Investigating the Impact of the New Global Economy on Employment Changes in Iran

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Abstract

The economic situation of the modern world is very different from the past. The tangible indexes of assets which used to play a significant role in determining the position of an economic firm have been replaced by innovation, invention, and creation of new products and intangible assets. In recent decades, globalization, rapid changes in various scientific areas, the increasing growth and development of socio-economic systems, efforts to achieve competitive advantage in the market of goods and services, and the need to reduce reliance on natural resources and groundwater on the one hand, and the increased rate of unemployment and the reduced level of employment have led the policy makers of the business world to think that the best way to overcome the challenges is to deal with the problems innovatively and creatively. Given the central role of the new global economy in formulating and implementing the development projects in the Islamic Republic of Iran and the need for the rapid growth of the country and to keep pace with the increasing changes and developments in different areas, it is indispensable to bring about fundamental change in the industrial sector of Iran, which is considered a major part of the economy of this country, and to keep pace with these global conditions. To achieve this, preparing the background and supporting the private sector and small businesses will pave the way for the success and growth of the industrial sector and economy of this country.

Keywords: New Global Economy, Employment Changes, Iran.
Introduction

As the global economy has been facing a massive financial crisis, the industrial sector of the country has a pioneering role to play in the other economic sectors due to its technical nature. Thus, economy requires a constructive element such as industries and mines as the leading element in the production cycle of the country and more investment in it and provision of appropriate opportunities can lead to more powerful economic foundations and can help deal with the global economic crisis, which had the lowest impact on Iranian economy and industry despite its high impact on the international world.

As a real sector in the Iranian economy, industry is related to and affected by the economic markets of the world from two sides, one relating to Iran’s arrival in the global markets and the other relating to the impact of the global market on Iran.

The current trends of the global markets of the world show that the net exports will decrease and we will face the lack of demand in the industrial sectors and must take care that this does not result in a recession. Firms are in need of structural reforms (Mardokhi, 1989).

The public sector and banking system should make decisions to facilitate the financial and monetary conditions and manufacturing firms need to exert structural reforms in human resources, financial resource management, production management, and the warehousing and sales policies of these firms so that they can overcome the global crisis by increasing their productivity (Sathe, 2003).

In the competitive economy of today’s world which has been along with rapid changes in the international environment, the transition from an industrial society into an information society and the transformation of the national economy into the global economy, entrepreneurship has been used as "the engine of economic development", because it can play an important part in the economic growth and development of the industrial sector of countries, which will result in the increased productivity, job creation and social welfare.

Some components of entrepreneurship are innovation, moderate risk-taking, search for opportunities and mobilization of resources for exploitation via creation of new businesses or transformation of the industrial organizations of societies (Abedini Moqanaki, 2005).

Due to the positive and effective role played by economic entrepreneurs in the development of societies, developed countries have used them since decades ago and some developing countries have used them during the economic conditions of the recent decades for dealing with problems such as depression, inflation and unemployment and lack of job opportunity. (Kruegar, 2002)

Formulating strategies, policies and plans in order to expand entrepreneurial spirit and behavior, training and consulting, creating a more appropriate atmosphere for entrepreneurial activity in the industrial sector in various socio-economic fields, removing the barriers and creating communication and collaboration among entrepreneurs and facilitating the access of the entrepreneurs of this sector to global markets are among the appropriate strategies in today's competitive global economy to be implemented in Iran with regard to the existing potentials in this area (Azimi, 2006).
In cooperation with academic centers in some countries, the "G.E.M" (Global Entrepreneurship Monitor) model was designed in 1997 for communication between entrepreneurship and economic growth, and studies needed in this area were carried out in 1999. This model was studied in ten countries including the US, Britain, Germany, France, Italy, Japan, Canada, Finland, Denmark and the Zionist regime and it was in 2000 that Argentina, Australia, Belgium, Brazil, India, Ireland, South Korea, Norway, Singapore, Spain, and Switzerland also joined them. The results of this study can be used to examine the role of the new global economic conditions in employment changes in different communities, especially to achieve the same results in Iran and the industry sector in this country. The results show that:

Employment changes and entrepreneurial activities are very different in different countries. Following appropriate policies and enhancing the entrepreneurial power of a society (including skills and motivations) has the greatest impact on advancing entrepreneurship in the industrial sector. Women’s participation in entrepreneurship is a long-term necessary for today's economic conditions. To achieve sustainable and long-term outcomes, the policy of calling and encouraging the young people under 25 and people over 44 years toward entrepreneurship in the industrial sector.

