



Examination of Institutional Structures of Consumer Protection in the European Union Countries

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Abstract: *This paper deals with the institutional structures of the consumer protection and their public judgement in the Europe countries. It introduces three specific European institutional systems of consumer protection in view of governmental subsidies. It examines the public judgement of the institutional systems. The study is based on the presumption that the amount of state subsidy granted for consumer protection influences the level of satisfaction with both the governmental and non-governmental institutional systems as well as the level of trust placed in them.*

Keywords: *Institutional structure, consumer protection, public judgement*

I. INTRODUCTION

In the member states of the European Union nearly 500 million customers need to be provided by relatively standardised, high-level consumer protection. To make it possible, a system with appropriate tools and institutions is required that shows different characteristics from country to country. The aim of this study is to shortly describe the various structures of consumer protection institutions operating in Europe on the one hand and to analyse how satisfied the public is with the organizations and how much they trust in them on the other. The part of this study dealing with organisational structures is based on scientific literature and on legal processing, while the analysis of public judgement is based on secondary information, on the analysis of Eurobarometer and Flashbarometer survey results made by the European Commission. The assumption of the research is that the amount of state subsidy granted for consumer protection influences the level of satisfaction with both the governmental and non-governmental institutional systems as well as the level of trust placed in them. The assumption assumed that a higher amount of subsidy can result a more effective supervisory-, control activity of consumer protection and can result a higher level of consumer protection interest which is also perceivable by the consumers.

II. INTERPRETATION OF CONSUMER PROTECTION ACTIVITY AND INSTITUTION

In most cases we can meet with the questions of consumer protection in scientific literature in legal context, as the legislative activity can primarily be considered as consumer protection activity. We can speak secondarily about those activities which are dealing with enforcement and execution of legal rules concerning consumer protection, such as supervision, consultation, education and information provision. In a broader interpretation, activities of consumer interest examination, interest representation, situation examination, information collection as well as assistance in creation of consumer protection legislation also relate to this term.

The term of institution needs to be explained as well, as the domains of consumer protection use it in many different interpretations. The various possibilities of interpretation of the definition can be summarised below based on the work of Farkas. In an economic point of view, an institution can mean an organisation or a subsystem of the society. In a legal point of view, under institution we mean mainly legal institutions marking specific systems of the regulations and their execution. In a sociological point of view, the observable regularity of behaviour and the probability of attitudes and willingness for interpretation can also be called institution. The present study applies the term of institution for organisations of consumer protection and for authorities.

III. INSTITUTIONAL STRUCTURES IN EUROPE

Consumers' interests and rights are numerous and diverse by their nature, therefore the connecting institutions also form a complex system differentiated by countries. In the countries of Europe, as a result of different way of development, three typical institutional structures have been developed to perform consumer protection activity [6].

1. In performing consumer protection activities the **governmental system of institutions** is in the forefront. Such kind of system operates for example in the Scandinavian states (in Finland, Sweden, Norway) or in Denmark.
2. **The system of non-governmental organizations** is in the forefront in performing consumer protection activities. Such structure operates for example in Germany.

3. **The mixed institutional system.** Here the consumer protection activities are performed by governmental and non-governmental bodies together. This kind of system operates for example in Belgium, France and Spain.

In each country the three basic factors of consumer policy are the information, the education and the protection according to Torelli's matrix. In the most Western European countries the governmental consumer protection ensures the enforcement of consumer protection legislation in force by applying the state administration system – considering the fact that they have a very significant resource demand to perform these activities. It is typical for non-governmental bodies that they participate in establishing consumer protection policies and they help to explore problems of consumers by gathering information, they perform education activity concerning consumer protection, even can initiate procedures at court and operate consumer consulting offices. In the developed countries of Europe, these organisations are recognised and subsidized by the governments. Financial instruments required for their maintenance and operation are primarily provided by the state.

