

The Symbiosis between Entrepreneurship Formation and Employment Creation: A Strategy for Job Opportunities in Kurdistan Region

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Abstract

Kurdistan Region of Iraq today is facing incalculable challenges as a result of high unemployment rate. Unemployment has risen sharply over the last two years as 20 – 25 per cent had lost their jobs mainly in the private sector. For example, unemployment in 2013 stood at 7 per cent and in 2014, it grew to 10 per cent (BasNews, 2015) and the trends suggest a steady increase in the years ahead. This paper discusses the interconnectedness between entrepreneurial activities and employment creation in Kurdistan. The paper also examines the extent in which crises free environment can facilitate a strategy for employment opportunities within the Region under investigation using some specific organizations as Mini Case Study. The motivation for conducting research in this area is to provide some solutions on how the rising unemployment trend in Kurdistan Region of Iraq can be ameliorated.

Keywords: Entrepreneurship, Unemployment, Entrepreneurial activities, Entrepreneurs, employment.

Introduction

The high unemployment rate facing the globe today has made it imperative for governments of various countries to begin to think of strategy for improving the situation. One of such strategies has been to forge a relationship between entrepreneurship and employment creation. When the economic situations are tough, different countries encourage their residents to work on the alternative forms of subsidizing their income via the open market and entrepreneurship is one possible way of doing so. Entrepreneurship, in this context, therefore, combines ideas, seek success and employment, cooperate with business partners and gain capital, and more importantly relies on the laws and the infrastructure that are offered by a specific country. Apparently, countries that are more open to entrepreneurial activities and competition are the ones which have a more entrepreneurial infrastructure. As (Hernández 2004) has demonstrated, entrepreneurs have strong incentives to develop new products and new technologies and to discover profit opportunities that ultimately direct

society's resources toward the most productive activities. By creating new ventures, entrepreneurship contributes to the fall of unemployment. When unemployment becomes one of the biggest problems in the society, entrepreneurship is one of the possible options of reduction as well as the social and economic problems that arise from it. Baptista & Thurik, (2007) quoted in Marič, Jeraj and Pavlin (2010) claims that "the increase in the rate of entrepreneurship (business ownership) leads to greater levels of employment and economic growth."

There are over 10,000 small and medium companies in Kurdistan Region today. In conducting this research, six organizations in Erbil, Kurdistan Region were used as a mini case study. The first one is Abu- Shahab Restaurant - one of the most well-known restaurants in Hewler. It was initially operated as a small shop for selling food in 1967. During this period there was only two staff. Today, the restaurant can boast of over than two branches in Hewler with more than 340 employees.

The second case is IT Lobby: This organization was established in 2014 in Hewler and sells IT products with 25 employees in total. The owner is Kurdish and the first entrepreneur who open up a company for selling IT products. The third mini case is Fig club- a dancing school established in 2013 for children and owned by a female with 14 employees.

The fourth one is Fingerprints - an academic nursery that was established in 2015 in Hewler, with 25 employees in total. The fifth entrepreneurial activity in Kurdistan is Burch institute - an academic institution that was established in 2015 with the purpose of providing courses in academic programs. This organization employs in total has 22 employees. The sixth firm is Gatherton – an event planning company that organizes events such as lunches, press conferences, academic and social events. The business was established in 2013 with 15 employees in total. The total employees of 2594 by the above six entrepreneurial activities confirms the symbiosis between the two concepts – entrepreneurship and employment creation.

Decreasing the ratio of unemployment is a fundamental challenge in many countries around the globe not least Iraq Kurdistan. In fact, unemployment has been rising due to, 'rapid changes in technology, recession, inflation and undulating business cycle the world over'.(Lubker, 2008). The problem associated with unemployment is huge: unemployment causes many economic and social problems and raises a variety of issues such as lack of social responsibility, lack of financial resources and economic decline. It has costs for society as well as for individuals. When unemployment is high, the economy is tremendously affected.

The cardinal objective of this paper is to examine the symbiosis between entrepreneurship and employment generation in Kurdistan Region of Iraq. Our earlier discussions revealed that unemployment is one of the most significant and most substantial problems that is affecting the region today. Evidence suggests that the ratio of unemployment in the region has risen constantly over the past few years (Lee, 2015).

