Save our Planet Future

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*Abstract. The present paper focuses on analyzing the effects of using green energy on achieving sustainable development.*

*The competitive advantages and emphasized here and sustained to push finding farther ways to transform the world into a green planet as it was at its beginnings.*

*Under smart strategies implemented reasonably the green energy encourages smart investments and builds a better world for people and companies benefit.*

**Keywords:** green energy, sustainable development, competitive advantages

**JEL Codes:** K30, K32, O11, O19, Q01

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### 1. Introduction

Welcome Achieving competitive advantages and long-term sustainable development are fundamental objectives of any establishment or country in the world. The green energy is the obvious engine for such an approach.

At present, most of the energies used in the world do belong to the traditional sources and scarcely allow the sustainable development. Therefore, new renewable energy sources must be identified and used to protect the environment, create new jobs and meet the growing demands and peoples' satisfaction for a better life.

Renewable sources, waste, wind, sun, salted water can change the effects against society, market and environment by using the green energy to achieving better advantages and sustaining the robust development. Countries like Germany or China can share their successful stories to improve the general experiences of other countries.

Green energy is the gateway to safety and the transit to protect the world from land and pollution threats caused by the use of harmful and non-renewable energies such as oil, coal and natural gas.

Green energy contributes to competitive advantages, sustainable development having a positive impact at macro, mezzo and micro levels, stimulating investment in the area, increasing health consumption and enhancing scientific research.



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The results illustrate both potential social and societal impact highlighting the technical implications for design and operational systems development.

The research can contribute to better understanding the value of green energy in comparison with the harms the traditional ones can cause to people and society when their technical and societal efficiency are assessed.

## **2. Methodology**

The study aims, in particular, to improve the knowledge on quantifying the measuring standards and calculate more precisely the effect of using green energy to gain competitive advantage; countries like Germany and China have overtaken the implementation of the green policies at high speed.

The identification of particular benefits of using green energy and monitoring impacts against the costs level of access those new sources requires special guidance to achieve the new goals in bringing to the light limits and obstacles to face in order to take advantage of a positive impact overall economy.

The scientific research relies on a deep socio-economic, financial and legal documentation linked to green energy and future investment projects.

The basic research method used takes care of the complex sensitivity and risk analysis for better solutions. Thus, starting from a variety of technologies, technology flows or special equipment it is explored the possibility to deploy them in certain locations across countries. The conclusion reached appears to serve as a foundation for any company to make decisions about adopting strategies for the competitive advantage of renewable energy sources.

Qualitative studies are used for the overall picture of renewable energy study; this becomes extremely important for modern society as fossil energy, still have followers (Lund & Lund, 2008).

Due to the on-going climate change and the ever-increasing environmental pollution caused by different emissions, the energy conversion processes takes the place of fossil energies requiring the energy infrastructure reshape for the energy transition. This energy transition process takes place now at all three energy sectors (electricity, heat, mobility) holistically.

The transition to recoverable energy in any country needs combined efforts between different clusters of society to convince more categories to use renewable energy sources instead of conventional energy ones.

The use of renewable energies works to reduce the pressure on global fossil energy markets. To develop inter-connections between the process transformation and the availability of energy services, States make efforts to develop the exploitation of renewable resources and achieve energy security, environmental protection, etc. In this context, countries are interested in finding new ways and means to encourage the use of renewable energies.

A detailed analysis of how green energy generates fossil energy reduction underlies the new vision for the widespread use of renewable energy, not in conservative industries (the machinery industry, light industry, etc.) and in the industries of the future (IoT, Machine Learning, Artificial Intelligence), on the generation of batteries necessary for the use of certain components only from renewable energy or stored in various mobile devices. Also, green energy will become an infinite source of mobility of electronic devices due to its ability to regenerate endlessly (green energy sources are infinitely theories: sun, tide, wind etc.).

The statistics presented rely on data compiled in accordance with the accounting rules set out in Directive 2009/28 / EC on the promotion of the use of energy from renewable sources and calculated on the basis of



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the energy statistics provided for in Regulation 1099/2008 on energy statistics, most recently amended in November 2017 by Regulation no. 2017/2010.