Table 1 shows the amount of subsidies provided for consumer protection by the national governments in 2006. It shows the data of countries sorted by the amount of subsidies for one thousand people in descending order. The highest amounts per capita are provided in Luxembourg and in Austria. The concentration of subsidies can be described by the number of subsidized bodies and the amount of subsidy per organisation. The amount of subsidy per organisation is the highest in Luxembourg, in Austria and in the Netherlands. It shall be noted that the number of subsidized organisations in these countries are also relatively low. France and Belgium are special because the number of subsidized institutions and the amount of subsidy per organisation are also high in both countries.

TABLE 1: STATE-PROVIDED SUBSIDIES FOR CONSUMER PROTECTION IN 2006

Countries	Amounts of state-provided subsidies (thousand €s)	Amount of subsidies per thousand people (€)	Number of consumer protection organizations (pcs)	Amount of state-provided subsidies per organization (thousand €s)
Luxembourg	830	1622	1	830
Austria	2235	266	3	745
Slovenia	374	182	6	62
Belgium	1673	153	15	112
France	7379	113	33	224
Sweden	965	102	3	322
Finland	521	97	2	261
Hungary	946	95	25	38
Czech Republic	750	71	10	75
Estonia	51	38	5	10
The Netherlands	438	26	1	438
Lithuania	72	22	7	10
Greece	250	22	42	6
Portugal	200	19	13	15
Poland	556	15	5	111
Ireland	65	15	1	65
Latvia	30	13	1	30
Slovakia	70	13	7	10
Bulgaria	30	4	10	3
Romania	40	2	1	40
Malta	0	0	0	0

*Data of Cyprus, Denmark, The United Kingdom, Italy, Germany and Spain are not available
Source: own edition based on Consumers in Europe

A. The Institutional System of Consumer Protection in Hungary

The institutional system of consumer protection in Hungary is based on three pillars. The complex institutional system is divided into governmental, non-governmental and arbitration body. (Figure 1) Basically, the governmental institutional system is in the forefront, however the non-governmental organisations are involved in many activities, therefore the situation of Hungary is a good example for presenting a mixed structure of institutional system.

The basic pillar is the sphere of governmental institutions, which comprises a structured institutional system differentiated by spheres of functions. In the recent years the composition of the governmental consumer protection system was severely restructured. Currently, the Ministry for National Economy – as one of the *legislative organization* – is responsible for consumer protection – under which control several governmental consumer protection bodies belong. The biggest of all of these bodies is the nationwide-authorized, *purely consumer protection oriented governmental body*, the Hungarian Authority for Consumer Protection (HACP).

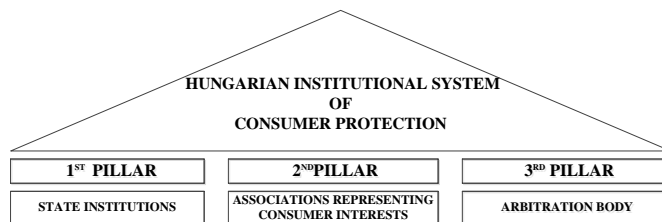


FIGURE 1: STRUCTURE OF THE HUNGARIAN INSTITUTIONAL SYSTEM

Source: own edition, 2012

The institution itself is financially self-managing, a budgetary body that has full authority over the state budget (Table 2.), which consists of a central institution and local inspectorates. Its activities primarily are to control and supervise the enforcement of provisions included in the Act on Customer Protection.[10]

TABLE 2: THE BUDGET OUTLINES OF THE HUNGARIAN AUTHORITY FOR CONSUMER PROTECTION (MILLION FORINTS)

Descriptions/Years	2008	2009	2010	2011	
Subsidies	3 285	3 300	3 083	818	
Incomes	50	50	35	19	
Expenses	Personal Allowances/Salaries	1 748	1 802	1 798	543
	Taxes to be paid by employers	556	573	485	159
	Material expenses	934	879	834	94
	Institutional investment expenses	97	97	-	40

Source: own edition by using acts on state budgets

Besides the HACP, there are governmental authorities performing special supervisory activities, for example the Hungarian Competition Authority responsible for supervision of market competition or the Hungarian Financial Supervisory Authority controlling financial markets. The consumer's health – which enjoys priority in every country – is protected by a separate body or organizations. The central body in Hungary is the Central Agricultural Office, besides that the National Public Health and Medical Officer Service also performs such kind of activity. Moreover, there are other organizations not falling under any of the above mentioned three categories, just like the ombudsmen, or the conciliatory corps.

