

DIMENSIONS OF THE SOCIAL RISK IN THE CONTEMPORARY ECONOMY

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Abstract:

The role of risk and its implications in the societal life causes the systemic approach in the triad consumer - firm - environment. One of the types of risk that the company always supported but in periods of crisis, a known multiplied size and gravities, is the social risk. This paper highlights, mainly, two types of social risk faced by the demand, supply, the economic system exponents, as a whole, respectively the risk of poverty and social risk to the organization. The conditioning and the interdependencies of them are generated and maintained by the state of development of national economy, the quality of the business environment.

In the current global economic crisis, marked, mainly, by the phenomena and processes with financial and economic conditionary, the system of risks is involved in the transformation and the social dynamics. In the system of risks, some of which are risk-causes, the other risk-effects, but by propagation in time and space, each of which becomes the cause, effect, etc.

Since the magnitude and the severity of forms of realisation of the current crisis are the most profound of the economic Great Depression of 1929-1933 period, the understanding the relationship causes - consequences of the movement of the system of risks has new motivations and valencies. One of the types of social risk-effect, with the risks - causes economic, social, psychological determinants, is the risk of poverty [Danu MC, Dimensions of Risk of Poverty in the Current Economic Crisis, IECS 2009, Industrial Revolution, from the Globalization and Post-Globalization Perspective].

The poverty is considered a multi-systemic problems complex interact in the so-called "pentagon of poverty" whose sides are: employment/ income, costs/ consumption,

social network, maintaining the social biography/ personality.

In classical language, the poverty means the difficulty of the ensuring a minimum biological subsistence relative to the income level or the volume of goods strictly necessary; beyond this approach, the poverty must be seen through the social criterion, of the social subsistence since the reporting indicators are different from one country to another, from one culture to another, from one period to another.

In the European Union, according to statistics [<http://epp.eurostat.ec.europa.eu/>] the risk of poverty is calculated as the proportion of people whose disposable income is below the level of risk of poverty, set at 60% of the available income at the national average, after the social transfers; in 2006 this indicator was the amount of 16%, while on a relatively linear trend since 1998. The situation is presented, however, different from one country to another but the overall continental Europe does not reach high levels of this type of risk and neither extremes and negative situations (tab.1).

Tab.1 – The proportion of the people whose disposable income is below the level of poverty risk

Year	2000	2001	2002	2003	2004	2005	2006
Belgium	13	13	...	15	15	15	15
Denmark	...	10	...	12	11	12	12
Germany	10	11	...	...	...	12	13
Ireland	20	21	...	20	21	20	18
Greece	20	20	...	21	20	20	21
Spain	18	19	19	19	20	20	20
France	16	13	12	12	13	13	13
Italy	18	19	...	...	19	19	20
Luxembourg	12	12	...	11	12	13	14

Netherlands	11	11	11	12	...	11	10
Austria	12	12	...	13	13	12	13
Portugal	21	20	20	19	20	19	18
Finland	11	11	11	11	11	12	13
Sweden	...	9	11	...	11	9	12
Great Britain	19	18	18	18	...	19	19
Czech Republic	...	8	...	...	...	10	10
Estonia	18	18	18	18	20	18	18
Cyprus	...	...	...	15	...	16	16
Latvia	16	...	...	...	...	19	23
Lithuania	17	17	...	...	...	21	20
Hungary	11	11	10	12	...	13	16
Malta	15	...	...	...	...	15	14
Poland	16	16	...	...	...	21	19
Slovenia	11	11	10	10	...	12	12
Slovakia	...	...	...	...	...	13	12
Bulgaria	14	16	14	14	15	14	14
Romania	17	17	18	17	18	18	19

Source: Eurostat, May 2008

For EU-15 countries in 2006 risk of poverty varies from the maximum of 21% in Greece, 18-20% in Ireland, Portugal, Great Britain, Spain to the values of 12-13% in Denmark, Sweden, Germany, France, Finland, to the 10% in the Netherlands.

