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## **Risk in Contemporary Economy**

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### **Employment and Entrepreneurship. Strategic Orientations in Current Economic and Social Development**

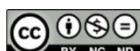
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## Employment and Entrepreneurship. Strategic Orientations in Current Economic and Social Development

Daniela NECHITA<sup>1</sup>

### *Abstract*

*Any free market economy is facing the problem of higher or lower unemployment rates. At a national level, it is important to increase employment opportunities, reduce poverty and promote full participation in society and the economy, and encourage elderly people to remain active on the labor market longer. In addition, financial sustainability is vital to guaranteeing rights and encouraging participation in society and the labor market. Social benefits systems should be centered on ensuring income security in transition periods and on poverty reduction, especially for groups at the highest risk of social exclusion.*

**Keywords:** *employment, entrepreneurship, exclusion, employment rate, unemployment rate, level of training.*

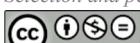
### 1. Introduction

The Chapter of Introduction should refer to the context of the research.

In recent years, millions of people have lost their jobs at the European level and have been more affected by poverty and social exclusion, and this situation has led to reforms and measures to improve the situation. In this difficult context, the National Employment Strategy 2014-2020 has as its main objective to work on the efforts to achieve the employment target set by Romania for 2020, namely a 70% employment rate for the population aged 20-64 years old [1].

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Achieving this goal will be the contribution of our country to achieving the European employment target set by the Strategy Europe 2020, which aims to make Europe's growth smart, sustainable and inclusive, and to find ways to create new jobs.

Demographic developments, structural and volume changes in labor resources in our country over the last 10 years have generated a generally less favorable context for achieving full, quality, sustainable and inclusive employment. Some of the demographic trends will have far more significant effects for future periods, and the design and, especially, effective implementation of the employment strategy must assess and establish the causal links between demographic resources and expected outcomes.

Globalization has generated major transformations in the lives of most people, especially from a labor perspective. In essence, under the impact of pressures exerted by the economic and social environment, labor markets have undergone major transformations from occupational structure [2] to forms of employment, working time or work implications on individuals' health and personal lives. The general framework of national economies in the context of marginal and somewhat passive social protection measures, emphasizes poverty and social exclusion.

The main channel for the spread of poverty is deemed to be represented by the labor market, unemployment being the form of social exclusion with immediate effect and with a major impact on individual welfare. Thus, one of the most relevant indicators for the economic and social situation, along with GDP [3], is the unemployment rate, but labor market exclusion knows other equally serious or even worse phenomena, such as unregistered work and unpaid labor. The current economic situation has accentuated the social problems of vulnerable groups, so efforts have shifted from employment to identifying sources of income needed for survival.

Social entrepreneurship is a challenge for our country, taking into account the economic and social crisis, the scale of poverty and social exclusion affecting important segments of the population, unemployment and significant deficiencies in the provision of social services, but it is at the same time an opportunity to be capitalized. Social entrepreneurship can be a lever in supporting economic growth and will certainly be a major source of social value creation through the social inclusion of vulnerable groups, by developing social capital in communities and by regulating and legitimating entrepreneurial activities.

## 2. Labor market and employment. Social and structural aspects

This chapter should include an overview of the scientific literature in the field of the topic researched. The literature review should be synthesized, including the most important references to the topic.

Romania, from a demographic point of view, is experiencing a decrease in the labor force caused by the aging of the population, significant birth reduction and emigration, which has generated major imbalances in the education systems, the labor market, social protection system, but also in the evolution of the population structure [2].

The population decreased by 7.2% between 2002 and 2011 [4], and according to the information provided by the National Institute of Statistics in 2013, approximately 2.3 million Romanians lived abroad, representing 12% of the total population Residents [5]. Thus, the demographic forecasts show a steady decrease in the total population and working-age population, correlated with an increase in the elderly dependency rate, which at around 2013 was around 23.9% [6] and estimates foresee that it would double by 2050. These demographic trends affect medium to long-term economic growth. In addition, employment is limited by the low activity rate.

