

The role and impact of entrepreneurship on unemployment rate

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Abstract

Entrepreneurship as an emerging phenomenon has been recently proposed in Iran. On the other hand, our society has suffered from the youth unemployment for years. In addition the economic and social, cultural and moral damages, it has caused severe blows to the society. To solve this basic problem, the new solutions, should be thought. One of the best ways to provide jobs is developing the entrepreneurship. This article was trying to show the role and the effect of entrepreneurship (the number of provided jobs) on reducing the unemployment rate. So, the researchers have studied 20 research papers related to the management and entrepreneurship from 2000 to 2013 and described its results in great detail.

Keywords: Management, entrepreneurship, unemployment

Introduction

For several years our society has suffered from the youth unemployment but the problem is still unsolved. How to create jobs? How can the problem of youth unemployment, which now has become the most important problem, be solved? According to the professionals and experts in the current situation, the best way of solving the problem of unemployment is creating jobs, development and expansion of entrepreneurial culture in society. What is entrepreneurship and what are job creation requirements with a large number of people who are unemployed? First, it is necessary to describe concepts such as unemployment, job creation.

Management and its types

So far, several explanations have been proposed

for the management. Some important definitions that are provided in this area are as follows:

The art of doing things by others, the art and science of coordinating efforts of the members of the organization and using resources to achieve organizational objectives, doing the tasks of planning, organizing, leading, coordinating and controlling the making- decision process in which the decisions are made in an organization. Playing a leading role, source of information for decision makers and linker for the members according to functional tasks managing includes planning, decision making, organizing, innovating, coordinating, communicating, leadership, motivating and controlling. Although such definitions of management suffers from some word limitations, it seems to be more fluent than definitions trying to restrict the management in especial characteristics or attach a philosophical important to the concept. However, many definitions of management regarding its function according to the researchers' opinion as Fayol or Gilolik have differences that can't be simply ignored. It is obvious, management science has not been able to manage its definitions of management (Rezayian, 2005). The following definition include the basic concepts of management that is a process. The concept of directing the organization lies in the human management. Efficient management makes appropriate decisions and obtains the desired results.

Levels of Management

Large organizations usually have three levels of management:

Excellent Management - Middle Management - Operations Management .(branches of management: state management, change management and productivity management, industrial management, business management, urban management, ho-

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tel management and tourism management, media management, crisis management, financial management, human resource management, marketing management, health care management, project management, quality management, risk management, strategic management and research performance management in operations and entrepreneurship.

Employment and Unemployment

The central bank has defined the word "job" as any mental or physical activity in order to earn money (cash or in-kind) and its goal is producing the products or services such as house work, but education and amateur sports do not count in this definition. Tabnak (2011). Economically, an unemployed is a person at the working age (15 to 65 years) seeking job but cannot find any job or source of income. Children and the elderly who are not able to work, are not counted part of the active population. Housewives and students who don't seek the job do not include in unemployed population. Unemployed population is the number of unemployed people as mentioned in Indicators and indicators of labor"

Unemployment as an economic and social problem is discussed when people at the working age cannot find any job for a while. (Farhang, 1978) In a general definition, an unemployed person is a person at the working age seeking a job but cannot find any job according to his capability with the least payment. So the population can be divided into active and inactive one. The active populations are usually part of population at the ages of 15 to 65 who ready to work. Working population is divided into employed and unemployed (Dahmardeh, 2005).

Types of Unemployment

Unemployment is a condition in which individuals are able and willing to work but do not obtain suitable employment and earning. Obvious unemployment is either arbitrary (voluntarily) or involuntary. In involuntary unemployed conditions, people refuse to accept the job they are deserved; however they can make a living through different ways. But in involuntary unemployed state, job seekers intend to do something as their jobs but they fail to find any. Obvious unemployment is one of the most important kinds of unemployment in the Third World Countries which can be seen most in the rural areas. Hidden unemployment is a state in which people seemingly have jobs but, in fact they

are not productive; in other words the man power is more than production and if some of them are dismissed from their jobs, it will make no difficulty in the rate of production.

Unemployment reasons

The most important causes of unemployment can be summarized as follow:

- The lack of appropriate growth in economy and the capacity of job providing of society.
- The insufficient relation between education and providing jobs systems.
- The shortage of skills among the university graduated that are needed for employment.
- Concentration of the graduated in central parts.
- Inactivity of the graduated.
- The lack of information needed for employment among those willing to enter the university.

Entrepreneurship

Entrepreneurship is a quality that enables people to start a new activity or develop the current activity strongly and incredibly. Entrepreneurship is the factor of developing the economics, culture and society. The growth and development of this phenomenon can result in basic changes in national economic. Entrepreneurship is a process through which the entrepreneurship offers new services and products by putting new idea forward and providing jobs and taking risk. Although different definitions of entrepreneurship have been presented, most writers and the authorities generally define entrepreneurship as the process of recognizing the economical opportunities, providing jobs, and new innovative companies with the capability of growth in order to use the obtained opportunities which results in producing new products and offering new services.