The latest data available refers to the reference year 2016, for all EU Member States and the countries of the European Economic Area - Iceland and Norway but also Albania, Montenegro and the North Macedonia. In general, data looks complete, recent and reliably comparable between countries. Data was extracted from the internal production database (Eurostat).

The share of energy from renewable sources in gross final consumption of energy is identified as a key indicator for measuring progress on the basis of the Europe 2020 strategy for smart, sustainable and inclusive growth. This indicator can be considered as an estimate for the purpose of monitoring Directive 2009/28 / EC on the promotion of the use of energy from renewable sources - however, the statistical system in some countries for specific technologies in the energy sector from renewable sources is not yet fully developed to respond the requirements of this Directive; for example, ambient thermal energy for heat pumps is not reported by many countries.

All calculations take into account specific provisions of Directive 2009/28 / EC as a result of its amendment by Directive (EU) 2015/1513 of the European Parliament and of the Council of 9 September 2015 amending Directive 98/70 / EC on the quality of petrol and diesel fuels of diesel fuel and amending Directive 2009/28/EC on the promotion of the use of energy from renewable sources. An important aspect to consider when interpreting data is the statistical review. It should be underlined that following the Renewable Energy Directive, states are monitoring more closely the flows of energy-based renewable energy products from their economies.

A particular situation is encountered in biomass consumption, as countries are launching more detailed surveys that allow them to obtain data on the final consumption of biomass energy. Several countries review their data accordingly, leading to an increase of their renewable energy share (Croatia, France, Lithuania and Hungary).

As defined in Directive 2009/28/EC on Renewable Energy, "gross final energy consumption" means energy products supplied for energy to industry, transport, household, services, including public services, agriculture, forestry and fisheries, electrical and thermal energy in the electricity and thermal energy sector, as well as the electricity and heat losses from distribution and transport. The energy available for final consumption is the total amount of energy resources available to consumers (private, commercial and industrial). This excludes the energy used in transformation processes (power plants, fuel refineries, high-end furnaces) but includes the energy products that could be used for non-energy purposes (in chemical processes).

Energy production from non-renewable municipal waste was deducted from biomass's contribution to heating and electricity production. Consumption for pipeline transport was included in gross final consumption of energy, according to the sectorial classification of the Energy Statistics Regulation. In order to improve the accuracy and consistency of national statistics in calculating the share of energy from renewable sources, national calorific values were used, when available, to convert the quantities of all energy products into energy units instead of the default calorific values.

Recently, the Commission has drawn up definitive guidelines for accounting for energy from heat pumps. Some countries have not yet improved their national statistical system to take full account of all renewable energy sources. Despite the lack of a statistical methodology approved at the time of data collection and for reasons of completeness, the contribution of energy from renewable sources from heat pumps has been



taken into account in cases where Member States have provided sufficient information. For these reasons, there are small differences between data used here and that published in the energy balance sheets.

The energy and energy balance statistics available from Eurostat do not distinguish between sustainable and non-sustainable renewable energy sources. This distinction is possible with the SHARE [Col, 2012] accounting tool developed by Eurostat, where reporting countries have to provide additional information in this respect. Therefore, unless otherwise explicitly provided, account must be taken of the fact that renewable energy sources include all renewable energy sources, both those meeting the sustainability criteria and those that do not meet such criteria.

### 3. Green Energy, Competitive Advantages and Sustainable Development

Countries enjoy sustainable growth reliable on green energy if it sustains and facilitate agriculture, health and education to develop. The lack of energy means lack of development, and this is proved by those 1.2 billion people without access to electricity (IRENA, 2019). That is why the European Union has made the fight against poverty as a central aspect of its development policy and has presented a program of over 600,000,000 Euros for universal access to sustainable energy services and solutions renewable energy requiring governments to access renewable energy sources among the most demanding strategies.

The European Union's interest dates in the early 1990s when a policy to promote renewable energy production has been adopted to increase consumption and care for environment, society and people (Paavola, 2001). In 2000, the European Institutions reinforced the Green Energy Policy which was largely geared to the electricity sector, and the first EU Directive on Renewable Energy was issued in 2001, 2001/77CE.

Ambitious targets set for all EU countries emphasise the Union's gas consumption reduction by 20% and the integration of 20% of renewable energy into consumption, additionally, 10% of the total transport sector (Al-din, 2002). This directive imposed the EU members' full respect for their objectives. Member States drew up national plans explaining how they will achieve the desired objective (table 1).