In terms of variations recorded over the period we observe the following:

- increases the risk of poverty in almost all EU-15;
- decrease of this type of social risk in France, Ireland, Portugal.

Regarding the evolution of risk of poverty in the new EU countries, the situation highlights that, in general, the risk of poverty does not fundamentally varies, in terms of share, in these countries, compared with the developed countries in European Union. The best statement made a Czech Republic, with a risk of poverty by 10% and the worst, Latvia with a risk of poverty by 23%. In our country, both the risk and the progress in the 2003-2006 period, designates a worse situation than the European Union. Among the developed countries, non EU, Iceland and Norway recorded the lowest levels of risk of poverty at the level of our continent in 2006 and earlier (in 2006, Iceland 10%, Norway 11%).

As regards the risk of urban poverty, expressed as a share of population living on less than \$ 2 per day, an estimate made by the World Bank in July 2008 reveals that, for some European countries (developing countries in transition and ex-communist)

[Dessus S, Herrera S, de Hojos R, p.23] for high levels Moldova - 14.2%, Turkey - 9.4%, Albania - 8.5%. Romania presents a risk of urban poverty, estimated at 4.3%.

According to assessments made by the European Commission in the last quarter of 2008 [Social protection and social inclusion in Europe - and key figures, 16.10.2008] on the entire community, although the risk of poverty is to some extent held in check, is facing problems such as:

- the number still high, namely 9.3%, of the capable of working adults living in households in a situation of unemployment and 8% of the employed population living below the poverty line;
- although, on average, the social transfers reduce poverty by 38% in the EU, their impact within the EU varies from less than 10% to almost 60%;
- increased the rate of elderly occupancy reached 45% in 2007 versus 37% in 2001;
- has reduced the poverty among the elderly, based on the current pension systems, but the single older women continue to pose a higher risk than single men (28% vs. 20%);
- on the future is expected that a greater share of the revenues will come from the retired private pensions;
- although the life expectancy has reached 82 years for women and 76 years for men (won 4 years for women and 5 years for men, the last 20 years), the difference

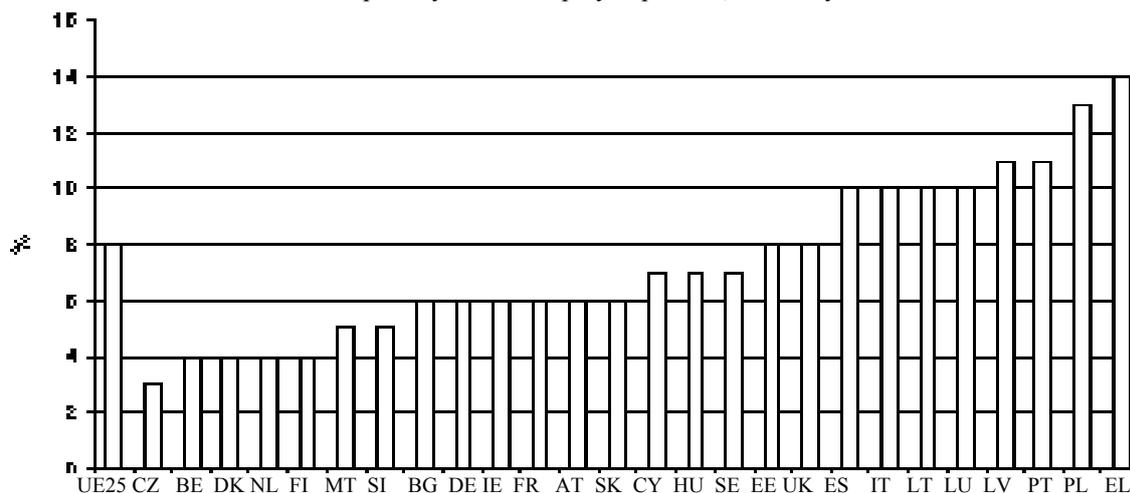
between the European countries in terms of the life expectancy is 8 years for women and 13 years for men.