Unfortunately the word entrepreneurship has been interpreted as providing job, while entrepreneurship has a meaning more extensive and valuable than providing jobs. Such misunderstanding of this word and increasing the manpower specially among the university graduated has caused many of the policies that have been adopted for its development, as well as speeches and official rules in this regard, merely consider this word as providing jobs. While entrepreneurship has important consequences as positive and fruitful creativity, encouraging innovation and developing it, increasing confidence,

developing technology and increasing production of wealth and welfare, if it is considered as entrepreneurship, we will be deprived of its consequences. Joseph Schumpeter (1934) called entrepreneurship "Creative destruction". In other words, another determining characteristic of entrepreneurship is doing new things or inventing new methods, namely the current state of affairs. The new approach is called as "creative destruction". In his view, innovation is considered as entrepreneurship in each of the following fields: presenting new goods, and new methods of production processes, opening new markets, finding new resources and creating new organization in industry. Entrepreneurship includes a variety of ideas and turning them into products, and services and developing their business which has to be offered in the market (Beheshti, 2008).

Importance of Entrepreneurship

Studies show that some economists and management experts and scientists, entrepreneurs are the engine of the growth of the economy and society that help them move in a competitive and unstable circumstances. The key to success in entrepreneurial methods is finding the innovation methods which help produce the new goods desired by man, through using new technologies or finding markets faster and more inexpensively. This means producing goods at low price or improving their quality or creating markets for new goods. The presented definitions of entrepreneurship suggest that an entrepreneur does not wait for the government to invest or provide job. He himself provides facilities and put his idea into practice by knowing opportunities and using the stagnant capitals and by organizing and managing the sources correctly. He not only provides himself a job but also provides jobs for others without relying on the government, in nongovernmental section, moreover, he plays a great role in production and productive employment and this helps reduce the rate of unemployment without relying on the government's investment for creating jobs. However, the government can help to accelerate the entrepreneur movement by providing facilities and following the appropriate policies.

The history of entrepreneurship

Despite the long history of entrepreneurship in most countries of the world from the late 1970 onward, even in the developing countries, serious attention to entrepreneurship can't be seen. In our country before implementing the Third Develop-

ment Plan and even in scientific and university areas no activities except few ones were done. Unemployment problem and predicting that unemployment problem would be more acute in the decades of 2001 caused the subject of entrepreneurship to be considered in planning the Third Development Plan in the level of the ministry of science, Research and Technology, Health and Medical education, Agriculture, Industries and Mines, Organization of Jihad & metal as well, due to the relation to their activities. Karad project (development of entrepreneurship in university country) was included in the Third Plan. In the late 2000 the responsibilities of follow-up, the implementation and official affairs were transferred to the evaluation organization by the ministry of science. The Karad project is now carrying out in 12 universities and most of the universities have made good progresses in this field. The entrepreneurship center in Tehran university officially and practically has begun its activities since the second half 2002 which then it was transformed to entrepreneurship college.

Entrepreneur

Richard Cantillon (1990) was the first person to coin the term in economics and define thus: an entrepreneur is a person who purchases (buys) the production tools in order to integrate into marketable product that can be purchased. An entrepreneur doesn't know the price of product when buying it.

According to Kasson (1982), an entrepreneur is a person whose skill is to make the logical or rational decisions on coordinating in rare resources. He considers the ability of judging as a common characteristic of all the entrepreneurs.

According to Kurland's view (1984), an entrepreneur is a person establishing a firm to make profit and growth and manage and use it for personal goals.

Frank Knight (1921) defines an entrepreneur as a person who makes decisions in unstable state and accept personally all its consequences.

An entrepreneur is a person of ability to see and evaluate all the opportunities of jobs. He collects the necessary resources to exploit them and then plans the appropriate strategy to achieve his goals.

According to Ahmadpoor Dariani, the word entrepreneurship comes from entrepreneur which means commitment and according to the college glossary, an entrepreneur is a person who takes the risks of an economical activity and organize (manage) it.

“David Mc bound” and “Eric Flannigan” define entrepreneurs as an inventive person with concentrated mind, seeking success and willing to use shortcuts and working not completely according to the book. And in economic system, they establish innovative and profit maker firms offast growth. In the mid-twentieth century, the theory of innovative entrepreneurship is presented by Scum Peter. According to this theory, the duty of an entrepreneur is to improve and develop the methods of production by using the invention or more generally the technological possibility which is not experienced in producing new goods or old ones in new forms of production, reopening new resources to access the material with new market for products or new industrial management. The concept of innovation and freshness is an integral part of definition of entrepreneurship. One of the most difficult tasks of an entrepreneur is innovating that’s to say presenting a new thing. This not only requires the ability of creating and conceptualizing it , but also it requires the ability of understanding the force work in the environment. Being modern may include many things from new product to new system of distribution or methods for developing the new organizational structure. In a society, according to the culture of entrepreneurship, the stages of forming an activity can vary from very sophisticated to simple ones. This activity in a simple stage can include a firm in lifestyle to or basic firm with the highest potentiality and standards.