Table 1. Share of renewable energies in gross final consumption of energy in%

Countries	2011	2012	2013	2014	2015	2016	2017	2018	2020
BELGIUM	6.3	7.2	7.5	8.0	7.9	8.6	9.1	-	13.0
HOLLAND	4.5	4.7	4.7	5.5	5.7	5.9	6.6	-	14.0
FRANCE	11.1	13.6	14.2	14.8	15.2	15.9	16.3	-	23.0
GERMANY	12.5	13.6	13.8	14.4	14.9	14.9	15.5		18.0
AUSTRIA	30.1	31.0	32.0	33.2	32.8	33.0	32.6	-	34.0
U.K.	4.2	4.2	5.3	6.5	8.4	9.2	10.2	-	15.0
UE28	13.4	14.7	15.4	16.2	16.7	17.0	17.5	-	20.0

Source: Eurostat, Europe 2020.

This directive identified non-financial measures allowing operators to access and implement renewable energies, including strategic support for scientific research, development, innovation and other measures to



facilitate renewable energy partnership to smooth the path of binding administrative rules and installation of infrastructures. The financial measures concern investment assistance, tax exemptions and the direct price support system. Giving the fact that renewable energy sources are permanently available, unsustainable and constantly renewable and clean, they do not lead to ecological contamination. Therefore, this energy consumption started to exceed in non-OECD countries the OECD consumption (2007) projecting a growth of nearly two-thirds of the 739 quadrillion Btu global energy consumption by 2040 as seen in Fig.1.

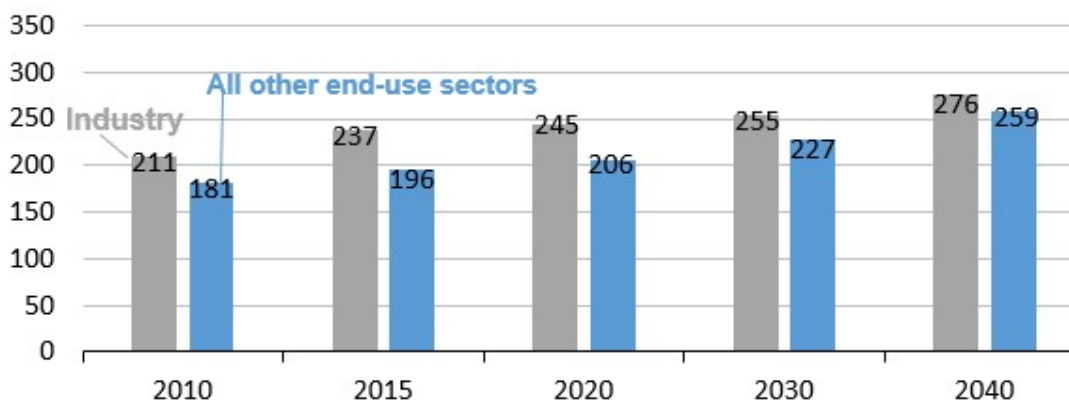


Fig 1: Competitive advantages and sustainable development

Source: EIA, International Energy Outlook 2018

With over half of the final gross final consumption of energy (53.9%) of renewable energy, Sweden was by far the largest share in EU Member States in 2016, ahead of Finland (38.7%), Latvia (37.2%), Austria (33.5%) and Denmark (32.2%). At the opposite end, the lowest proportions of renewable energy sources were recorded in Luxembourg (5.4%), Malta and the Netherlands (both 6.0%), Belgium (8.7%) and the UK and Cyprus (both 9.3%). Compared to the most recent data available for 2016, the targets for France, the Netherlands and Ireland require each of these Member States to increase their share of renewable energy from final energy consumption by at least 6.0 percentage points (EIA, 2018).

11 of the Member States, including Croatia, Sweden and Estonia, have already exceeded their 2020 target. Data for Greece (2016) was estimated by Eurostat. By comparing the 2015-2016 average with the indicative trajectory set in the Renewable Energy Directive, it can be seen that France, Luxembourg, the Netherlands and the former Yugoslav Republic of Macedonia were below the values of the second indicative trajectory, while all the other countries were above them.