Research question and Hypothesis

The question that requires critical analysis is whether the proliferation and activities of entrepreneurship in Kurdistan Region can, to a significant extent, create job opportunities and reduce the rate of unemployment?

Hypothesis

The increase in entrepreneurial activities such as creating and offering new job opportunities will likely reduce unemployment rates in Kurdistan Region of Iraq.

This research will address the aforementioned question and hypothesis through various research approaches discussed under the research methodology.

Literature Review

Establishment of businesses in the form of private ownership and entrepreneurship is one of the strategies a country can adopt in order to reduce unemployment rate and enhance economic development. In contemporary world, entrepreneurship is a preferred choice for employment because entrepreneurial activities offer certain benefits that one could not have when employed in a large corporation or in the public sector." (Marič, Jeraj, & Pavlin, 2010). In terms of finance, people and government suffer from unemployment. The disadvantage of high unemployment rate is its socio-political and economic consequences. Allied with this disadvantage is insufficient use of power which contributes significantly to unemployment. As claimed by Mehta (2014) due to unemployment, human resources go waste. No constructive use of labor force is made. If human resources are properly used economic growth of the country will increase. Hence the better the use of the human resources the more successful the economy of a country becomes.

Unemployment is a situation where someone of working age is not able to get a job but would like to be in full-time employment"(Pettinger, 2010). Empirical evidence suggests that unemployment has a direct negative relationship on individual's physical health as well as their psychological welfare such as, the morality of the unemployed, how they feel about themselves and their happiness (Mark, 2007). The unemployed tends to feel unimportant, rejected, and hopeless in addition to suffering from low self-esteem and inadequateness. Mark went on to state that there are have been more cases of people committing suicide in the areas which have a higher level of unemployment. Added to this is the bad effects and impressions the unemployed put on their families and surroundings. In contrast, employed people with high salaries enjoy having high standards of living while unemployed do not have that chance. Most importantly one of the most crucial effects of unemployed is "Lose of skills Usage" which refers to the loss of the skills that someone has due to the long period of being unemployed.

Unemployment Factors

Some of the factors that led to unemployment are technological change which has now becomes a recipe for arguments amongst the economists. The new changes in technology have built Low-cost microelectronic devices that are able to smoothen and ease the work in the office or factory thereby advancing performance without human involvement. The revelation of technological change is increasing in almost all the industries such as advanced electronic computers, robots, flexible manufacturing systems, and CAD/CAM. There is also technologies that help organizations increase productivity in office tasks. Studies such as Rotman, (2016), and Dashevsky, (2014) have proven that the technological advancement destroys the need for the human workforce. A recent Oxford University study predicted that 47 percent of all U.S. jobs are under threat to be replaced by automation (Dashevsky, 2014). There are plenty of jobs that are going to be taken by the robots instead of humans. For example, there is a project called Driverless Cars and this project will produce cars which will be automatically driven without the interaction of human beings. This new invention will, undoubtedly lead to destroying the job of driving suggesting the people who work in this sector will lose their jobs. Another example is the system of IBM's Watson system which is may likely take over traditionally intellectual job such as doctor and lawyer. Since Robots are

more efficient and cheaper than humans (if there is any chance for employers to choose between Robots and humans) the Robots may likely be chosen. For these reasons, therefore, we assume that the continuous innovation and application of technologies are set to rob human workforce their respective occupations.

Over the past 60 years due to lowering human-made barriers between borders the market globally have become interdependent with more integration among markets of different nations. Investors tend to transfer wealth and capital from one country to another for the sake of investment and business operations. This trend leads to unemployment in the country that the business or the money is transferred from and the high employment in the country where the business relocated. A welfare state is a system that collects taxes from the population at large and uses the proceeds to provide support to the poor, the unemployed and other groups believed to need help. Most of the advanced countries operate a welfare system to some degree. Taxes (such as the ones that required employer contributions to social insurance funds) and regulations may raise the cost to firms of offering jobs, and thus reduce the wages they are willing to pay; simultaneously, benefits such as unemployment insurance may reduce the incentive for workers to accept jobs, and thus raise the wages they demand.