- the total health expenditures in the EU have increased in the past 20 years. Today, they range from 10% of GDP or more in some countries to 6% or less in the others.

The poverty of the employment population in the EU, highlighted the risk of poverty rate

for employed persons aged over 18 years, 2006 (tab.2) reveals an extreme minimum of 3% in the Czech Republic and a maximum of 14% for the Greece. Dangerous values of the risk of poverty are in Poland, Latvia, Lithuania, Estonia and even Luxembourg and Italy.

Tab.2 - The risk of poverty for the employed persons, over 18 years in the EU



Source: EU-SILC (2006), reference year 2005, except UK (ref.2006 year) and IE (2005-06), BG: Study of National Household Budget 2006, missing data Romania.

Even if the situation on our continent is in some cases severe, causing the achievement of the other types of risk (with effects on the persons concerned the national societal environment variables), of which the risk of damage to health, the risk of delinquences, the risk of the economic and the social discrimination, etc.. the forms of accomplishment, the severity of their short-term consequences, but especially on medium and long-term, the psychological impact on individuals, reached alarming rates in countries on the African continent, where the share of population living below the 2 \$/day is 65.9% in Ethiopia, 73.2% in Madagascar, 88.9% in Nigeria, etc..; also in Asia, the situation of a considerable part of the population in the developing countries is the serious risk of poverty, achieving the economic and social existence of 53.2% of the population in Bangladesh, 51% in India, 67.3% in Cambodia, 55, 1% in Pakistan, etc..

If at the macro and the global level the risk of poverty, with the dimensions - severity, urban poverty, polarization, etc.. is

the expression of the deficiencies in the macroeconomic policies of the world countries, mainly, to micro level, in the universe of business conducted by companies and organizations, the social risk, through the different forms of accomplishment and their consequences can be even the generator of the risk-cause for the risk of poverty from the macro or regional level. At the company level, the social risk is represented by all the internal factors and/ or outside thereof, of human, social, economic, legislative, policy, likely to affect temporarily or permanently the sustainable operation. Among the types of the social risk faced by companies, including [Landier H, Merck B, Detection, analysis and quantification du risque social: le modèle M @RS]: the social conflicts, the strikes, the degraded social climate, the poor internal communication, the loss of confidence of the employees in the management company, the poor management of the crisis, the alteration of the company image, the deficiencies on the control of the working conditions, the

deterioration of the relations with customers and other business partners, etc..

The reality that the individuals and the relations established between it and the others gives the tone and the strength of the economy's movement, make responsibility the business managers and the managers of the organizations producing tangible goods and /or intangible to create and deliver the value desired by the consumer; it is necessary to optimize the established relational at the company as a prerequisite to optimizing relational system developed between the economic entity and other economic entities, social - customers, suppliers, etc..

To make relevant assessments to the social risk is required the identification of the risk-causes, respectively the "irritant factors" contributing to the degradation of the social environment and to the development of the social tensions. "Irritant factors" are different types of problems, sources of anxiety, frustration, which can pollute the environment of the firms. According to the authors of the model M@RS, the research quality of the social environment of a company should consider a reference composed of the 32 factors defined into 5 distinct families; based on surveys conducted in-depth it was found that these factors are the most often, the origin of the significant damage working relationships. The 5 families of social risk are:

1. Risks - causes generated by the top managers activity;
2. Risks - causes from the middle and inferior managers;
3. Risks - causes due to the characteristics of employees;
4. Risks - causes due to faulty methods management;
5. The incorrect perception of the future and of the relationships with the environment business.

