

## THE MANAGEMENT OF CAREERS IN EUROPEAN SPACE FOR ROMANIAN ECONOMIC LIBERAL PROFESSIONALS

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**Abstract:** This paper identifies the present possibilities for a Romanian economic professional (accountant, auditor) to pursue a career in the European Space, it also presents the potential possibilities to follow in view of the amended Directive. Through a multi-criterial analysis we presented a multi-faceted situation that today takes place in all the EU states not only in Romania. Hence we identified the need for a common framework for all the professional from EU states from the economic liberal professions, in order to have a proper regulated labour market all across the EU respecting one of the fundamentals of the EU Treaty: freedom to work in in each and every state member.

**Key words:** Management of careers, Economic professionals, accountant, auditor, EU market

### Introduction

This study presents a comparison of the legislation and regulations governing the practice of a range of economic liberal professional services in European Union. The professions covered by the study are: accountants (CPA), auditors (financial auditors) and tax advisers (fiscal counselors).

While there is a body of theory concerning regulation, in particular concerning the self regulation of liberal professions, most studies of outcomes have been carried out in the context of state comparisons in the USA. We identify the basic research questions posed in the study, namely whether, to what extent, and in which areas, regulation differs between Romania and EU for liberal economic professionals. The approach used in the study is comparative; and comparative analysis requires comparable data. Nevertheless, the study has been able to present how a Romanian professional can manage his /her career in the EU.

Generally speaking professional services have an important role to play to improve the competitiveness of the European economy. We try to find exact data at EU level on this sector but it is not available, a Report on the Competition for professional services considers that probably about a third of employment in 'other business services' should be ascribed to professional services (Category 74 of the NACE classification 'Other business activities' which includes legal, accounting and auditing activities; consultancy; market research; business and management consultancy; holdings architectural and engineering activities and related technical consultancy; technical testing and analysis; advertising; labor recruitment and provision of personnel; investigation and security activities; industrial cleaning and

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miscellaneous others). On the same Report [3] we find that other *business activities* employed over ten million people in 2002 in the EU, corresponding to 6.4% of the workforce; however it employed disproportionately more high skilled workers, accounting for 10% of overall high skill employment.

## Literature review

### *Theoretical background*

Theoretically any study of professional regulatory systems in member states differentiates between two large groups of regulations: regulations on market entry and regulations on “market behavior” or conduct. Typical market entry regulations are qualification requirements (formal certificates of qualifications – i.e. university degrees, length of practice and/or professional examinations), registration or membership in a professional body, rules on areas of reserved practice (i.e. exclusive rights for one – or sometimes more – professions to offer specific services or goods on the market), and in some cases economic needs tests. [1]

Romanian liberal economic professions are in this case subject to the first category, namely all of them have qualification requirements (formal certificates of qualifications – i.e. university degrees, length of practice and/or professional examinations).

### *Legal Framework –European Regulation*

We can identify two layers of regulation regarding the professional qualification. The first layer of regulation is to be known and respected by all EU member states. Firstly we have a basic framework as the Directive of the European Parliament and of the Council 2005/36/EC on the Recognition of Professional Qualifications and Regulation. This Directive is mandatory to all subjects and according to the article no.3, alin.1, lit. C of the EU Treaty, the abolition, as between Member States, of obstacles to the free movement of persons and services is one of the objectives of the EU Community.

Different persons of different nationalities of the EU countries have the right to pursue a profession, in a self-employed or employed capacity, in a Member State other than the one in which they have obtained their professional qualifications. Moreover the Treaty mentions at article 47 align 1 that directives shall be issued for the mutual recognition of diplomas, certificates and other evidence of formal qualifications.

The main scope of the Directive of the European Parliament and of the Council 2005/36/EC on the Recognition of Professional Qualifications and Regulation is to be applied to all nationals of a Member State wishing to pursue a regulated profession in a Member State, including those belonging to the liberal professions, other than that in which they obtained their professional qualifications, on either a self-employed or employed basis (article 2, align 1).