Entrepreneurial activities

Various explanations have been offered on entrepreneurial activities. One of such explanations is made by Seymour (2008) who defines entrepreneurship as a process of identifying opportunities and entrepreneurial activity involving identifying opportunities within the economic system. He went on to state that entrepreneurs are someone who makes brave decisions in the business: he deals with the uncertain conditions of the future. His success or failure depends on the correctness of his anticipation of uncertain events. Following on the above definition, Hisrich, *et al* (2010) believes that entrepreneurship is the identification of opportunities by describing and linking it to the opportunity for increasing or gaining profit and to behavior in response to a judgmental decision under uncertainty about a possible opportunity for profit.

The symbiosis between entrepreneurial activities and employment creation

Entrepreneurship does not only increase per capita output and income; it also constitutes and maintains changes in the business. This is gained through the increase in output that contributes in a more distribution of wealth among a greater number of participants. As Hisrich, *et al* (2010, p. 23) claim:

One theory of economic growth depicts innovation as the key, not only in developing new products (or services) for the market but also in stimulating investment interest in the new ventures being created. This new investment works for both the demand and the supply sides of the growth equation. The new capital created expands the capacity for growth (supply side), and the resultant new spending utilizes the new capacity and output (demand side). This is reflected in the products evolution process, a process growth which innovation is developed and commercialized through entrepreneurial activity, which in turn stimulates economic growth.

This means that by opening new firms and bringing in new businesses to the market, economy is relieved. Furthermore, during the transition from socialist to a market economy,

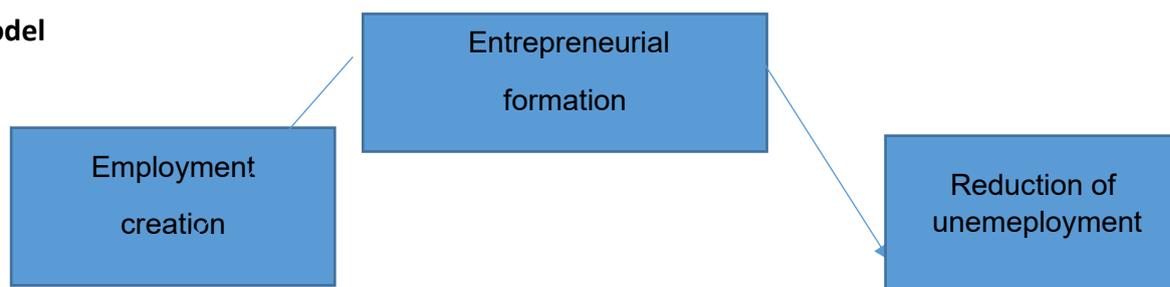
Entrepreneurial activity has been one of the most critical economic solutions (Begley, 2001). In this context, therefore, entrepreneurship activities play a crucial role in maintaining the market and solving economic crisis.

Types of entrepreneurs

Entrepreneurs operate in different forms. Some of them are business entrepreneurs, trading entrepreneurs, corporate entrepreneurs and agricultural entrepreneurs. But in a wider scale, scholars and economists classify entrepreneurs into different groups and classifications. Constable (2015) has divided entrepreneurs into three different kinds of groups. The first type is called skeptical entrepreneurs which draws from the success of other successful entrepreneurs. The second kind called the copycat entrepreneur that copies the strategies and methods others use. The third type is called the research entrepreneur, and searches for every single information that might help in developing his/her business. Apart from the above mentioned, there are far more other kind of entrepreneurs such as Serial, opportunity, necessity, etc. and each of them is classified either according to the type of business, use of technology, or stages of development.