In the domestic institutional system the 2nd pillar consists of associations representing consumer interests, i.e. the non-governmental organizations. According to Section 45 of the Act CLV of 1997 on customer protection these organizations represent the interests of the consumers, initiate investigations and proceedings and collaborate in the development of consumer policy. Their other spheres of activities are provision of information, consultation and education. The subsidization of associations representing consumer interests is ensured by the state in the annual act on the yearly state budget. The amount of subsidy was HUF 260 million in 2008, HUF 309 million in 2009 and also in 2010, while in the last year; in 2011 the subsidy has decreased in a great extent to 45 per cent of the amount of the previous year, i.e. to HUF 140 million. The number of non-governmental consumer protection organizations operating in the country can be estimated to be approximately 100. The third pillar of the institutional system comprises the bodies of local governments but their role in the present system is still fairly small.

B. The Institutional System of Consumer Protection in the United Kingdom

The institutional system of the United Kingdom – similarly to the Hungarian system – is structured by function. The institutional system can be divided into organizations performing implementation and consultation, responsible for informing and supporting the customers. (Figure 2.)

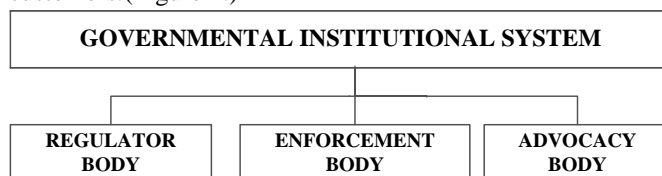


FIGURE 2: STRUCTURE OF THE INSTITUTIONAL SYSTEM IN THE UNITED KINGDOM

Source: own edition, 2012

Currently, consumer protection activities are carried out by four main organizations. The largest independent consumer protection authority is the Office of Fair Trading (OFT), whose task is to supervise the competition and to facilitate the proper market operation. The responsible institute of the execution is the Trading Standards Institute (TSI) which operating with approximately 200 regional and local level offices helps the protection of consumers nationwide while it is in close contact with the OFT. Similarly to the Hungarian HACP, its duties include information provision, investigation of complaints and control of the enforcement of legal regulations. The main body for informing and

patronizing the consumers is the Consumer Focus, while the main body for provision consultation is the Citizens Advice.[2].

Nowadays, the restructure of institutional duties is being prepared. The aim of the on-going transformation is to eliminate duplication between organizations, improve efficiency meanwhile reducing costs. For the enforcement of the Act on Consumer Protection the government spent 247 million pounds in the years of 2009 and 2010; 86 % (213 million pounds) of the money was granted to the TSI. This amount is planned to be reduced to 140-170 million pounds, i.e. to 65-80% of the above amount by 2014. [1]

There are non-governmental organizations also in the United Kingdom with number of years of history. The oldest from them is an independent organization called „Which?“ which has been trying to provide impartial advice for the consumers for more than 50 years. It also performs some activities belonging to the competence of the consumer protection authority without receiving any state subsidy.

C. The Institutional System of Consumer Protection in Germany

In general German consumer protection has a strongly interventionist nature and it focuses on methodology and coherence in the legal system. [9] On a state level the consumer protection belongs to the Ministry of Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz (BMELV), however the 16 independent states (Bundesländer) are responsible for the enforcement of consumer protecting regulations. The Ministry, based on the Budget of 2012, has earmarked 146, 8 million Euros for consumer protection policy, which is 11.5 million EUR less than the previous year of 2011. In Germany, consumer protection is based on the principle of prevention, therefore the highest amount of subsidy, i.e. EUR 65.7 million is provided for the Bundesinstitut für Risikobewertung (BfR), i.e. the Institute for Risk Assessment. The main body of food safety is the Verbraucherschutz (BVL), which is provided with 20 million Euro subsidies. [3]