Characteristics of Entrepreneurs

- Innovation
- Creativity
- Riskbearing
- Self- Confidence
- Technical Knowledge
- Independent
- Goal- oriented
- Internal center of control
- Positive reaction to set back
- Communication Ability
- Achievement seeking
- Desire for Responsibility

The Role of Entrepreneurs in Society

- Entrepreneurs are the agents in one of the following:
 - Employment agent
 - Encourage the investment
 - Operating balance in dynamic economies

- The transformation and national and local revitalization (Entrepreneurship beyond the profession, but a way of life.)
 - Production factors (such as land, labor and capital)
 - Organizing and managing the resources of organization and use them effectively
 - Technology Transfer agent
 - Recognition factor,
 - Managing innovation and accelerating the changes
 - Reducing the administrative bureaucracy (reduction of setting at the tables and stirring the sense of being active)
 - Stir the sense of competition and market integration.
 - And integrating and coordinating the markets.(Beheshti, 2008)

Types of Entrepreneurs

Entrepreneurship, according to the objectives of the entrepreneurs in the process of entrepreneurship, can be classified into three categories indicating different concepts of entrepreneurship as follows:

1- Entrepreneurship for new business

2- Entrepreneurial solutions to social problems

3- Entrepreneurship for developing or improving the existing organization, in the later, entrepreneurship is done through formal structure of organization and its purpose is to improve or develop the organization. Organizational entrepreneurship can be defined in great detail in which the new products or markets are developed, so an organization is called entrepreneurship which is more active in producing goods and creating new markets than other organizations. In an organizational entrepreneurship, it is possible to achieve the higher goals by using innovation potentials. In other classification entrepreneurship can be classified into following categories:

- Emerging (at the beginning is a business)
- Beginner (no previous business experience)
- Veteran (with the activity background in-business)
 - Sequential or chain (constantly changing business)
 - Synthetic (maintaining the main business and doing other additional business (Beheshti, 2008)

Conclusions

In many economists and experts’ view entrepreneurship is the engine of economic movements and

plays many different roles in society and is the base of all human development and changes. Many of the entrepreneurs -enter the market with new products and modern methods of production.

On the other hand, entrepreneurs, due to their incomes relying their attempts. They work longer hours and more efficiently so they help increase the economic growth and decrease the rate of unemployment. In sum, entrepreneurship influences the whole economy. The kind of relation between entrepreneurship and unemployment has turned to be a complicated puzzle for the experts and are not clear. Some economists, from this argument telling the increase of unemployment decrease the costs of being of entrepreneurship, conclude that in these conditions people are encouraged for selfemployment and new business. This group of experts believes there is a positive relationship between unemployment and entrepreneurship and increasing the rate of unemployment and thinks increasing the rate of unemployment untimely results in increasing entrepreneurship. The second group of economists think there is an inverse relationship between entrepreneurship and the rate of unemployment and believe entrepreneurship and its development have a great influence on creating new business and jobs and reducing the unemployment rate and call it the effect of entrepreneurship. Their views are based on this reality that each new established firm at least creates a business for its founder and leads to employ the new forces which then reduces the rate of unemployment. In fact, the first view considers the positive relationship between entrepreneurship and unemployment (priority of unemployment to entrepreneurship) and the second view believes in a negative relationship between them (priority entrepreneurship to unemployment). And there are strong theories and experimental results for both views, so economists face many problems in recognizing the kind of relationship between entrepreneurship and unemployment and as it was discussed before, it is important to clarify the equality of this relationship since it can help the economists to make good decisions. Researches show that entrepreneurship and innovation have a positive relationship and helps to grow and develop the organizations. Entrepreneurship and innovation complete each other. And their combination is essential for organizational success and stability in today's developments in changing environment of the world. Entrepreneurship and innovation can't be confined to the early stages of a new job and business. In the survey of Tehran University such results are obtained:

The characteristics of managers, employees' motivations, and organization culture, training the workers (employees), leadership style and the employees' characteristics, respectively have the strongest direct relationship with the entrepreneurship. In addition, this object will be achieved when:

All the state (governmental) managers and their employees believe that there is always an opportunity of developing within the organization. To improve the government services, it is necessary to allow the organization to design the structure in the shortest time for offering services. Promoting and giving rewards according to the kind of job and innovation as a dual system of promoting can replace the current system of choosing the managers and can make the communication of employees with the managers easy in an entrepreneurship firm. To achieve this goal reducing the organization layers seems to be essential

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