1. A first family of risks - causes are placed at the top-level managers. From this perspective, the risks that may generate risks - effects are: the length of the decision centres, the unrecognizing work value, the inability of the presentation of projects, the lack of consistency of decision making, the lack of the sufficient visibility of the policy applied. For example, the unrecognition work has

effects on long-term employees on and on, the consumer services sector where staff contact will receive this behavior and it will send (via attitudes, behaviors, overall dissatisfaction -- the consumer; the personnel in the area of the organization's internal business services, largely invisible to the consumer will send the dissatisfaction by propagation effects in the benefit system, helping to reduce overall quality of promised services.

2. The risks - causes from the middle and inferior level management, which are subject to the direct employees, the impact and the gravity able to cause large failures. Among these risks - causes, are notable: the lack of respect for employees, the authoritarian behavior, the overlapping decisions, the lack of clear information, the lack of job definition, the absence of response to questions raised, etc.. For example, the activities in which the company use to the personnel of contact in relation with the consumers, - the kindness, the verbal and nonverbal behavior thereof are determined largely by the relational internal environment quality; the sensible consumer will perceive the quality vices established in the relational between employees, between employees and managers.

3. A family of risks - causes placed on the identification elements of employees, namely, the sociological composition of the company personnel, have special meanings in the transition economies, by economically, socially, politically, mentally sight. Of these social risks, are significant: the dispute between "old and new", the social discrimination - on an ethnic, social, professional, the low representation of personnel in decision-making level, the competition among the trade union tradition in terms of the social confrontation. If the developed economies, each of these risks are accomplished at the level of the firms in different weights in the assessing the overall social climate, in the recently released of the economies of transition, as is the Romanian, the dispute between "old and new" is still among the most visible and the most serious risks to the companies.

4. Another criterion for demarcation of the risks - causes on the company is the

managerial methods. From this point of view there are the following social risks: the insufficient information of general, the misunderstanding of know-how of the company and the specific powers, the negligence with regard to the new employees, the wage differentiation unjustified, the insufficient possibilities for the personnel evolution or the incorrect forms of the rules, or their lack of transparency, each situation can lead to feelings of injustice or inequity. These risks hurt the social interests of the company both short term and in perspective; the gravity of these risks is dependent on the type of activity, the stage of the life cycle of the company, the marketing environment of its, the degree of interaction with other types of risk. For example, the deficiencies in the wage policy have effects, primarily in the short term; the policy of recruitment, the employee selection have effects in the short term but may involve serious effects in the medium term and even long.

5. The incorrect perception of the future and on the relationships with the environment constitute potential for social tensions and poor quality social climate. Among the types of risks - notable causes are: the anxiety regarding the future business/employment, the uncertainty regarding the intentions of the company, the unfavorable development lifecycle of the job/company specific professions, the fear the downgrading of skills related jobs, the difficult relationships with users or customers, the unwanted developments in relations with the business partners, changes in the legislative and institutional environment. For example, the negative developments of the relations with the business partners is due mostly, the

managerial vision of the company in question on long-term; but is not excluded, nor the magnitude of changes in the law which make the survival a business partner, possibly where tradition, or even the ceasing temporary interruption of relations with it.

The reality reflects that more and more types of activities are developing and growing its market where the competitors can find and exploit the opportunities, identifies and takes calculated and aware risks. But they understand that in order to provide high quality products, the strategic approach should be based on the optimizing the employment, the preparation, the motivation of personnel, applying the vision of the internal marketing. The performing companies, focusing on marketing have realized long ago that the classical structure for organizing a business as a pyramid, have shattered almost immediately given on top the consumers, followed by the "first people in line" – the contact personnel, who serve customers and satisfy their demands. Follows the executive leadership which must support the contact personnel and on base – the top management must support the executive leadership to help the contact and further to ensure the consumer satisfaction.

Regardless of the level at which is, risks are dangerous to the social evolution of the economic system; moreover, even if the generic name of social risks, the nature and their consequences give the social, economic, psychological, political, cultural character; on the information on possible complete and accurate, the deciders can operated the treatment and control strategies of them.

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