This regulation is subject to change according to the proposal for amending the Directive 2005/36/EC from 19.12.2011, COM (2011) 883 final[4][5]. Due to the fact that mobility of qualified professionals is low in the European Union, the European Council decided to initiate the procedure to amend the Directive 2005/36/EC.[6] There seems to be a major unexploited potential for mobility: according to a 2010 Eurobarometer survey (no.363)[4], 28% of EU citizens are considering work abroad. Recognition of professional qualifications is key to making the fundamental Internal Market freedoms work effectively for EU citizens. In addition, the potential of a more integrated services market remains unexploited in the area of professional services; whilst the Services Directive (123)[8] from 2006 offered new opportunities, the main focus of the Professional Qualifications Directive from 2005 was consolidation of 15[7] existing Directives into a single instrument.

Modernising the Directive would also respond to the needs of Member States facing increasing shortages of skilled workforce. Mobility of EU citizens within the single market is an important issue in this regard.

In its strategy for smart, sustainable and inclusive growth (Europe 2020), the Commission already highlighted the need to promote intra-EU mobility.[9] The New Skills and Jobs Agenda mentioned that “mistakes” in the EU labour market persist and that the potential of labour mobility is not sufficiently exploited. The Citizenship Report from 2010 also emphasized the need for modernisation in this area in the interest of EU citizens.

In its Annual Growth Survey for 2011 and 2012, the Commission presented recognition of professional qualifications as a major problem. The Single Market Act underlined the need for the modernisation of the existing framework, as part of the twelve levers aiming to boost growth and strengthen confidence amongst citizens. On 23 October 2011, the European Council invited the Institutions to undertake their utmost to reach a political agreement on these 12 initiatives in the Single Market Act, including on a Commission proposal for modernising this Directive. The European Parliament also called for urgent action in its Report from 15 November 2011[10].

The identified trends of this change are (according to the official document): Reducing the complexity of procedures through a European Professional Card which would further exploit the benefits of the already successful Internal Market Information System (IMI) (in the section 4.1); Reforming the general rules for establishing in another Member State or moving on a temporary basis (in the section 4.2., 4.3 and 4.4.); Modernising system of automatic recognition, notably for nurses, midwives, pharmacists and architects (in the section 4.5, 4.6 and 4.7); Offering a legal framework in the Directive for partially qualified professionals and for notaries (in the section 4.8); Clarifying safeguards for patients whose concerns over language skills and risks of malpractice should be better reflected in the legal framework (in the section 4.9.); Creating the legal requirement for provision of user-friendly and content-driven information on the rules governing the recognition

of qualifications underpinned by comprehensive e-government facilities for the whole recognition process (in the section 4.10); Launching a systematic screening and mutual evaluation exercise for all regulated professions in the Member States (in the section 4.11).

#### *Legal Framework –Romanian Regulation*

In Romania we have liberal economic professions / professional services and all of them have qualification requirements (formal certificates of qualifications – i.e. university degrees, length of practice and/or professional examinations).

According to the Law 31/1990 of companies, and Accounting law 82/1991, all companies fulfilling two out of three conditions (no of employees 50, turnover 7.300.000 euro and net assets 3.650.000) have to apply the 4th Directive and also the 8th Directive on Audit. According to mandatory legal requirements there are a large number of companies whom are subject of liberal professionals (either accountants or auditors).

While in some countries from UE (e.g. Netherlands) we can find a single „nominalization” for a liberal professional that can perform as accountant or as auditor, in Romania we can identify the two nominalizations and two different set of competencies for the respective liberal professions.