The role of entrepreneurial activities in reducing unemployment rates

Model



One of the best ways of generating new jobs is to create a new industry or to bring a new industry to the economy. By creating a new industry, new opportunities of working will be created. More people will get to have jobs and eventually the unemployment decreases. An example to buttress this claim is the internet industry. During years of 1990's when the internet started to explode all around the globe, high prices of the industry created many new good jobs with very high emolument. The industry also brought other new industries such as desk-top industry. In this context, no matter how wide or narrow the industry is it still plays the same role in job generation. Davis and Haltiwanger, (1992) and Baldwin, (1998) stated in Shiferaw, (2010) that there are high rates of job creation and destruction, in excess of 10 percent a year even within narrowly defined industries, reflecting the simultaneous creation and destruction of jobs and the substantial firm-level heterogeneity in employment. It is also remarkable that the levels of job creation is higher among new and small firms rather than old and big firms. Entrepreneurial activities create many new job opportunities which helps to decrease the ratio of unemployment. Nystrom, (2008) argues that the practice of entrepreneurial activities has a great role in forcing economic growth through offering new job opportunities. Furthermore, Luebker went further to suggest that small firms, and in particular new firms, accounted for the lion's part of new jobs created in the areas with high unemployment rates (Luebker, 2008). A comparative study carried out in 2004 among new and old firms to investigate which firms contributed more in reducing unemployment,

indicated that net employment contribution by entering and exiting firms was positive, while the net contribution by incumbent firms was negative" (Drnovsek, 2004).

Ambiguous relationship between entrepreneurship and unemployment

The question to ask at this juncture is whether unemployment leads to entrepreneurship or the other way around? Some of the economists argue that when there is a high level of unemployment, entrepreneurship occurs. The causal relationship between entrepreneurship and employment growth can be expected to be dual. This implies that employment changes can be expected to be influential for entrepreneurship rates" (Nyström, 2008). A dynamic interrelationship could be noticed between unemployment and the entrepreneurial activities. "New firm startups hire workers, which may result in a fall on unemployment. On the other hand, high unemployment may lead to an increase in startup activity since the opportunity cost of starting a new firm is lower for the unemployed. In some ways, unemployment may contribute to entrepreneurship, and in contrast, entrepreneurial activities may lead to unemployment. To some extent the empirical evidence shows different directions of this connection. Although most of the studies such as Baptista & Thurik, (2007) and Faria, Cuestas, & Gil-Alana, (2008) show that the relationship is positive but in the long run "relationship between unemployment and entrepreneurship is, in fact, both negative and positive. Changes in unemployment clearly have a positive impact on subsequent changes in self-employment rates "(Baptista & Thurik, 2007), but studies such as Drnovsek, (2004) prove otherwise. Not only entrepreneurship contributes to reducing unemployment, in contrast, unemployment also causes entrepreneurship. For example, when there is a very high rate of unemployed due to lack of job opportunities, the creation of entrepreneurial activities for the sake of self-employment is highly encouraged.

Perspective of entrepreneurs on reducing unemployment rates

The contribution of entrepreneurs in employment generation is very important. The goods and services that they offer the market play a big role in reducing the need for importing. The people who become entrepreneurs have the kind of mindset that satisfies not only their own personal financial goals but also strengthen the economy of the region as well. They perceive the benefits that the community and country will get as follows: firstly, they consider their activity as something very special and secondly, a good investment opportunity. Above all, the entrepreneurs are generally high in dispositional optimism—the tendency to expect positive outcomes even when such expectations are not rationally justified" (Hmieleski, & Baron, 2009).

Research Methodology

Searching for knowledge is a predominant domain of research. Any scientific and systematic search for pertinent information on a specific topic is a research. In fact, research is an art of scientific investigation. A research can be classified as correlational, descriptive, exploratory, or explanatory. The correlational study refers to establishing or discovering the existence of association, relationship, and interdependence among two or more parts of a situation (Kumar, 2011). As opined by Saunders, et al (2009), the purpose of descriptive research is to explain a correct profile of persons, situations or events, whereas explanatory research describes the relationships of particular variables. In the context of the exploratory research a particular unknown area is explored or investigated for the possibilities of undertaking a particular research study. To corroborate this argument, Kothari (2004) claimed that research

methods may be described as all those techniques and methods that are used for the purpose of conducting the research. The objective of this research methodology is to systematically answer the research question and problem. And in order to achieve that, in-depth interviews is used. The target population is the business owners in Erbil and elsewhere as well as Ministry of Planning in Kurdistan to ascertain the rate of unemployment. In addition to interviewing, quantitative (sampling, surveys) and qualitative techniques (content analysis) are applied. The type of sampling in this study was explanatory survey design and the probability technique. The subject for the study of this study was six entrepreneurs who own six different businesses in Erbil. Data analyses were explanatory in nature. The findings are discussed according to the demographic trends of business man/women selected as samples of this investigation, the effect of the private sector in unemployment reduction, and the manpower employment in Kurdistan region of Iraq.

