

## Promotion of the Opportunity Entrepreneurship to Improve Employment Effect

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**Abstract.** Entrepreneurship has become one of the important ways to create more employment opportunities. From the point of view of the subjective motivation of entrepreneurs, entrepreneurial activities can be divided into two categories—necessity entrepreneurship and opportunity entrepreneurship. Looked from the development trend of entrepreneurship, entrepreneurial activities in China is transforming from the necessity entrepreneurship to opportunity entrepreneurship. Combined with the status quo of entrepreneurial activity in China, we should strengthen entrepreneurship education training, perfect the construction of business incubator, strengthen policy to support opportunity entrepreneurship, promote the transformation of scientific and technological achievements, and promote the improvement of employment effect.

Employment is vital to people's livelihood, and entrepreneurship is the source of employment. According to the national statistical department, in 2008, urban registered unemployment population is 8.86 million, and the unemployment rate is 4.2%, not including unemployed and laid-off workers. Implement the development strategy that creates more job to promote employment led by entrepreneurship, which is the important measures to improve the employment effect in China. *Global Entrepreneurship Monitor Report on China - Entrepreneurship transformation and employment effect*, (2007), completed by Tsinghua university, pointed out that the "employment multiplier effect" of opportunity entrepreneurship was obvious, and opportunity entrepreneurship was expected to create twice the number of jobs opportunity created by necessity entrepreneurship.

### Necessity Entrepreneurship and Opportunity Entrepreneurship

Necessity entrepreneurship (necessity push entrepreneurship), comes from the study of "push-entrepreneurship", researched by Raphael Amit, an entrepreneurship professor of the university of Pennsylvania. In *Global Entrepreneurship Monitor (GEM) project report (2002)*, Reynolds, an American economist, and others pointed out that necessity entrepreneurship was entrepreneurship activity generated because of no other employment choices or no other satisfying ones. In China, necessity entrepreneurship is regarded as the activity to meet the needs of entrepreneurs who are under the pressure of life, or want to make a living by the business, such as the breadwinner and people can't find the right job, etc.. It is a kind of grass-roots-entrepreneurship, represented by "Wenzhou Type"<sup>1</sup>.

Opportunity entrepreneurship (opportunity pull entrepreneurship), refers to that entrepreneurs regard entrepreneurship as a choice of his career, through finding or creating new market opportunity to pursue greater development space. The subjects of the opportunity entrepreneurship tend to have higher educational level. They always focus on recruiting talents and cultivating entrepreneurial culture in activities, and pay attention to give full play to their expertise, as well as strengthen business management.

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<sup>1</sup> Wenzhou Type: After reform and opening up, some poor farmers in family-unit launched manual workshops, called "Wenzhou Type".

Once they succeed, they may not only create greater economic value, but also provide more jobs. In the United States, "Silicon Valley Type"<sup>2</sup> and "Zhongguancun Type"<sup>3</sup> are models of opportunity entrepreneurship.

China has begun to take part in Global Entrepreneurship Monitor since 2002. According to the GEM report in 2002 and 2003, the proportion of necessity entrepreneurship in China is higher than that of opportunity entrepreneurship, the ratio in the two years is 60:40 and 53:47. During this period, the dominant type in China is necessity entrepreneurship. On the one hand, the number of necessity entrepreneurship in China is more than that of other countries. On the other hand, China's entrepreneurial activity is active. By 2005, the first time the proportion of China's opportunity entrepreneurship exceeded that of necessity entrepreneurship, and the ratio was 53.2:45.3, showing that China's entrepreneurship type began to transform. From 2002 to 2007, opportunity entrepreneurship increased gradually, and necessity entrepreneurship decreased. Entrepreneurial activity gradually transformed necessity into opportunity. In 2007, the proportion of China's opportunity entrepreneurship increased to 60% from 40% in 2002.

### **The Current Situation of Entrepreneurial Activity in China**

Low number of small and medium-sized enterprises. Small and medium-sized enterprises in China are making more and more contribution to the economy. "At the end of 2010, the registered national industrial and commercial small and medium-sized enterprises were more than 11 million, and individual industrial and commercial units were more than 34 million. Taking industry as an example, in 2010, there were 449 thousand national scale small and medium-sized enterprises, up 50.1% from 2005, and the average annual growth rate was 8.5%, accounting for 99.3% of the number of national scale enterprises." However, the number of small and medium-sized enterprises owned by every thousand people was low. The number for every thousand people is 103.8 in America, 58 in Korea, 51.1 in EU, 32.7 in China, only 1/3 of that in America, far below the level of developed countries on average about 50.

Small proportion of opportunity entrepreneurship. According to the first national economic census in 2004, there were 39.216 million self-employed households, and 94.224 million self-employed workers, accounting for 30.5% of the second and third industry employment. There are five industries that self-employed households concentrated, including industry, transportation, wholesale and retail trade, hotels and catering services, resident services and other services. The mode of most small and medium-sized enterprises in China is typical micro grass-roots-entrepreneurship, which means that the purpose of entrepreneurship is to survive. According to *the GEM Report on China (2003)*, necessity entrepreneurship in China accounted for 53% of the entire entrepreneurial activity, and opportunity entrepreneurship accounted for 47%.