In what the Regulators of the liberal professions are regarded Romania has to layers of certification, firstly we have the Professional Bodies (CECCAR - Body of Expert and Licensed Accountants of Romania, CAFR- Chamber of Financial Auditors from Romania), and secondly we have the Finance Ministry that entitled the respective professional bodies to perform their activity. So, without the Ministry „aggregation” the two professional Bodies could have performed their activity, but without a formal recognition of its diplomas the members could have not performed their activity with a legal permission. It is the case of AAIR- Association of Internal Auditors of Romania – member of IIA – The Institute of Internal Auditors, who can organize a specialized professional training program, certify international internal auditors (namely the Certified Internal Auditor designation is the only globally accepted certification for internal auditors and remains the standard by which individuals demonstrate their competency and professionalism in the internal auditing field. Since the program’s launch in 1973, it has opened up countless doors of opportunity for practitioners around the world as it communicates their ability to serve as a key player in their organization’s success. Candidates leave the program enriched with educational experience, applicable knowledge, and business tools that can deliver a positive impact in any organization or business environment.) This certification it’s globally accepted, but in Romania in order to perform as internal auditor for companies whom have to apply the 8th Directive you have to be member of CAFR, moreover we have to pass the exams an follow up it main course of professional training.

## **Economic Professional services/ Romanian liberal economic professions**

### *Professional Bodies*

The Body of Expert and Licensed Accountants of Romania is the oldest Romanian professional body - in the economic area, established in 1921, is the representative organism of the accountancy profession in Romania, non-profit and of public interest, with a remarkable evolution at the national level, being represented in all 42 counties of our country by means of territorial branches.

CECCAR had several development stages during the inter-war period, the communist period and the post-revolutionary period. As concerns the post-revolutionary period, three stages can be distinguished: early stage during 1990 – 1999 and “workmanship of the accountancy profession” during 2000 – 2009, starting with 2010 the Body entered the “maturity period” characterized by reforms in all fields of the profession, through consolidation of the liberal accountancy profession and final assignation of the place and role of CECCAR within the Romanian economy and the European and international accountancy profession.

International cooperation was and remains the key of the successes achieved by CECCAR, which based upon application of the International Federation of Accountants (IFAC) standards, directives and recommendations of the European Commission and directions established by the manager of the accountancy profession at the European Union level, the Federation of European Expert Accountants (FEE).

The Body supports and promotes high quality professional practices through special concern for the competence, aptitudes and ethics of those involved in the profession. Due to its fundamental commandments, CECCAR provides quality assurance of the services supplied by its members, guarantees initial education and continuous development of the professional accountants, oversees knowledge and application of ethics and the deontological conduct of the professional accountants. By the activities it carries out, the Body encourages professional accountants to observe the moral values required for this profession, monitors that Romanian professional accountants, through the services they provide, always meet market requirements, business environment requirements and public interest.

The mission of the Chamber of Financial Auditors of Romania (CFAR) is to build on a solid ground, the identity and the public recognition of the financial audit profession in Romania, having as a main objective the sustainable development of the profession and its strengthening, in accordance with the Auditing Standards and with the Code of Ethics and professional conduct, by fully assimilating the International Standards on Auditing and the Code of Ethics issued by the International Federation of Accountants (IFAC), that will allow the Romanian financial auditors to provide high quality services, for the public interest, in general, and for the business community, in special.

The Chamber of Financial Auditors of Romania (CFAR) was established in 1999, it is relatively new, appeared as necessity to have a regulation body for financial

auditors. In order to accomplish its mission, the Chamber of Financial Auditors of Romania set the following objectives: To permanently develop the Romanian financial auditor profession, by assuming the responsibility of protecting the public interest, seeking to be sure that the financial auditors, CFRA members, observe the highest professional and ethical standards developed at the European or at the international level; To represent the financial auditor profession both at the national and international level and to promote the professional interests of the financial auditors, CFAR members, towards the public institutions and the national and international professional organizations in the area; To seek that the financial statements audit services performed to be of a higher quality, by permanently developing the quality assurance system, and at the same time ensuring the participation of the financial auditors and of the trainees in the financial audit in the continuous education and training programs organized by the Chamber on an annual basis; To seek the CFAR development, the promotion of its trademark, the protection of its members wealth and interests, for the benefit of the financial auditor profession in Romania; To permanently seek to ensure the necessary conditions for the financial auditors, CFAR members, to practice the financial auditor profession with independence; To permanently communicate with the financial auditors, CFAR members, in order to identify their needs and to answer to these in an effective manner and in due time, ensuring this way the necessary support to perform high quality financial audit services that meet the exigencies of their clients; To actively and permanently promote the best practices in the area for the improvement of the financial audit services provided and to identify the trends in the Romanian and international financial audit services market which can impact the profession and to timely advise the financial auditors about the optimal conduct they should have; To make people aware about the role of the Chamber of Financial Auditors of Romania and to promote the cooperation with the Ministry of the Economy and Finance and with other state institutions, professional bodies in the area with the objective to develop the accounting profession in our country; To educate the public on the financial auditor, CFAR member, role and mission and to promote their involvement in all the areas of the profession.