Among the most significant labor market orientations we mention:

- ✚ increasing participation in the labor market for women and men, reducing structural unemployment and promoting job quality;
- ✚ developing a well-qualified workforce responding to the demands of the labor market and promoting lifelong learning;
- ✚ improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education;
- ✚ promoting social inclusion and combating poverty.

Given the challenges of the labor market, it is necessary to provide sufficient resources to promote active policies, but also to develop a better system for monitoring the impact of these expenditures. The further decrease of the resources allocated to the active employment measures [7] will accentuate the difficulties of integrating on the labor market the persons belonging to the vulnerable groups, i.e. young people, long-term unemployed persons, elderly unemployed people, inactive people who want to enter the labor market.

Education is very important in the development of individuals, and yet there are a number of structural barriers that create and perpetuate the exclusion of certain social categories, such as Roma people or people with disabilities. The labor market is by definition an imperfect market,

characterized by various structural dysfunctions, excluding certain segments of the population more than others. The most well-known form of exclusion in the labor market is unemployment, which has been, and still is, a problem that affects all countries.

In line with the 2014-2020 National Youth Strategy, the most important employment objectives pursued which ensure a high level of growth and employment are:

- increasing the employment rate for certain population structures: young people aged 15-25; People with disabilities and ethnic minorities;
- adopting measures to encourage the employment of young people on the labor market;
- increasing access to social services for the care of children and dependents;
- promoting a legislative system to facilitate the transition between education and the labor market;
- granting tax incentives to create new jobs, especially for young people aged 15-25, but also for people over 45;
- stimulate the mobility of young people at their first job;
- a better absorption of ethnic minorities: training sessions, specialization courses, counseling, etc.;
- developing active policies aimed at rapidly integrating young people into the labor market.

The Romanian labor market continues to be characterized by the persistence of a low employment rate and high inactivity rates, which is accompanied by a fall in the working age population as a result of population aging and emigration [8], as well as under-employment in certain sectors of activity. Table no. 1 shows the evolution of the main population structures by sex and environment in the time span 2000-2016. Thus, the downward trend can be observed for all population categories, respectively for the total population, for the active available population and employed population respectively. The employment rate in Romania was, at the level of 2013, the lowest in the whole European Union, and the proportion of newly employed persons in the total number of employed persons is low, ie 5.7%, compared to the EU average 13.3%.

**Table 1.** Population evolution by sex and environment

| Population structures    | 2000   | 2005   | 2010   | 2011   | 2016 |
|--------------------------|--------|--------|--------|--------|------|
| Total population - total | 22.435 | 21.623 | 21.431 | 21.354 | -    |
| Male                     | 10.968 | 10.543 | 10.434 | 10.392 | -    |
| Female                   | 11.466 | 11.080 | 10.997 | 10.961 | -    |

|                             |        |        |        |        |       |
|-----------------------------|--------|--------|--------|--------|-------|
| Urban                       | 12.244 | 11.879 | 11.798 | 11.727 | -     |
| Rural                       | 10.190 | 9.743  | 9.632  | 9.627  | -     |
| Active population - total   | 11.283 | 9.851  | 9.965  | 9.868  | 8.879 |
| Masculin                    | 6.089  | 5.431  | 5.549  | 5.457  | 5.093 |
| Feminin                     | 5.194  | 4.420  | 4.416  | 4.411  | 3.789 |
| Urban                       | 5.348  | 5.361  | 5.538  | 5.563  | 4.979 |
| Rural                       | 5.935  | 4.490  | 4.427  | 4.305  | 3.900 |
| Employed population - total | 10.510 | 9.154  | 9.243  | 9.131  | 8.394 |
| Male                        | 5.630  | 5.012  | 5.106  | 5.026  | 4.792 |
| Female                      | 4.879  | 4.136  | 4.126  | 4.116  | 3.602 |
| Urban                       | 4.749  | 4.979  | 5.027  | 5.075  | 4.741 |
| Rural                       | 5.744  | 4.256  | 4.207  | 4.067  | 3.653 |
| Unemployed- total           | 394    | 315    | 338    | 335    | 485   |
| Male                        | 261    | 217    | 233    | 223    | 301   |
| Female                      | 145    | 114    | 115    | 119    | 184   |
| Urban                       | 272    | 214    | 238    | 233    | 238   |
| Rural                       | 106    | 107    | 101    | 107    | 247   |