Less educated entrepreneurs. About 49.8% Chinese entrepreneurs are of high school or lower education. They are with low cultural quality, lacking of entrepreneurial skills and experience, with poor resources organization ability and adaptability to the market, which makes the success rate of entrepreneurship low. The average survival time of entrepreneurship business is 3.25 years, 5.5 years lower than the developed countries. Chinese entrepreneurs are mostly laid-off workers, land-lost farmers and graduates with no job. Tsinghua university's survey report showed that, these entrepreneurs accounted for 90% of the total number of Chinese entrepreneurs.

Incomplete entrepreneurial environment. In accordance with international grading standards of entrepreneurial environment, 3 is for the medium, greater than 3 for the better, less than 3 for the poor. China is at the medium level. The relatively good aspects of entrepreneurial environment in China is the physical infrastructure and business environment. It is at the medium level that entrepreneurial culture

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<sup>2</sup> Silicon Valley Type: It refers to the high-tech complex that centers on the universities or the research institutions and combines scientific research with production, with scientific achievements rapidly transforming into productivity.

<sup>3</sup> Zhongguancun Type: It refers to the unique economic model that focuses on high-tech industry and creative industry.

and market openness. The poor aspects are financial support, the government project support, entrepreneurship education and training, as well as the development and transformation of entrepreneurship research. In order to encourage more laborers, especially graduates to be engaged in entrepreneurial activity, as a result of promoting social employment, some aspects including entrepreneurship policy, entrepreneurship education and training, entrepreneurial service should be perfected.

### **Resources to Encourage Opportunity Entrepreneurship and Improve Employment Effects**

Strengthening entrepreneurship education training and improving the proportion of opportunity entrepreneurship. Many Chinese entrepreneurs haven't been trained by normal business education before they started entrepreneurship, which greatly influenced the success rate. On the one hand, universities should set up a business discipline, perfect entrepreneurship curriculum and teaching contents and improve teaching methods, in order to improve teaching efficiency. In 2002, the Ministry of Education launched 9 universities as entrepreneurship education pilots. In 2008, 41 universities such as Beijing university and Tsinghua university were approved by KAB<sup>4</sup> to set up KAB entrepreneur club, and develop KAB practical activities of entrepreneurship education in colleges and universities. On the other hand, entrepreneurship education institutions should build up a group of entrepreneurship talents, which is research-based, scholar-based and expert-based, to strengthen the training to laborers.

Strengthening the construction of Business Incubator to improve the success rate of opportunity entrepreneurship. Business Incubator is also known as Entrepreneurship Center or Entrepreneurship Service Center. A famous American incubator expert Rustam Lakaka, believes that the incubator is a kind of controlled work environment designed to foster new business. The incubator is a creative system, which assists entrepreneurs to develop the new established enterprises and provide the services and supports to them. In western developed countries, the incubator plays an important role in promoting entrepreneurship, so that it receives many public resources. Business incubator gives birth to high-tech small and medium-sized enterprises and realizes the transformation of scientific and technological achievements to the production, to provide a favorable condition to the growth of "gazelle enterprises"<sup>5</sup>. China should strengthen the construction of entrepreneurial business incubator, and solve the difficulty in the early-stage and the problem in growth-stage for the start-up enterprises effectively.

Strengthening the policy support to opportunity entrepreneurship. Policy of entrepreneurship financing: The government should introduce the relevant incentives and subsidies policy and set up a special fund to help business deal with financing problems. Governments at all levels should introduce the relevant tax cuts to help the development of opportunity start-ups. College students who have entrepreneurial intention could get vocational training subsidies in accordance with the regulations if they participate in business training. Advice on entrepreneurship policy: Strengthen the "one-stop" service of providing policy advice and guidance to potential entrepreneurs by colleges, universities and society.

Promoting transformation of scientific and technological achievements and encouraging science and technology business. For a long time, the ability to transform scientific research achievement into practical productive has been poor. Although the university-enterprise cooperation mechanism in society enhances the virtuous circle of "teaching-scientific research-producing", the corresponding work needs to be further strengthened and sustainably innovated. GEM Report said that, increasing one opportunity entrepreneur will drive an average employment quantity of 2.77 in the same year and 5.99 in the next five years. The proportion of college graduates entrepreneurship accounts for only 1% to 3% in China, while 20% to 30% in America. The employment problem of the large scale college graduates would be solved, if that proportion was increased by 10%, as a result of creating more employment opportunities by

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<sup>4</sup> KAB: It is the abbreviation of Know About Business, which is the training program of entrepreneurship education developed by the United States International Labor Organization.

<sup>5</sup> "Gazelle": It is a kind of antelope being good at jumping and running. The industries usually describe the high-tech small and medium-sized enterprises as gazelle enterprises.

entrepreneurship.

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