In addition, the role of government in this new economic status of the world should also be considered. Any government committed to economic progress must pave the way for required support of entrepreneurship in all aspects of the economic system by minimizing the taxes, getting access to workforce, reducing the costs of human resources (non-paid manpower), reducing the regulations and facilitating business. The adopted policies should help expand risky investments and stimulate private individuals’ incentives for optimal investment in the early stages of any business.

The global economy and internal requirements to join it

Now, we continue the discussion with integration in the global economy. Integration in the global economy means the industry's survival. Lack of integration in the global economy, means the closure of competition in the industry without any doubt and if the issue of integration is considered from this perspective, integration in the global economy will be considered a necessity for survival rather than merely a strategic goal. Therefore, we reach an acceptable level of competitive technology and industry in order to be accepted in the global economy (Samadaghaei, 1998)

The wise and daring industrialists who, with tireless perseverance, do their best to reach a global standard and tackle the problems with their prudence, initiative and resourcefulness can lead us in the competitive field.

Only those who have high compatibility can survive in the global economy. Here, too, the bloody and brutal competition, cruelty and espionage is just like the military war. The commanders’ may lead to the unemployment, poverty and disruption of families and the success of managers will bring national pride, economic prosperity and social security.

If the change is a norm, companies need to develop dynamic capabilities to use as the policy of providing new products and services. A key way of using and maintaining these capabilities is to discover the sources of creativity and knowledge among the company
employees. This first involves bringing about significant changes in the cultures, systems and views of the human resources of the organization, and secondly requires investments in human capital to improve and update the human capital of the company (Kristin, 1998).

The second method for creating the dynamic capabilities is the selective use of appropriate resources outside the organization in order to complement and strengthen the existing skills of the company. However, there are many conditions posed for access to qualified people and there are many conditions under which these methods and strategies can give companies a competitive advantage. Creating dynamic capabilities requires continuous investments in the company's assets and resources, so that it can distinguish the company from its competitors (Mardokhi, 1989).

**Entrepreneurial economy as the innovative solution for employment development in the new global economy**

As implied by the above-mentioned points, the speed, importance and trend of changes in the global economy will increase. In this dynamicity, the real entrepreneurs and entrepreneurial entities will play a more effective and prominent role. With their skills in recognizing situations, entrepreneurs are to be considered the real pioneers of change in the economy of the future. They recognize that success and survival in the prospects arising from tomorrow requires agility, ingenuity and creativity. In addition, entrepreneurs need risk-taking, innovation and entrepreneurial activity. Entrepreneurial risk-taking is considered necessary for the economy of rich and poor countries and the today’s entrepreneurial economy has been successful in both absorbing and increasing the participation of different groups. In today's economy, women and minorities not only have found their place, but have also been able to do activities such as establishing and starting enterprises and making income and developing employment. The participation of these groups for raising the economy level will continue in the next decade as well.

**The neglected role of "entrepreneur" in the global economy and Iran’s Industry**

Economics relies the development process in various countries, including the industrialized or developed and developing countries on two main bases:

a. Natural resources include natural underground resources and the natural wealth on earth

b. human resources with an emphasis on thoughtful, creative and knowledgeable manpower

In the past, nations which were considered more advanced, more developed and more prosperous were those which had more natural resources such as oil and gas and coal, as well as underground wealth and minerals such as gold and other precious metals and natural resources on the land such as forests, pastures, resources of groundwater and fertile soil, so that even industries and industrial plants also needed natural resources. (Samadaghaei, 1998).

However, what has happened in the global economy and especially in developed countries in recent decades, especially since the end of World War II is the change of the mainstay of the development process from natural resources into human resources, particularly "creative and
thoughtful man”, in the sense that thinkers and decision makers introduced human resource development and the provision of human and social development as a precondition for development and as a result, thoughtful and creative human beings flourished the development process without environmental restrictions. On the other hand, the combination of science and industrial and economic science also helped change the dream of human development into reality (Mardokhi, 1989).

In this way, we could possibly observe the main components of the interface between developed and developing countries so that in the developed world today, everything is summarized in human and his intellectual capabilities in today’s developed world. The World’s largest theorists of development today regard national development relying on "human development", i.e. the unconditional presence of human beings in the process of development and the use of intellectual functions, innovation and creativity.