Sursa: [www.inssero.ro](http://www.inssero.ro);

The employment rate of the available active population decreased in the analyzed time span, from 48% in the year 2000 to 42.7% in 2011, while the share of inactive persons grew from 48.5% in 2000 to 53.9% in 2011, which led to the increase of these proportions for the year 2016. It is worth mentioning that the employment market in our country is growing, but it remains below the EU average and the national target within the Europe 2020 strategy is 70% [9].

As far as the employment of women is concerned, it can be noticed that their share is continuously decreasing, a trend that is also preserved on residence areas. The number of unemployed registered steady increases over the period 2000-2016, both by sex and by medium.

On the other hand, barriers to worker mobility must be removed at national level, increasing the employment of low-skilled workers and the elderly, and implementing systems to support young graduates in finding their first job. To this end, economic and social development must provide the necessary skills for citizens to meet labor market requirements, improve access to vocational training and strengthen the education and vocational guidance system by anticipating skills needs.

The employment rate is particularly low among young people [7] and it is drastically falling among people over the age of 55, while women's rates of activity are drastically reduced since the age of 50. The employment of older people is affected by early retirement, the average duration of employment is 32 years, compared to 35.1 years in the EU at the level of 2013.

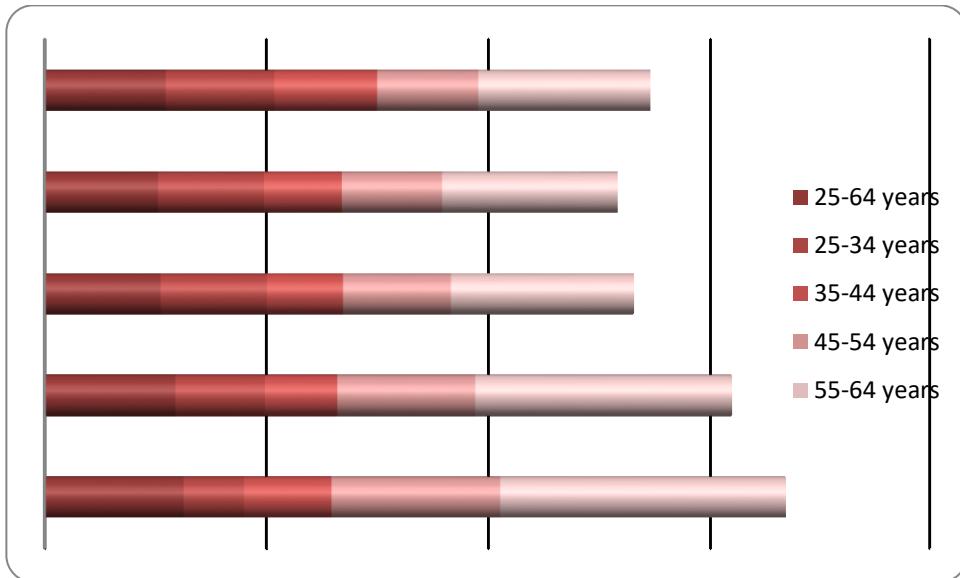
Unemployment among young people reached 24% in 2014, thus well above total unemployment and showing regional variations. Data on youth unemployment at regional level shows that there are significant regional differences, ranging between 36.3% in the Center region and 11.9% in the North-East region. Much of the youth unemployment is chronically over 1 year, so 43.3% of the total unemployed aged 15-24 are long-term unemployed [10]. The long-term unemployment rate among young people aged 15-24 was 13% in 2011 compared to 3.2% on the total active population. A considerable number of unoccupied young people, both in the 15-24 age group and the 25-34 age group, have dropped out of work for various reasons.