One of the biggest non-governmental organizations is the Verbraucherzentrale Bundesverband (VZBV), which forms a federation of 41 consumer associations, 16 consumer advisory centres and 25 other organizations dealing with other consumer policies. The Association represents the interests of consumers in public; it is even allowed to initiate legal procedures and works together with the establishers of the consumer protecting policies, authorities and companies on national and international level. The advisory centres handle approximately four million individual complaints every year, which activity is financed by the federal government and from financial resources provided by the states as well as by their income from their publications. The budget of the BMELV for the year 2012 planned to provide the same amount of money for VZBV as in the last year, i.e. 8.7 million Euros. The second largest consumer organization is the Stiftung Warentest Foundation, which carries out independent tests mainly in the field of households, healthcare, financial and insurance services. Almost 90 per cent of their income is coming from publishing of Test, Finanztest and other publications.

IV. PUBLIC JUDGEMENT ON INSTITUTIONAL SYSTEMS

The surveys of the European Commission based on public opinion researches have a great history. More of these researches are focusing on consumer protection; however there are some of which only partially relates to consumer protection. Main issues examined in relation to consumer protection concerns with consumer consciousness, consumer and corporate awareness, organizations of consumer protection and with the exploration of other consumer protection problems. Significant information base has been established for the cognition of the public judgement on the institutional system from which this overview natured research would like to rely on the most important information. In my opinion, satisfaction with the operation of the organizations and trust in them are the factors among these, which can the most directly express the views of the consumers. The study has collected and re-directed the information that can be connected to the two topics in accordance with the above researching aim.

A. Satisfaction with the Operation of the Organizations

Information related to satisfaction with the operation of the organizations are focusing on the fact that how satisfied was the part of the population, – which has also turned to a consumer protection organization with some problem – with the given institution. Information gathered in relation to this is summarized in Figure 3.

According to this, the average satisfaction level is 50 per cent considering all the surveyed countries. So in fact only half of the population was satisfied with the management of their consumer protection problems. The German and the French citizens are the most satisfied with the complaint-handling activity of the organizations (their satisfaction level is 18 or 15 per cent over the average).

I have examined whether there is any relationship between the level of satisfaction with organizations and the amount of state subsidy granted per thousand capita (see Table 1). By carrying out a correlation test it can be stated that positive moderate relation can be shown between the two factors (Pearson's correlation coefficient: 0.565). The positive relationship may refer to fact that organizations with greater financial resources are able to carry out their duties at a higher level, which is also perceivable for the consumers.

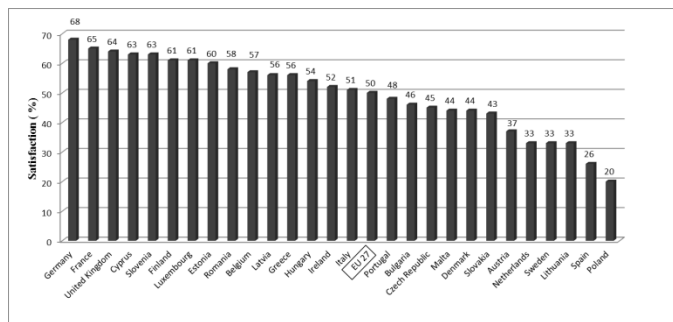


FIGURE 3: SATISFACTION WITH ORGANIZATIONS OF CONSUMER PROTECTION, 2010
Source: own edition based on Special Eurobarometer 342, 2012

B. Confidence in Organizations

The examination of trust placed in organizations consists of systematic collection and reorganization of the information base of several researches and the statistical analysis of the data. I have collected the data concerning the trust placed in governmental and non-governmental organizations by some EU countries. The study covers a period from 2006 to 2010. I have analysed the data according to time planes firstly, secondly to EU averages in a consolidated way and thirdly dividing the EU countries into two groups – to the EU 15 states and to the newly joined 12 EU member states. Figures 4 and 5 illustrate the level of trust placed in organizations of consumer protection.