Economists of the new world believe that the key for moving the wheels of development is in the hands of a certain type of man known in the economic and industrial literature of the modern world as "entrepreneur" (Abedini Moqanaki, 2005).

Entrepreneurs can easily create the production process and turn the process of industrial production out of the need for natural resources; that is, the event that has happened over the past few decades in the arena of global economy and allowed some countries to use the term "developed" for their economic patterns. In the first half of the twentieth century, in order to continue their key role in the global development circuit, many of the first - world countries such as Germany, Italy, England, Russia, America, Japan, France etc. needed natural resources such as oil, gas, coal and other mineral metals contained in the Third World, including Africa, Asia and Latin America, so that even the smallest negative developments in the course of trade and political relations with these countries could to a large extent hinder the process of their industrial development. (International Trade Center, 2004).

However, with the passage of time and changes occurring in the development pattern from the traditional pattern into a modern one, industrialized countries which were once in urgent need of the natural resources of other countries have recently become the largest artificial manufacturers of such products. In other words, the industrialized countries which were the largest importers of natural raw materials in the first half of the twentieth century turned into the biggest exporters of artificial products in the second half of this century, so that their products could play the role of natural raw materials in the production lines of industrial plants well.

Studies show that the third-world countries which had at their disposal seventy percent of the global market for raw materials in the middle years of the twentieth century decreased this share in 1990 to ten percent. On the other hand, between 1960 and 1990, the production of synthetic fibers and the technology of alternative production have had a growth rate of 1600 percent, but the production and export of natural raw materials has had only a growth rate of 100 percent. These figures show that during the second decade of the twentieth century, the industrialized and developed nations moved along a path to change their reliance on natural resources into reliance on human resources.

This path created great changes in the equations of the global economy within a period of fifty years. Terms such as "industrial thinkers” or "thinking industrialists” have played a
dramatic in the economy of the developed countries. Especially during the past few decades when we noticed the human-centered development, the training of entrepreneurs by scientific institutions and their close relations with industrial units have been so appealing that the underdeveloped countries are still seeking to create such patterns.

It is a reality that the world of the third millennium is passing the ascending path of development with an unimaginable speed, and the concepts of development exhibit greater reliance on man as time passes. Today, before starting to teach each lesson, American educators have a duty to tell every student, regardless of color, gender, race and belief, that he or she can someday become the president of the U.S. Before any prejudice, such a method indicates the educators’ belief in human as the only factor of development and creation of the new economy. (Kruegar, 2002)

The future world is the world of competition among human beings, each having a large and defined role in the shaping of economic development. Is it possible to have in such a future, a traditional presence with abacus thought?

But the interesting point is that the process of changing the components of industrial production from reliance on natural resources into reliance on human resources has not been the same in all countries. For example, in a country such as Iran, industrial entrepreneurship has been able to show its presence in industrial arenas via mere reliance on individual creativity, meaning that the environment has had a deterrent property for entrepreneurs instead of helping them in their jobs. (Azimi, 2006).

Experience shows that entrepreneurs in past years had no opportunity to attend the Iranian industry and economy in order to present their innovations and creativity and contribute to the industrial boom. We need no reasoning to prove this; only a glance at the economic and industrial history of the country shows this well.

What factor or factors delayed the change of the production process from reliance on natural resources into human resources in the economy of countries such as Iran is a contested issue, but in general, the following important components can be mentioned in this regard: the existence of the abundant and apparently inexhaustible wealth of underground resources including oil and gas, the policymakers’ orientation to commercial economy rather than manufacturing and industrial economy, the restrictive regulations and red tape, lack of suitable interaction with the world and in general the economy of the free world, the economic institutions and industrial firms’ mostly belonging to the public rather than the private sector, lack of investment security, and the prohibitive political and cultural problems (Mardokhi, 1989).

An important factor which is related to our discussion and plays an important part in unpopularity of the role of entrepreneurship in the economy of our country is lack of proper communication and cooperation between scientific and educational institutions of the country and industrial and manufacturing units. It is a few years that many economic, cultural and scientific tribunes talk of the importance of establishing stronger ties between academic and industrial institutions in order to stimulate the entrepreneurial market, but this has still remained as a theory and industrial entrepreneurs have also maintained their highest presence in their individual and personal activities. The main reason for the lack of
formation of a joint circuit of Science and Technology in Iran is doubtlessly due to the problems. (Samadaghaei, 1998).