**Table 2.** Unemployment rate by age group

| Age categories | 2000 | 2004 | 2010 | 2011 | 2014 |
|----------------|------|------|------|------|------|
| 25-64 years    | 31,3 | 29,4 | 26,1 | 25,5 | 27,2 |
| 25-34 years    | 13,6 | 20,2 | 23,9 | 23,9 | 24,5 |
| 35-44 years    | 19,7 | 16,3 | 17,2 | 17,5 | 23,2 |
| 45-54 years    | 38,0 | 31,1 | 24,3 | 22,6 | 22,8 |
| 55-64 years    | 64,4 | 57,7 | 41,1 | 39,5 | 38,7 |

Sursa: [www.insse.ro](http://www.insse.ro)

On the whole of the national economy, in the time span 2000-2014, as can be seen from the table, the unemployment rate for the available active persons decreased, but the segments 25-34 years and 35-44 years respectively were registered with important increases, as is also apparent from the graphical perspective.

**Graphic 1.** The evolution of the unemployment rate in the period 2005-2011

As far as the level of education is concerned at national level, at least 80% of people with university studies, even short-term, are employed. The most important factors that have a significant impact on employability are: the residence environment, the size of the place of residence, age, gender, level of education, ethnicity, salary level, etc.

Ensuring adequate investment in education and increasing its effectiveness continues to be a challenge. Thus, public spending on education amounted to 3.0% of GDP in 2012 [9] being one of the lowest in the EU, these annual expenses in public and private institutions for each pupil in primary and secondary education are only quoted in a quarter of the EU-28 average, according to Eurostat estimates.

The issues that have a negative impact on the quality of education are:

- ✚ low investment in education;
- ✚ an increase in the dropout rate, a rate that is well above the EU average;
- ✚ the difficult integration of ethnic minorities into educational structures;
- ✚ unequal availability and limited access to rural children's education services;
- ✚ developing skills that are not relevant to the labor market;
- ✚ poor training/skills of the young labor force.

Participation in lifelong learning activities continues to be among the lowest in the European Union. Although there has been a slight increase,

participation in lifelong learning activities has remained at 2%, well below the EU average of In 2013, which is of 10.5%, and among the factors that have led to this situation we mention: the existence of barriers to the educational supply and demand; The absence of training programs based on social partnerships; limited access to pre-learning validation and certification systems and educational offers inconsistent with labor market requirements.

**Table 3.** Training level for people aged 25-64

| Levels of training                    | 2004 | 2010 | 2011 |
|---------------------------------------|------|------|------|
| Share of people with higher education | 10,5 | 13,6 | 14,6 |
| Share of people with medium education | 60,1 | 60,2 | 59,9 |
| Share of people with low education    | 29,4 | 26,2 | 25,5 |

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The number of young people who are not involved in any professional activity and do not attend any education or training program is high, of 17% of the young population aged 15-24, and over 60% of them are economically inactive, representing the third largest proportion in the EU.

The lowest training attendance rate is registered among employees with low levels of education and professional qualifications, rates that are also lower in rural areas than in urban areas and for men as compared to women.

The tertiary education graduation rate in Romania is still the penultimate place in the EU, accounting for 23% in 2013, well below the European average of 37%, although it has steadily increased in the period 2010-2013.

The relevance of university education for the labor market is a major concern, as links between universities and innovation and research areas are limited, and the process of adapting university curricula and teaching methods to labor market demands is slow. The chart shows a significant increase in the number of persons with a higher level of education and an insignificant reduction of those with an average level of training. At national level, the most important challenges for medium (vocational and technical) education include improving the capability of anticipating labor market needs and developing a set of common principles for a coherent development of qualifications.

On educational levels, the decline in the employed population (aged 15-64) is manifested for the medium-educated population and for the low-educated population, while for the population with higher education there is a positive evolution of occupation. This development, contrary to the

general trend of reducing the employed population, led to important changes in the structure, the share of the employed population with higher education in total employment increasing from 9.8% in 2000 to 18.6% in 2012. This change in structure can be interpreted as a tendency to improve job quality [11].