Today, the German economy enjoys its green miracle, emblazoned in the sun, wind and water, which generates fantastic financial profits and record export figures. The environment-based industry is also transformed into the 21st century. Germany is the world leader in this field. It is estimated that the green sector will reach 1 billion Euros in 2030. The world's largest production capacity for wind-powered units and the latest generation of power plants are world leaders in many high-efficiency devices.

It is not by chance that Germany pays special attention to engineering sciences, as well as renewable energy and environment. The medium-sized sector is growing in a large sector of the German economy and today is the main engine on the labour market. The proposed result of these efforts is green technology produced in Germany, which contributes to the creation of new jobs, in 2020 the number of workers in this





sector will be higher than that of carmakers or car industry workers. Global, Germany is at the forefront. The German economy highlights the importance of renewable energy use and the expansion of energy consumption as well as the absorption speed and is in line with the economic aspect, which has a significant impact on the progress and development of competitive advantages and sustainable development.

The per capita energy consumption in India and Africa remains comparatively low despite high economic growth as shown in IEO2018 side cases while China started (2009) the implementation and construction of volumetric cell buildings for which the Government provides concessions for areas where projects are placed. China has become the world's largest producer of solar energy equipment between 2006 and 2011. Data confirm that Germany and China are among the top producers of green electricity and their growth rates are rising.

#### 4. Contribution of Green Energy to Achieve Competitive Advantage Dimensions

The energy issue transcends the research framework and intersects the plan of general interest. Energy no longer affects our well-being and the way we handle it, but it takes a more comprehensive weight on the critical issues of societies. Renewable energies are one of the main sources of global energy beyond fossil energy that attracts international attention as a sustainable future alternative to fossil energy, which many countries, especially industrial ones, are looking to replace. During the recent years, there have been many discussions on the promotion of renewable energies as an effective mechanism to protect the environment and to enshrine the principle of sustainable development. Renewable energy resources will offer new prosperity opportunities to nations and economies without compromising capabilities.

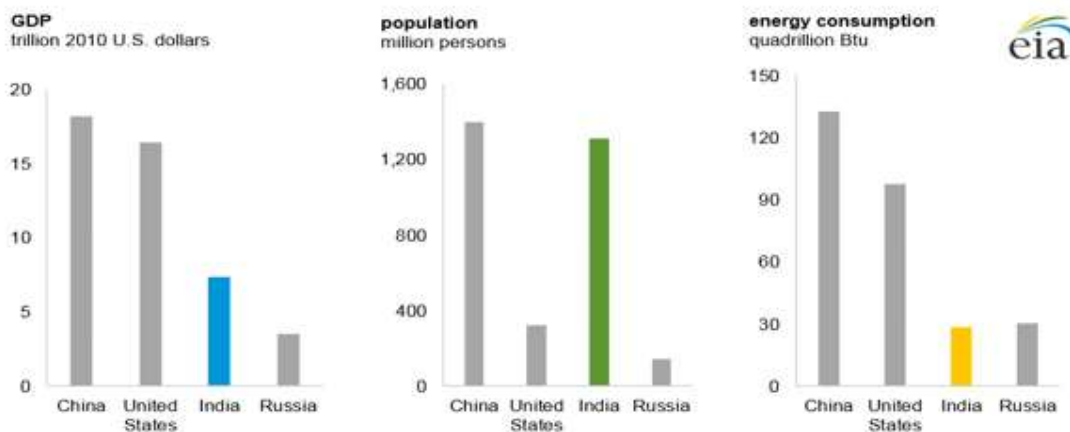


Fig 2: Tendencies in Renewable Energy 2018

Source: British Petroleum Statistical Review of World Energy,

Renewable energy remains an integral part of essential development to meet most of the human needs. It generates influence on the social, economic and environmental dimensions of sustainable development.

Sustainability builds on the link between development and how these renewable energies work is reflected in new objectives to remove the obstacles or braking factors of this new policy.



It is expected that Asia will have the largest increase in energy consumption in non-OECD regions and many non-OECD projection shows that they will lead global economic growth.

Oil-producing countries, conservative consumers, international companies will be driven by the induced movements of the future to change their strategies and formulate new policies, to turn to supporting alternative energy sources as the main supporter of the health of the future society and the environment.

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