*Being a Romanian professional in EU*

The market entry regulations for Romanian respect the international regulation. We can state that there is a licensing-model – and for common knowledge there has to be a licensing-model in all member states according to respective directives of the European Union, that mentions a minimum for economic liberal professions.

The member states of EU have a certain degree of freedom as to how organize the above mentioned licensing. The Table no.1 presents the basic organizational model for a number of 15 EU states as well as the question weather membership in a professional body is compulsory or not [3] .



Table 1. Basic organizational model for economic liberal professions

Country	Profession	Access to profession: level of regulation				Implementation of regulation by		Disciplinary sanctions decided by		Membership in a prof. assoc. compulsory?
		nat.	subnat.	gov.	selfreg.	gov.	selfreg.	gov.	selfreg.	
Austria	Beideter Wirtschaftsprüfer	X		X	X	X	X	X	X	Y
	Beideter Steuerberater	X		X	X	X	X	X	X	Y
Belgium	Chartered Accountant	X	?	X	?	n.a.	n.a.	n.a.	n.a.	Y
Denmark	State Authorised Public Accountant	X		X	X	X	X	X	n.a.	N
	Registered Public Accountant	X		X	X	X	X	X	X	N
Finland	KHT	X		X	X	n.a.	n.a.	n.a.	n.a.	N
	HM	X		X	X	n.a.	n.a.	n.a.	n.a.	N
France	Expert Comptable (Chartered Accountant)	X		X	?	n.a.	n.a.	n.a.	n.a.	Y
	commissaire aux comptes (Statutory Auditor)	X		X	?	n.a.	n.a.	n.a.	n.a.	Y
Germany	Wirtschaftsprüfer (Business Controller)	X		X	X	X	X	X	X	Y
	Verordneter Buchprüfer (Sworn Auditor)	X		X	X	X	X	X	X	Y
	Steuerberater (Tax Adviser)	X		X	X	X	X	X	X	Y
Greece	Orkston Elikton (Certified Public Accountant)	X		X	X	X	X	X	X	Y
Italy	Dottore Commercialista (Certified Public Accountant)	X		X	X	X	X	X	X	Y
	Regioniere Periti Commerciali (Accountant)	X		X	X	X	X	X	X	Y
Netherlands	Register Accountant (Public Accountant)	X		X	X	n.a.	n.a.	n.a.	n.a.	Y
	Accountant Administrative Consultant (Public Accountant)	X		X	X	n.a.	n.a.	n.a.	n.a.	Y
	Administrateur (Bokkkeeper)	X		X	X	n.a.	n.a.	n.a.	n.a.	N
	Beleestingsadviseur (Tax adviser)	X		X	X	n.a.	n.a.	n.a.	n.a.	N
Portugal	Statutory Auditor	X		X	X	n.a.	n.a.	n.a.	n.a.	Y
Spain	Audidores de cuentas (Accounting Auditor)	X		X	X	X	X	X	X	N
Sweden	Auktoriserad revisor (Authorised Public Accountant)	X		X	X	n.a.	n.a.	n.a.	n.a.	N
	Godkänd revisor (Approved Public Accountant)	X		X	X	n.a.	n.a.	n.a.	n.a.	N
United Kingdom	Revisor (Accountant)		X	X	X	n.a.	n.a.	n.a.	n.a.	N
	Chartered Accountant		X	X	X	X	X	X	X	(Y)
	Certified Accountant		X	X	X	X	X	X	X	(Y)
	Registered Auditor	X		X	X	X	X	X	X	Y
	Public Finance Accountant			X	X	n.a.	n.a.	n.a.	n.a.	N
	Management Accountant			X	X	X	X	X	X	N
	Insolvency Practitioner	X		X	X	X	X	X	X	Y
Luxembourg	Expert Comptable (Tax adviser)	X		X	X	X	X	X	X	N
	Réviseur d'Entreprises	X		X	X	X	X	X	X	Y
Ireland	Chartered Accountant	X		X	X	n.a.	n.a.	n.a.	n.a.	(Y)
	Certified Accountant	X		X	X	n.a.	n.a.	n.a.	n.a.	(Y)
	Tax Consultant/Tax Practitioner	X		X	X	n.a.	n.a.	n.a.	n.a.	N

