

Self-employment as failure on the labour market

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Rezumat:

Munca pe cont propriu pare o opțiune viabilă și promițătoare, pentru individ și societate. Acest text face referire la implicațiile mai puțin așteptate ale muncii pe cont propriu.

Cuvinte cheie: Muncă pe cont propriu, piața muncii, grupuri vulnerabile

Abstract:

Self-employment may seem a viable and promising option, for both individuals and society. This text refers to less expected meanings of self-employment.

Keywords: Self-employment, labour market, vulnerable groups

Statistically, self-employment (SE) refers to the situation of those who, in a given period of time, have conducted activities for family profit or gain, in cash or in kind. The possible forms of SE are diverse: employers, own account workers, members of producer's cooperative, unpaid/ contributing family workers, or even those producing for themselves, if the result of their work represents a great part of their total consumption (ILO, 1982). Due to the usual small extent of the three former forms of SE in total employment, they are rarely shown separately in statistics. In the present study SE refers to the first two forms mentioned above.

The option for SE seems natural in an economy that has opted for the organization on market principles; it expresses people's freedom, it is a flexible solution for local economy niches, it sets grounds to initiative and creativity, it is an opportunity to increase individual income and for balancing individual's professional and personal life. In some circumstances, higher unemployment rate or economic growth could be accompanied by higher SE (Blanchflower, 2000; Thurik and all, 2008; Halicioglu and Yolac, 2015). However, SE is less widespread than we might expect (Table 1).

Table 1 Level of employment and the SE specific, age groups, 2014

	Employment rate				SE, % of the employed population				SE without employees % of total SE			
	15-74	15-24	25-64	65-74	15-74	15-24	25-64	65-74	15-74	15-24	25-64	65-74
UE 28	57.5	32.4	71.4	8.8	15	4.2	15.3	46.5	71.8	88.8	71.1	77.2
Romania	56.3	22.5	68.8	20.2	20.5	10.8	18.9	68.5	94.4	99.5	93.4	99.6

Source: Eurostat, *lfsa_ergaed* și prelucrări după *lfsa_esgais*, *lfsa_egaed*

The socioeconomic perspective identifies also a wide range of vulnerabilities associated to SE, even in the modern forms of outsourcing/ sub-contracting activities (Böheim and Mühlberger, 2009). Among these, SE is often transient in the occupational trajectory of the individual, and it may adversely affect the income or subsequent paid employment (Bruce and Schuetze, 2004; Hyytinen and Rouvinen, 2008; Andersson, 2011). It has general negative consequences on incomes after exiting SE (Meager, 2007). SE is more likely for those with highest or lowest education levels (Blanchflower, 2000), in men, and at later stages of life (Blanchflower, 2000; Meager, 2007), for those whose fathers have experience with ES (Grilo and Thurik, 2005; Meager, 2007). The success of SE is conditioned by the appeal to professional, strategic, development, and financial skills (Meager, 2007; EU / OECD, 2015) for continuous adjustment of production/supply in technological development and the economic environment in which it operates. These conditions do not exist a priori widely. This analysis identifies the relationship between SE and some negative phenomena in the European space and also the risk of masking unemployment or underemployment.

Table 2 Population at risk of poverty, 16 and over, %,

		UE_27	Romania	Minimum levels	Maximum levels
2014	Total	16.4	22.8	Czech R. (8.7)	Romania
	OnS	22.8	57.2	Czech R. (7.1)	Romania; level right under Portugal (~30)

Source: Eurostat, *ilc_li04*

Romania has one of the highest SE rate in EU28, low unemployment rates (6.8% compared to 10.2% in EU28, Eurostat/ tsdec450), adding to this a significant category of contributing family workers (CFW). The later has represented, in the latest 3 years, approx. 10% of total employment, decreasing since 2010, compared to only 1.2% the average of the EU28 (Eurostat / Ifst_r_lfe2estat). SE in Romania is almost entirely without employees, rather specific to rural areas (33.4%, in the latest 3 years, adding to this approx. 20% the CFW, according to data from Tempo INSSE, 1996-2016), more widely present in poor regions (NE- 53.6%; SV-48.6% vs. Bucharest-Ilfov- 6.6%, Eurostat / Ifst_r_lfe2estat), shaping its pronounced negative connotations.

The relative equivalence of the overall employment level in Romania and in the EU28 in the age group of 15-74 years is due to offsetting the lower youth employment with the much higher employment of the older non-standard active group (65-74 years). Romania exceeds by far the European level of SE for both groups (Table 1). In other words, both entry and exit from the Romanian labour market tend to happen later and more than in the European Union space in SE forms others than paid employment.

In conjunction with the size of poverty, Romania is also unique because the poverty risk of Romanians in various SE forms is higher than for the unemployed Europeans (57.2% vs. 47.4%; Table 2). The fact that SE, in its broad definition, is never so severely exposed to the risk of poverty as in Romania, may indicated different motivations that lead to this status or/and the existence of national/European economic or social policies that made entrepreneurial efforts more efficient, thus leading to a higher prevalence of SE with employees.

Table 3 Level of correlation coefficients, UE28, 2014 (yrs = years of age)

	SE rate	
	15-24 yrs	25-74 yrs
Employment rate 15-24 yrs	-.526**	-.369
Employment rate 25-74 yrs	-.484*	-.635**
Part time underemployment, 15-24 yrs	.633**	.598**

Part time underemployment, 25-74 yrs	.554**	.533**
Temporary underemployment, 15-74 yrs	.457*	.429*
NEET youth 15-24 yrs	.584**	.545**
Share in long term education, 25-64 yrs	-.420*	-.353
Risk of poverty rate 16+ yrs (disposable income under 60% of the media at society level)	.434*	.282

Note: statistically significant correlation for trust level 95% (*), respectively 99% (**)

Source: Eurostat, *prelucrăridupălfst_r_lfe2estat*, *lfsa_ergaed*, *lfsa_etpgan*, *lfsa_etgar*, *lfsa_eppga*, *lfsa_epgar*, *tsdsc440*, *edat_lfse_20*, *ilc_li04*

In Europe, the direct relationship (positive correlation) between SE and poverty is statistically valid only for the age group 15-24 years, where the share of SE without employees increases to a level close to that of Romania (Table 3). However, there is a the direct relationship with negative phenomena like underemployment (part time or temporary employment due to not having found full-time/ indefinite duration employment contracts) and the phenomenon of NEET (youth who are neither in education nor on the labour market) which are valid phenomena positively correlated with the risk of poverty (+0.55 or +0.65). The correlation between SE and the rate of enrolment in long term education, as well as the correlation with the general level of employment are negative. For the youth, SE seems to be the answer to the low standard of living in society (being negatively correlated to employment of the non-youth and positively to risk of poverty).

We conclude that in 2014:

1. High employment rates were not supported by SE, but rather through paid employment;
2. SE is not an indicator of the level of privatization of an economy.

For Romania, interventions seem necessary in the field of regional development to pull up the employment level, more flexibility in paid employment regulation, entrepreneurial and vocational guidance, such as:

- lowering the age for vocational counselling and contact with various professions;
- a system (not only courses) for professional (re)qualification in adult life;
- facilities/ encouraging associations for rural production;
- supporting SE through both entrepreneurial training and business start-up.

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