The population that was selected as samples in this investigation was six entrepreneurs, five of which were male and one female. Four of these entrepreneurs are foreigners and two are local. Most of them started their businesses recently and very new to the market. Furthermore, some of them were old in the market and one of them had 49 years of experience of being in the market. The participants had different numbers of employees depending on the size of their businesses. The participant's businesses were from different sectors.

Analyses of Results and discussion

The key objective of this paper is to find out the extent in which entrepreneurial activities can lead to the reduction of unemployment rate in the Kurdistan region of Iraq. The target subject is business owners of 6 out of 25 firms who have started their businesses in Hawler City in Kurdistan region as entrepreneurship.

The demographic trends such as race, gender, business type, the number of employees and the business age of the participants were considered. The number of participants was six and the data was analyzed and demonstrated by using charts and tables as demonstrated in the tables and charts.

Table 1:
the demographic trend of entrepreneurs in Kurdistan

Participants #	Business type	The age of his/her business	Number of employees	Race	Gender
1	Restaurant	49 years	340	Kurdish	Male
2	IT company	years	50	Kurdish	Male
3	Dancing school for children	3	14	British	Female
4	Academic nursery	1 years	25	Arab	male
5	Academic Institute	1 year	22	Turkish	Male
6	Event planning Co.	3 years	15	British	Male

This Table displays entrepreneurs and business owners that have been selected and every subject has been given an equal chance. As shown in the table above not much attention is paid to gender. This means that the selection is done without considering the gender. It is, therefore, clear that there are five male participants and one female participant. The participants are owners of businesses from different sectors and the size of their firms vary. However, it is important to note that not all of the participants are Kurdish as four of them are foreigners.

In discussing the result of the entrepreneur's engagement in job creation and offering new job opportunities, a revelation was made as to the extent in which the KRG has been supportive of the business ownership and entrepreneurship environment. The results emanating from the interviews with entrepreneurs in Kurdistan region of Iraq such as: **Is business ownership startup rate increasing in Kurdistan; what encourages the start-up rates in Kurdistan; what is the difference between working for an enterprise and for a public institution; which one is your preference; would you choose to be an employee with a high salary rather than to be an entrepreneur; what barriers did you perceive when you first started your business; and so on were analyzed. A good number of business owners** agreed the rate of entrepreneurship and startups is constantly increasing in Kurdistan region. An infinitesimal number believed that businesses are not too good due to certain challenges such as ISIS and the political issues between the centre and the region. Despite the challenges, most entrepreneurs interviewed would like to run their own businesses as doing so will give them some freedom and independence.

In our analysis we also compared certain trade mark and unemployment between some selected Middle Eastern countries. The purpose of selecting these countries is to establish the extent in which their trademarks have helped in reducing unemployment. Furthermore, it will help the researcher to draw on their successful experience and see how they can be replicated to some extent, to Kurdistan.