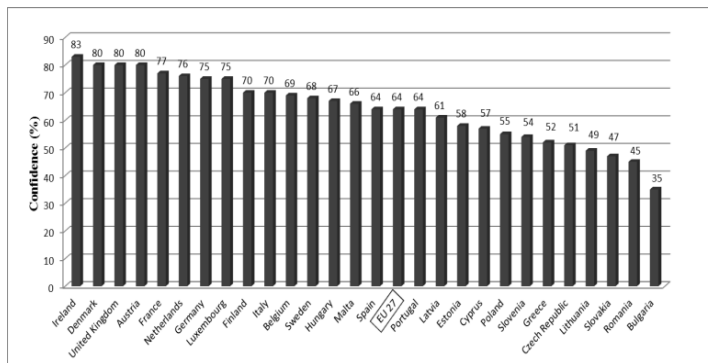


FIGURE 4: CONFIDENCE IN GOVERNMENTAL CONSUMER PROTECTION AUTHORITIES, 2010

Source: own edition based on Flash Eurobarometer 299, 2012

62 per cent of the EU population trust in governmental organizations. The average level of trust placed in the non-governmental organizations is higher with 2 per cent compared to the governmental organizations.

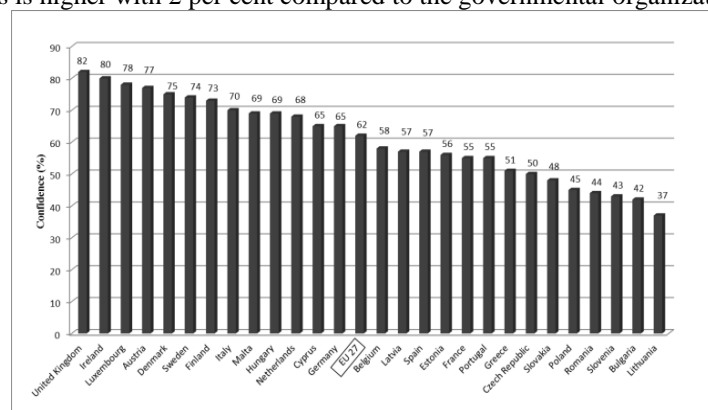


FIGURE 5: CONFIDENCE IN NON-GOVERNMENTAL ORGANIZATIONS OF CONSUMER PROTECTION, 2010
Source: own edition based on Flash Eurobarometer 299, 2012

Although nearly the same level of trust in non-governmental and governmental organizations has been developed averagely in 2010, this can be thanked to a long-term approaching tendency.

Previously, there was greater difference between the levels of trust placed in the two organization types considering at the European Union level. As table 3 illustrates, the difference was 9 per cent in 2006 in favour of non-governmental organizations (54 per cent was granted for governmental, 63 per cent for non –governmental organizations). The approach of the two types of trust level occurred besides the general increasing trend of trust placed in consumer protection institutions. The average level increased from 58% to 63%.

TABLE 3: LEVEL OF CONFIDENCE IN GOVERNMENTAL AND NON-GOVERNMENTAL ORGANIZATION BETWEEN 2006-2010 IN THE EXAMINED COUNTRY-GROUPS

Denomination	Examined groups	2006	2008	2009	2010
Confidence in non-governmental organizations (%)	EU 15	70	68	68	73
	Countries joined after 2004	50	40	39	42
	European Union in total	63	64	64	65
Confidence in governmental organizations (%)	EU 15	60	57	58	66
	Countries joined after 2004	42	42	43	48
	European Union in total	54	54	55	62
Confidence in governmental and non-governmental organizations in total (%)	EU 15	65	62	63	70
	Countries joined after 2004	46	41	41	45
	European Union in total	58	59	60	63

Source: based on the database of Special Eurobarometer 252, 298 and Flash Eurobarometer 282, 299, own edition