Source: Paterson et al, 2005

Following the same model we will present the „state of the act” in Romania, so *in what the level of regulation of the access to profession is regarded* for CECCAR – accountants and CAFR – auditors we have national regulation for both professional bodies, self-regulated.

The second element to be studied is *implementation by regulation* it is well to be mentioned that there is a self-regulated clarification but enforced by a mandatory act from the Government.

In what the *disciplinary actions* are concerned these are decided by the professional body, of course following the regulation from the code of ethics etc.

*Finally* the membership in a professional body is compulsory in order to be part of the market services for accountancy services.

### Summary

Professionals with liberal economic professions from Romania can perform their activity in other Eu state only after a formal recognition of its capacity by the professional body from that state.

All the member states impose at minimum an interview to asses the language skills, the fiscal knowledge and the states law particularities. Nevertheless a compulsory membership for auditors in a respective professional body exists in Austria, Belgium, Denmark, France, Portugal, Germany, UK, Luxembourg, only Finland

and Sweden have no mandatory membership. In those two last cases the assessment will take place at the Ministry.

In the view of the following modification of the Professional Services Directive through a European Professional Card which will reduce the complexity of procedures we can identify an exponential increase of the economic liberal professional from Romania competitiveness and mobility. Another trend identified as the reformation of the general rules for establishing in another Member State or moving on a temporary basis giving an clear and formal act will also increase the competitiveness. And, finally launching a systematic screening and mutual evaluation exercise for all regulated professions in the Member States will definitely give a better access to other EU states market for professional services for Romanian economic liberal professionals.

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## ZARZĄDZANIE KARIERĄ W PRZESTRZENI EUROPEJSKIEJ DLA WOLNYCH ZAWODÓW GOSPODARKI RUMUŃSKIEJ

**Streszczenie:** Artykuł identyfikuje obecne możliwości dla rumuńskich specjalistów z obszaru ekonomii (księgowy, audytor) dla kontynuowania kariery w europejskiej przestrzeni, przedstawia również potencjalne możliwości z punktu widzenia zmieniających się dyrektyw. Poprzez wielokryterialne analizy, prezentujemy wieloaspektową sytuację która dzisiaj ma miejsce w we wszystkich krajach UE, nie tylko w Rumunii. Dlatego też zidentyfikowane potrzebę wspólnych ram dla wszystkich specjalistów z obszaru ekonomii, w celu uzyskania odpowiednio uregulowanego rynku obejmującego cały obszar UE i przestrzegającego jednego z fundamentów Traktatu UE: wolności pracy w każdym kraju członkowskim.

**Słowa kluczowe:** zarządzanie karierą, specjaliści ekonomiczni, księgowy, audytor, rynek UE.

### 歐洲航天事業的管理，為羅馬尼亞經濟自由職業者

**摘要：**本文指出目前為羅馬尼亞經濟專業（會計師，審計師）的可能性，在歐洲空間追求事業，它也提出了潛在的可能性，按照修訂後的指令。通過多判據的分析，我們提出了一個多面的情況，今天發生在所有歐盟國家不僅在羅馬尼亞。因此，我們確定了一個共同框架，從經濟自由職業者從歐盟國家所有的專業需要，為了尊重一個整個歐盟有一個適當的勞動力市場管理。