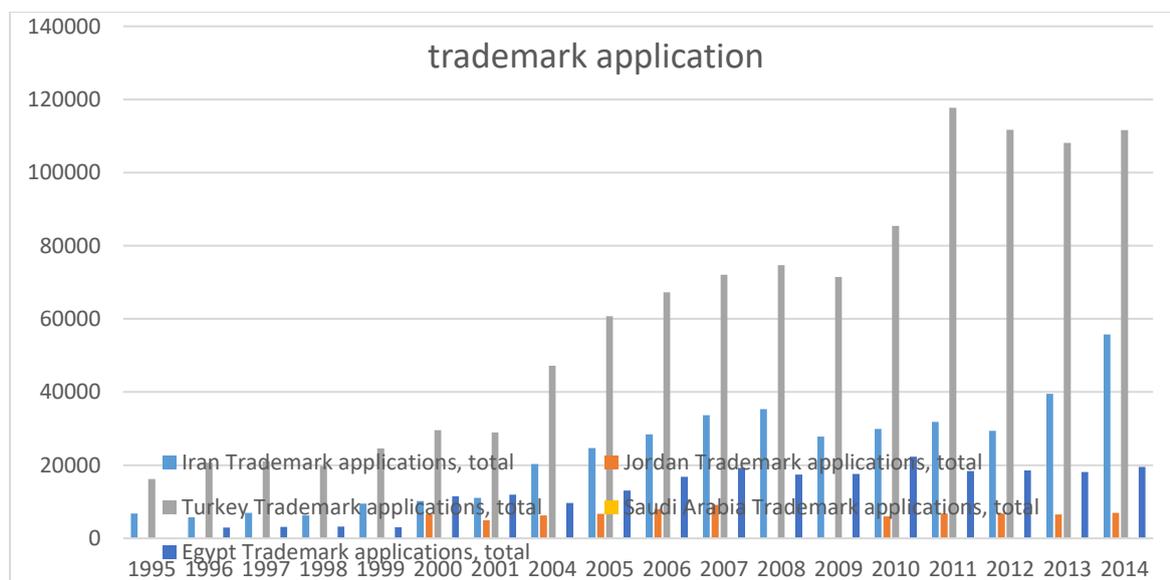


Figure 1. The Trademark application of Iran, Jordan, Turkey, Saudi Arabia and Egypt
Source: World Bank Report Group (2016)

The above figure suggests number of trademarks in those countries indicate an increased from 1995 to 2014. The graph shows that the number of trademarks in Jordan was only 250

in 2001, while it reached 15000 in 2014, whereas in Turkey, the number was only 45000 in 2009 but it rose to 115000 in 2014. In Egypt, the number was 12000 in 2001 and it jumped to 20000 in 2014.

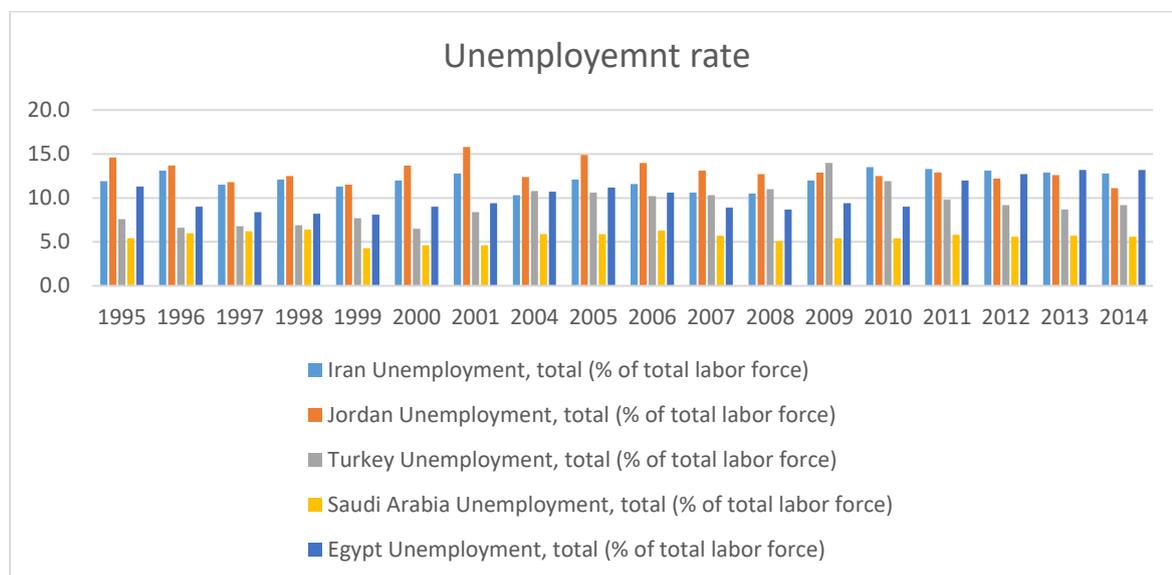


Figure 2: Unemployment rate in Iran, Jordan, Turkey, Saudi Arabia and Egypt
Source: World Bank Group (2016)

Figure 2 shows that in Turkey the ratio of unemployment has reduced in 2009 from 14.0% to 8.6% in 2014, whereas in Jordan unemployment decreased from 14.0% to 10.5% between 1995 and 2014 with the ratio of 15.5%. By this year 2001 it was reduced to 11.0%.