The development of trust placed in non-governmental and governmental organizations regarding the two country-groups shows important differences and specialties. In the beginning of the examined period the level of trust of the population of EU 15 in non-governmental consumer protection organization that was higher with 10 percentage points than in the governmental ones. This difference decreased to 7 percentage points by 2010 due to the fact that the trust placed in the non-governmental organizations increased at a lower rate than in the case of governmental organizations (3 percentages and 6 percentages). On the contrary, at the countries which joined later, the situation has been reversed partially. The trust placed in non-governmental organizations has decreased (8 per cent), however regarding the governmental organizations; the level of trust has increased (6 per cent). The level of trust placed in consumer protection organizations in the newly joined EU countries is significantly lower in general than in the EU 15. The 24 percentage difference can be considered so essential that it raises further analysis of the issue. This has been developed as an average of a 30 percentage lag at the non-governmental organizations and an 18 percentage lag at the governmental organizations. Another specialty of the later joined countries that while in 2006 they trusted more in non-governmental organizations than in governmental institutions, from 2008 the order has been reversed. I assume that statistics of worse perception of the inhabitants in Romania and Bulgaria played role in this. However its accurate exploration certainly requires a deeper examination.

I searched for relation between the level of trust placed in non-governmental and governmental organizations and the amount of granted subsidy thousands of per capita. In this case, a significant relationship could have been demonstrated. In every year – from 2006 to 2010 – a moderately strong positive relationship could have been demonstrated based on the Pearson's correlation coefficient between the amount of subsidy granted for thousands per capita and the level of trust placed in non-governmental organizations. While there was a significant relationship regarding the non-governmental organizations in every year, however in 2010, the relationship regarding the governmental organizations could only have been demonstrated, which strength was weaker and had positive direction. I have excluded Ireland, Luxembourg, Lithuania and Slovenia from the examination due to their unique characteristics.

Further notable particularity based on public perception is that the satisfaction level of managing affairs and the average level of trust differ significantly from each other. The level of trust placed in organizations is much higher than the level of satisfaction with the complaint handling activity. Two-third of the EU population trust in consumer protection organizations, while only half of them are satisfied with managing the affairs. There are also significant differences regarding this issue examining the two country-groups. Almost 70 per cent of the population of the EU 15 countries trust in consumer protection organizations, however only 55 per cent is satisfied with them. On the contrary, the difference is only 6 per cent regarding the later joined countries.

Examining the country particularities it can be stated that the population of Germany and France are the most satisfied with the operation of consumer protection organizations. The examination of the level of trust placed in organizations showed that the customers of the United Kingdom – the level of satisfaction are also high here – and Ireland trust the most in the institutions, while the customers of Bulgaria trust in them the least. Among the new joined countries only the customers of Hungary trust in organizations above the EU average.

V. CONCLUSION

The importance of the institutional systems of consumer protection is not a question anymore. However, to enable the system to be efficient, the proper establishment and operation of these systems is essential. In the relatively developed countries of the World and in Europe we can meet with different institutional structures. In Europe, three different structures can be observed: either governmental bodies, non-governmental organizations or these two both plays active

role in provision of consumer protection. The study illustrates a typical example for each type. Thus the United Kingdom illustrates the model where the consumer protection activities are carried out by governmental organizations; Germany illustrates the model where such activities are mainly carried out by non-governmental organizations; and Hungary illustrates the model of a mixed institutional system. The second part of the study examined the public perception of the consumer protection organizations in all the EU-member countries based on the amount of the granted state subsidy, level of satisfaction with organizations and the level of trust placed in them. After the processment of the secondary information, it could have been stated that my initial hypothesis was correct. There is a relationship among the amount of state subsidy provided for consumer protection, the level of satisfaction with the institutional system of consumer protection and the level of trust placed in them. It can be clearly demonstrated that in cases where the government spends higher amounts on consumer protection, the customers are more satisfied. At EU level, the level of trust placed in governmental and non-governmental organizations is almost the same in the recent times; however significant differences can be discovered in the different country-groups. Examining the two country-groups it could have been stated that the population in the earlier joined countries trust more in the governmental and non-governmental countries with 24 percentages than the population in the newly joined member states. While the consumers of the EU 15 trust more in non-governmental organizations, the population in the later joined member states trust more in governmental institutions. At EU level, the difference is also essential between the level of confidence and the level of satisfaction. It is slightly controversial, however significant difference can be observed at the earlier joined member states. First of all the country-group differences should be explored for the establishment of the goals of institutional developments, furthermore the reasonable background of organization typed differences should be taken subject to a separate, thorough investigation and analysis.

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