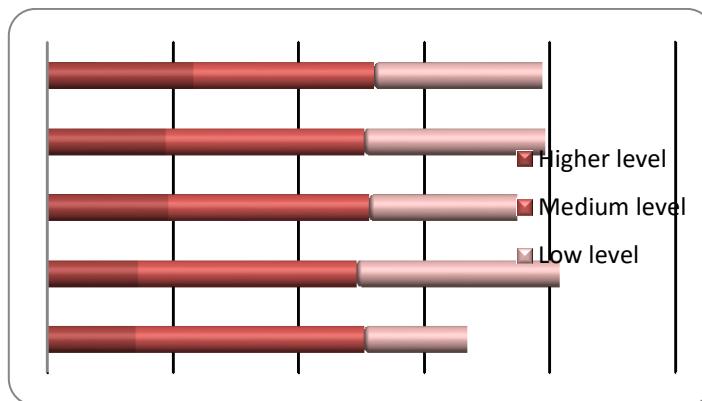
**Table 4.** Unemployment rate by level of education

| Unemployment rate | 2000 | 2004 | 2010 | 2011 | 2014 |
|-------------------|------|------|------|------|------|
| Higher level      | 3,5  | 3,6  | 4,8  | 4,7  | 5,8  |
| Medium level      | 9,1  | 8,7  | 8,0  | 7,9  | 7,2  |
| Low level         | 4,1  | 8,1  | 5,9  | 7,2  | 6,7  |

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Taking into account the projections for the continuation of the job creation trend demanding a high level of education, with a view to 2020, the share of the employed population with higher education in the total employed population must continue its upward trend. Unemployment rate per education level increased in the period 2000-2014 on the upper and lower level, even by 2 percentage points, while the unemployment rate on the average level of education also decreased by about 2 percentage points, as can be seen from the graphical perspective.

**Graphic 2.** The evolution of the unemployment rate in the 2004-2011



A special risk is the fact that the graduation of higher education does not improve in Romania, contrary to the global trend, the chances of success on the labor market. Thus, if unemployment among persons aged 25-29 who graduated from upper secondary education was 9.2% in 2010, the level was 9.6% for graduates of higher education. In order to ensure access to quality education and training and to improve educational outcomes, it is

necessary to invest in education and training systems, in particular to raise the level of competence of the workforce, allowing it to respond to the needs arising from rapid changes in modern labor markets and society as a whole.

### **3. Entrepreneurship and employment**

The research questions will operationalize the research problem, showing what part of the problem is being solved by this article's contribution. If preferred, in this chapter there can also be presented the objectives of the research.

This chapter could include the Purpose of the Study, or Hypotheses, if the research is based on validating certain hypotheses.

### **4. Research Methods**

In this chapter the author should present and discuss the research methods used in obtaining data/results. We suggest the detailing of the research methods, of the period of application, the means of application, the sample, methods, etc.

The high rate of poverty in work refers to the situation where income earned from work does not allow the person and the family, who is in his/her care, to escape poverty. Although occupation is seen as the best way out of poverty, people are working and at risk of poverty at the same time. Access to employment is not sufficient to improve their situation, and low productivity and low wages deepen the state of poverty in work. The main factors determining the occupation with a risk of poverty are: family composition, low work intensity and low wages, individual characteristics; institutional factors and the structure of the economy or the labor market. The social differences between the urban and the rural areas continue to be considerable, with a poverty rate in the year 2010 of three times higher in the rural area compared to the rural one, while the share of people with higher education was 23% in urban areas compared to only 3% in rural areas [12].

At the level of our country, the most serious issue is the socio-economic exclusion, which is the expression of the state's failure to ensure a certain social welfare for its inhabitants and the structural exclusion generated by the institutional system (exclusion of certain social groups, lack of social policies appropriate to the needs of the population) and by the territorial or community affiliation of the inhabitants (insufficient community resources).