In the context of Kurdistan as demonstrated in Table 2 below, we observe that the rural areas of Dohuk province have the highest unemployment rate by 18.2 while the center of Erbil province has the lowest unemployment rate which of 7.24. This figures clearly show the unemployment rate is higher in rural and outskirts areas compared to centers of the governorates such as Erbil, Sulaimaniah, and Dohuk.

Table 2:
Unemployed rate of working-age population by governorate

Governorate	Center	Outskirts	Rural areas
Erbil	7.24	16.03	23.9
Dohuk	14.26	18.2	17.51
Sulaimaniah	10.45	13.36	11.26
Average	10.65	15.86	17.55

Source: KRSO/
Ministry of Planning
/KRG
Table 2 shows the unemployment rate

in the region in each governorate by areas.

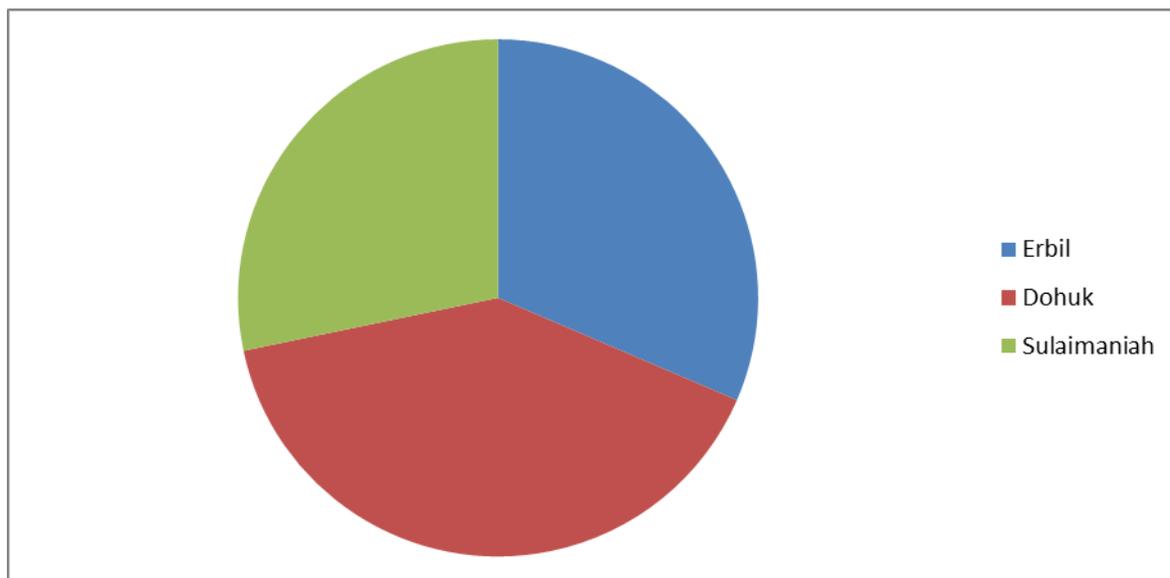


Figure 3: Unemployment rate by governorates

Source: KRSO/ Ministry of Planning /KRG

The data presented in Figure 3 is recorded in 2009. It shows that Dohuk Governorate has registered the highest unemployment rate, reaching 16.91%, while Sulaimaniah had registered the lowest rates of 11.26%.