Lying in both our industrial sectors and our academic models and affecting the whole community in this area. In Iran, university and industry are both imported institutions. Although an institution or a commodity’s being imported does not by itself mean that it is a negative phenomenon, importation of some institutions or products into our country regardless of the needs of the country has created a problem for our economy. This has gradually led the social culture of the country to regard university and industry as "luxury" goods, so that many Iranians did not accept scientific, intellectual, research and study activities as work and did not consider the academic strategies as the main executive need of industry and economy.

However, the barriers between industry and academia have in recent years been decreased to a large extent, but these two entities are still moving and acting separately and independently or “island-like” in order to meet their own needs, and as believed by many experts, addressing the essential needs of the society has been left unnoticed in their activities. Perhaps the best example to prove this claim is the selection of academic students in different majors and assigning various activities to them without any assessment of the country's labor market.

This issue has long been considered a turning point in Iranian scientific circles and is considered a very important reason why the universities have hardly gone beyond the theoretical level. This has caused many industrial activists to analyze university students as lacking the required practical knowledge and refuse to cooperate with them. In other words, many of the graduates of industrial and economic fields of our Universities are indeed far away from the characteristics of an entrepreneur, an industrial thinker or a thinking industrialist.

However, we never mentioned the above points to frustrate us from continuing our efforts to promote a culture of entrepreneurship in the country. We should mention some promising cases which are not at all rare, most notably the young, talented and educated people in this country, who are considered an enormous resource for driving the wheels of the development, progress and prosperity of the country and the management of whom requires great effort (Mardokhi, 1989).

Opportunities and limitations of entrepreneurship and employment development in the industrial sector of the Iranian economy

While some experts believe that the government policies have tangible distance with the function of a free economy, a brief study of other countries shows that their work is based on a free market economy and these countries have adopted a series of policies to strengthen the micro producers by reinforcing the free market mechanism such as loans and banking facilities, counseling services, and science, training and technology support, which are all done by a single organization dealing with these affairs directly. (Kruegar, 2002)

It is thought that it is possible to strengthen entrepreneurship in Iran by establishing a single organization, micro businesses and encouraging those who want to be proactive via risk–taking. Training can be just one of the tasks of this organization; other means of achieving
this goal include providing loan facilities, providing consulting services, holding multiple presentations, providing trade and economic guidance etc. (Azimi, 2006).

A quick look at the last few decades of Iran clearly shows that the development process has occurred within the framework of the development and construction programs and based on the government policies. Oil export revenues underlie this process. This enormous earnings is in the hands of the government, so it is the government that directs this development, directly handling most cases itself. This status has two fundamental problems: first, the foreign exchange earnings in this way fundamentally disrupt the relative price of the factors, and as a result prevent from the optimum use of the production factors, and second, the government's direct presence has helped overshadow the economic actors or even become powerful rent-seekers. (Abedini Moqanaki, 2005).

The flow is likely to continue and all its insufficiencies will be manifested as long as there is much oil revenue, but by this time all its negative and irrational consequences will gradually appear, necessitating a solution for the problem and taking a different process.

Summary: The simple and very brief picture of Iran's economic structure can be displayed in this way: in agriculture, there is a mass of micro producers with high productivity of work and land, working with low technology and capital; in industry, a large portion of micro producers who constitute the overwhelming majority of workshops are working in the mostly interrelated food and textile industries, with relatively higher capital productivity than other industries; and finally two groups in the service sector which are inherently associated with agricultural activities and food and textile industries. These groups who are mainly young lack high expertise. Thus, it seems that policy making in these three areas can have beneficial effects, especially because all of them are mainly in the hands of micro-economic activists. However, the prosperity or recession of these micro producers depend in part on the policies made by the government, which is described below.

Economic policies

As mentioned earlier, an appropriate environment for entrepreneurship has, in addition to economic structure, another dimension mainly relating to the policy of the government. It was mentioned in the previous paragraph pertaining to Iran's economic structure that this structure can provide suitable conditions for entrepreneurship as it is a micro structure and due to the wide use of several activities in all of the three sectors with exact consistency. Now here, we take a brief look at the policies of the government to see to what extent this dimension can contribute to the development of employment. (Samadaghaei, 1998).