The progress made by the Romanian society in the process of European integration has generated additional opportunities resulting from mobility, social contacts, access to information and quality goods or services, but these have overlapped with the negative effects generated by wage disparities, corroborated with the existence of difficulties in supporting and promoting active social policies appropriate to the current economic context.

At the same time, special emphasis is placed on improving social protection, social security and pensions, as well as on active inclusion policies, in the context of ensuring financial sustainability in order to increase citizens' participation in society, the economy and the expansion of employment opportunities.

The young labor force [9] is one of the most important resources to reach the European target, but the access to employment for young people is low. Only for the 30-34 age group there is a rate of employment close to the European one of 77.1%, all other age groups being considerably below the EU-28.

Young people in Romania have access to the labor market later and to a lesser extent, and their incomes are lower. Thus, at the level of 2010, Romania had the highest poverty rate among young people aged 18-24 working: 30.7% of them were poor, while in EU-28 the value was 11.2%. If, at a European level, young people are more likely to be engaged in temporary or part-time employment, which is both an opportunity and an occupational vulnerability, young Romanians face a rigid labor market, with no flexible forms of employment available, which would allow further studies alongside employment.

Only 17.3% of the young people aged 15-24 employed in our country worked in 2010 with a part-time work program compared to 28.9% in the EU-28. While 42.1% of young people aged 15-24 employed in the EU-28 have a temporary job, only 3.1% of Romanian young people are temporarily employed in the workplace. More than 85% of people employed on a temporary basis in Romania said they were working for temporary periods just because they did not find a stable job, almost 7% above the EU-28 level.

The higher spread in Romania of temporary and part-time employment among young people than among adults is more of a barrier to the entry into the labor market for young people rather than being a feature of a flexible labor market with alternative forms of employment or a probationary period for long-term employment.

Regarding the business environment, about 27% of young people in Romania have expressed their willingness to open a business [12]. The most

targeted areas for young people are trade, services and consultancy with 30%, and 18% for agriculture, animal husbandry, fish farming and forestry. On the second level, there are interior and interior finishing with 11%, as well as IT and communications with 10%. On the other hand, in Romania 1 young person out of 100 decide to start a business on their own, compared to 1 in 4 young people in the Czech Republic, Poland or Hungary. The most common causes are lack of money and bureaucracy. Statistics at European level indicate that our country attaches an extremely reduced importance to entrepreneurial education, so that less than 10% of those who have initiated and developed a business also have a theoretical base in this respect compared to the European average indicating a 30%.

In Romania, there seems to be a culture which is slightly negative about the success factors on the labor market, which can also be reflected in the entrepreneurial environment. According to Romania's targets by 2020, the percentage of employees aged 20-34, graduates in the last three years of the VET system should be at least 82%, while the statistical data available for 2011 shows only 70.1 percent.

According to the studies carried out, the access of graduates on the labor market is blocked because employers prefer experienced staff. Supporting the active participation of young people in the country's economic, social, cultural and political life, providing equal opportunities for access to education, employment and decent living conditions, including for vulnerable groups, are priorities of social entrepreneurship.

## 6. Conclusions

At the level of the national economy, a balanced labor market will aim to combat temporary employment, sub-employment, undeclared work and there will be adopted measures to increase professional mobility and to revise the tax and social security and protection system by integrating and implementing the principles of flexicurity into national employment policies, combating labor market segmentation and implementing measures to prevent temporary employment, undeclared work and low employment rates, improving competitiveness and labor market participation rates for the low-skilled. Full labor market engagement in a market economy depends on the smooth functioning of the labor market in which most jobs are offered by private firms making market offerings. In the current economic context, labor markets have been hit by economic shocks that can lead to unemployment rates beyond the limits of what is economically efficient. For this reason, new and innovative solutions are needed, initiated either by the state or by the free market. Social entrepreneurship is one of the means that

can contribute to improving the quality of life, given that the state does not have all the levers in the fight against social exclusion, namely the problems related to poverty, unemployment and social marginalization.

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