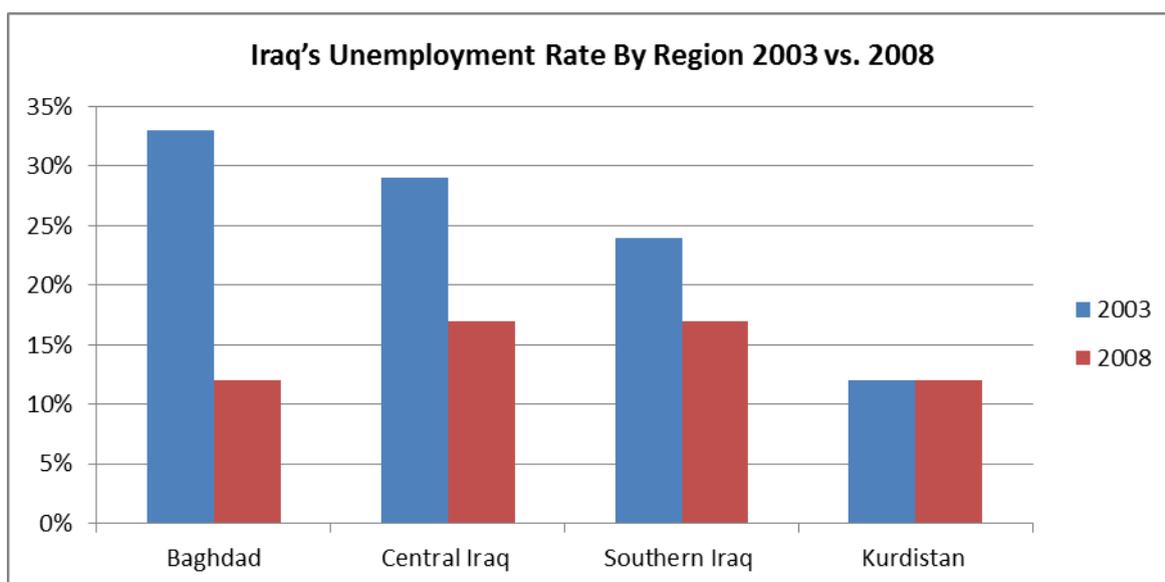


Figure 4: Iraq's Unemployment Rate Region 2003 vs. 2008

Source: Wing, J. (2013). *Iraq's Unemployment Rate Much Worse than Officials Say. Musing on Iraq.*

From the Figure 4 above unemployment rate in Iraq in general and Kurdistan Region in particular remained the same from 2003 to 2008.

As Kurdistan is one of the Middle Eastern countries, the author has estimated some of the findings from the available statistical data of Jordan, Turkey, Iran, Egypt and Saudi Arabia to the case of Kurdistan region of Iraq. From figures 1 and 2, it can be suggested that the number of trademarks of a country has a positive impact on unemployment reduction in a country. Figure 2 shows that in Turkey the ratio of unemployment has reduced in 2009 from 14.0% to 8.6% in 2014. While in between the same period the number of trademarks has increased

from 45000 to 115000. The graph also shows that the number of trademarks in Jordan was only 250 in 2001, while it reached 15000 in 2014. In between the same period the ratio of unemployment has decreased from 15.5% to 11.0%. Kurdistan region of Iraq, therefore has the same potentiality of decreasing ratio of unemployment by increasing trademark which is a part of the public sector as is the case with other countries of Middle East. In this context, therefore, it would be appropriate if Kurdistan can learn from the success stories of other Middle Eastern countries like Iran, Saudi Arabia, Turkey, and Jordan.

Conclusion and Recommendation

The aim of this paper has been to assess the impact of entrepreneurial activities on job creation and how such activities contribute to unemployment reduction in the Kurdistan region of Iraq. From the analyses and the data collected from the ministry of planning, entrepreneurship can positively contribute to the unemployment reduction in the Kurdistan region of Iraq.

Based on the findings emanating from the answers from respondents, this paper recommends the following as a way of enhancing and strengthening employment opportunities in KRG.

First, the government should encourage and promote entrepreneurship activities in the region by offering access to financial help, loans and capital to business startups. Secondly, in order to get a mutual understanding and effectiveness in trade matters, governments, and private sector should be equal stakeholders. KRG needs to generate regular consultations with the private sector for a better understanding of the restrictions they face and how to tackle them. Such consultations are crucial in designing active policies to encourage entrepreneurship and boost Kurdistan trade. Purposeful and expectable leadership is needed to build trust between Governments and the private sector in order to produce an environment that can increase and tolerate dialogue between KRG and the private sector.

Thirdly, the government should come up with rules and regulations, and affirmative support that encourage business ownership startups. For example, the inflow of technology and science should be supported by the government policy. The government should foster the growth of entrepreneurial ecosystem by growing the number of business firms, and invest in Research and Development.

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