At first, it must be said, particularly in the economic models, that free economy is considered the most suitable condition for entrepreneurs. Entrepreneurs do not have to be faced with non-economic barriers, nor should they be involved in red tape. They need to know that the future market conditions should be determined solely on the basis of their mechanism. It is in these circumstances that they use their whole innovation and power in the competition and manifest much creativity in order to achieve their objectives (Mardokhi, 1989).

With this in mind, we can cast a glance at the last-two-decade Iran. The early years of the Islamic revolution and the turbulent period of war followed their own rules: expansion policy, budget deficit, the nationalization of many industries, foreign exchange control, commodity
pricing etc. are commonly found in any society which is faced with war and revolution. However, by the end of this period and the beginning of the reconstruction period, it was thought that the government has to get away from the economic scene and just mobilize the relative forces of the society through its policies. Yet, a study of this period of Iranian history shows that the interventions on the one hand and disabilities on the other have still continued. (Samadaghai, 2002)

Government intervention can be said to include implementing the foreign exchange control policy, the bureaucratic way of determining and changing the exchange rate, giving ideas on pricing or even determining the prices, creating monopolies in the two ways of self-ownership and prohibition of the importation of certain goods, and direct and indirect payment of subsidies to producers. This collection, especially monopolization and the foreign exchange sharing with state-determined prices have caused entrepreneurship to be manifested in our society in the form of rent-seeking: an activity which has a deterrent effect on the economy of the country. On the other hand, we can notice the government’s disabilities in its tax policies which cannot cover the non-official sectors as well as budget deficit, and the lack of a purposeful will and program for the privatization policy.

Conclusions and Suggestions

There are abundant predictions about the twenty-first century. But all confess that the forces consistent with the globalization process will continue their rapid growth and bring about major changes in countries’ traditional borders, industries and markets. Globalization causes ample opportunities, but will also create significant challenges for nations and executives. The change of the global perspective of competition will challenge the traditional rules. Companies around the world are looking for innovative methods through which to invest in opportunities provided by the global economy. In such a competitive and dynamic economy, active entrepreneurial management is - in terms of importance - at the core of all activities.

Theoretical issues about entrepreneurship and the economic conditions required for the constructive activities of economic leading people, i.e. entrepreneurs, were discussed and the economic structure of Iran and the government's economic policies were dealt with. The result was that economic structure of Iran has the conditions required for the micro activities, especially in areas with the most internal link established among them; however, the economic policies are not purposeful and do not encourage these activities.

Now, based on the view that instead of furthering its intervention in the economy, the government should limit its activities to policy making and leadership role and to achieve this, it should take steps to strengthen the free market mechanism, and a series of suggestions are made to pave the way for the activities of the economic leaders:

1. Establishing an organization which takes over the responsibility for all aspects of entrepreneurship and the strengthening of small and medium-sized enterprises. This organization can be either centralized or decentralized in Iran.

2. Providing loans and banking facilities for the micro manufacturers so that entrepreneurs can get such facilities without any cumbersome regulations and under the supervision or control of the center in charge of it.
3. Providing counseling services has been one of the most common policies, justified by the micro businesses’ lack of these services. These services should include management, finance, business and marketing, and even formulating justification plans.

Direct counseling or helping the microenterprises to benefit from the counseling services of professional organizations can be a good practice.

1. The information support is one of basic activities done by these enterprises in different ways and mainly includes information about commercial, managerial and technical issues as well as the application of information technology.

2. Technology and technical knowledge is another requirement of enterprises. Lack of familiarity with technology and technical knowledge or lack of the possibility for the use of it is quite evident in Iran and should thus be underlined. Therefore, measures such as lending, consulting services and training can be taken in this respect.

3. It is very important to train the micro producers. With the implementation of this policy, various goals such as identifying opportunities and taking advantage of them, familiarity with new technology and technical knowledge and its use, and new scientific methods of business and management can be achieved. Training can be long-term, such as high-school education or short-term such as occasional presentations.

These cases essentially include the macro cases which can be actualized only by adopting a series of policies and legislation. The main features of these cases include: relying on the market mechanism, low cost for the government, job creation and strengthening the process of talent and creativity manifestation by implementing a series of policies to strengthen the micro producers who have the greatest link in terms of economic communication.
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