

Emerging Markets Queries in Finance and Business

Labour market dynamics as time-lagged effect of entrepreneurship in the case of Central and Eastern European countries

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**Abstract**

In order to ensure the innovation-based competitiveness of the Central and Eastern European economies, in each one a more efficient exploitation of human capital is required, through the cultivation and by getting the outmost of the entrepreneurial spirit in conjunction with the active population's creative and innovative features, as it appears in the objective of New Lisbon and Europe 2020 strategies. Based on the entrepreneurial process research model, considering the economical development stage and competitiveness level of Romanian, Hungary, Latvia and Croatia, the paper aims to identify the short-, medium- and long-term effects of entrepreneurship upon the labour market, at the level of each selected country.

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*Keywords:* entrepreneurship/ entrepreneurial behaviour; entrepreneurial process; labour market; employment.

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**1. Introduction**

One of the most noteworthy objectives of the New Lisbon Strategy concerns a more efficient capitalisation on human resources in the economies, by highlighting active populations' entrepreneurial, creative and

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innovative qualities. Moreover the Europe 2020 Strategy aims to guarantee a high level of employment in the EU member states. In these conditions, arise the challenge to identify factors that influence entrepreneurial behaviour and its' potential impact on the labour force market within the EU member states. The results of a previous study Nițu-Antonie and Feder, 2012 emphasized that in the case of four Central and Eastern European CEE country, with the similar economical development levels, namely Romania, Hungary, Croatia and Latvia, a positive significant relation is present between the general conditions of the national framework, respectively of the entrepreneurial framework efficiency enhancers and innovation sophistication factors and entrepreneurial behaviour. However, the entrepreneurial behaviour stimulated by the conditions and factor endowments of national and entrepreneurial frameworks, does not generate, always simultaneously, positive effects on the labour market, as for the employment rate and the number of newly created jobs. Consequently, research extension and furtherance using time-lagged indicators, may lead to clearer results about the role of entrepreneurship in the labour market dynamics at the level of the four particular countries. The paper is structured in the next parts: section 2 includes a concise literature review on the impact of entrepreneurial framework upon entrepreneurship and of entrepreneurial behaviour effects on labour market dynamics, the conceptual model of entrepreneurial process and research assumptions, section 3 shows the variables, data used in and results of econometric analysis, whereas section 4 deals with conclusions and research limitations.

## 2. Literature review and research problem

Entrepreneurial behaviour is the process highlighting the ability and manifested willingness of individuals, on their own account or in teams, within and outside the existing organisations to perceive and create new economic opportunities new products, new production methods, new organisational structures and new product-market vectors, to flourish their marketable ideas, despite the uncertainty and other obstacles, by deciding upon the location, structure, variety and use of resources and institutions Wennekers and Thurik, 1999. Entrepreneurship is the behaviour, characteristic for individuals, emphasized either only in a certain phase of their development as active individuals within the labour market, or just for certain types of activities Caree and Thurik, 2005. Skills generating entrepreneurial spirit, in different extents, exist at the level of each individual occurring whenever incentives arise. Therefore, entrepreneurial motivations and actions are influenced by cultural and institutional factors, via the business environment and macroeconomic conditions enjoyed at a given moment in time.

Table 1. Review of the existent empirical studies

Analysis level	Relationship	Impact	Authors
Country level, simple effect	economical development level → entrepreneurial activity (level and type)	direct relationship	Global Entrepreneurship Monitor
	inception of new firms → employment rate	positive negative not significant	Ashcroft and Love, 1996; Baptista et al., 2005 Baptista and Thurik, 2005 Fritsch, 1996; Audretsch and Fritsch, 2002; Carod et al., 2008 Folster, 2000; Audretsch and Fritsch, 2002;
Country level, time lagged	firms market entry → employment rate	short term	Ács and Armington, 2004; Van Stel and Storey, 2004; Fritsch, et al., 2005
	entrepreneurship → newly created jobs	direct link	Nițu-Antonie et al., 2010
Regional level	necessity-driven entrepreneurship → self-employment	- present in recession periods - diminishes at economic recovery	Mandelman and Montes-Rojas, 2009; Congregado et al., 2010; European Employment Observatory Review, 2010
	self-employment → new firm survival	negative, temporary effect	Millán, et al, 2010
	formation of new firms → employment rate	positive	Reynolds, 1999; Ács and Armington, 2004
	self-employment rate → employment rate	positive	Folster, 2000; Brix and Grotz, 2004

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