

THE STUDY OF EFFECTS OF INTERNATIONAL COMMERCE ON OCCUPATION

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ABSTRACT

Since international commerce is one of the tools of globalization, it can provide the background for International competition and participation of countries in economic activities, so, it can be known as a development basement. It has an important effect on employment rate and productivity by opening economic. So, regarding to importance of international commerce and occupation this essay want to study international commerce effects on occupation during the period 2009-2013 using Data panel model in Iran. The results of data analysis show that international commerce has had a meaningful effect on employment in Iran.

Keywords: *Exports, Imports, Occupation, International Commerce, Data Panel Model*

INTRODUCTION

An important subject in developing countries' commerce, which their economic structure hasn't formed completely in confrontation with free commerce especially international commerce, is apprehension of entering international economic, making commerce free and its effect on occupation and business demand.

External commerce as a part of economic in these years has been discussion subject of many economists also; international commerce has prepared some fields for counties and economical international competition.

So, in international commerce, some activities that have power of competition with other activities can create new occupational opportunities and also activities without competition potential lose their survival possibility.

In fact, these years one of the most important challenges of economics in Iran is appearance of unemployment phenomenon because of the problems resulted from economic and social changes and implemented policies in the last decades.

Birthrate increasing in first decade of revolution and increasing labor supply and also increasing of women participation rate because of social and economic change from supply part and limitation of product capacity of different economical parts with new inventions and increasing of labor productivity from demand part has made this phenomenon in Iran economics.

Theoretical Basements

Classic international commerce theories that the most important of them is Ricardo proportional virtue theory and Hashker-owlin-s a m o lson (H-O-S) theory have some assumptions and the most important of them is existence of full competition in factors and product market and also full employment in producing factors. Therefore, commerce effect on creating new occupational opportunities is not assessable in a frame that considers a theory with full employment.

H-O-S theory believes that the reason of commerce among countries or existence of proportional virtue among them is the difference of natural factors proportion (k-l) among countries.

It means the countries with more proportion of capital to labor power have proportional capital abundance and their proportional virtue is in producing capital goods; because capital for its abundance is cheaper than labor power moreover countries with less proportion of capital to labor power have abundance in labor power so have proportional virtue in producing proficient goods . According to this theory, countries with abundance of labor power, by exiting from one closed enterprise and entering to commerce with other countries apply more labor power in producing proficient goods and the labor power's wage in

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these countries raises because the demand for labor power will increase so, according to this theory, commerce makes the prices of producing factors equal among countries.

MATERIALS AND METHODS

Research Background

Tabibi and Zakerfar (1386) and Zakerfar (1386) studied this effect in an essay under the title of “the effects of making commerce free on country’s occupational level”. The results of this study in a period between 1338-1382 shows that making commercial free by applying eliminating politics or decreasing tariffs and increasing imports in short time has a meaningful effect on occupation. Arman *et al.*, (1387) in his essay under the title of “financial development, economic growth and foreign commerce in Iran” has studied the reliability of demand following, supply direction, export-based growth, import-base growth theories and also theories based on mutual relation between financial development and international commerce model for Iran in a practical analysis. The results of practical models have approved the demand following theory in short time and export-base growth theory. Also it has been approved a one-way practical relation from financial development to imports in long time. Zahedi and Firuzan (1387) have studied foreign commerce effects on occupation and wage by statistical analyzing and self-summarizing method with broad intervals (ARDL) under the title of “study of foreign commerce effects on occupation and labor power’s wage of Iran industries section”.

The results show that exports increase occupation and decrease wage gap and imports end up to loosing occupation. About imports whereas the effect of importing capital goods on wage gap is negative, consuming goods effect is meaningless.

Asadi (1388) has studied foreign capitalization on occupation in an essay under the title “foreign capitalization and its effects on occupation”. The results show that it is necessary to provide political fixity and economical safety structures development, enacting and carrying out suitable laws to gain the highest profit from foreign capitalization and decreasing its potential threatens. It’s clear that in economic growth of any country we can’t ignore the importance of multilateral consideration to cultural, advantaged and competed correspondence and national profits.

Forecasting of Future Commerce of Iran in 93

Foreign commerce always as a ultra-sectioned part in national economics is very important. One of the macroeconomics’ goals of our country during five years development programs has been directing these programs towards developing non-oil exports and aiming imports.

In analysis of export and import functions that are two main variables in our country’s foreign commerce, it can be said that from second five-years development program up to the end of fourth development program totally by carrying out government’s supporting programs include commercial structures development, avoiding signing treaty and eliminating extra laws and stops during export, a developed approach was implemented even though this approach was slowed last years of fourth development program and in 90 & 91 by enhancing boycotts and weakness of decisions took by government we saw a meaningful decrease in induces of foreign commerce field. Maybe industrial exports portion from total non-oil exports is one of the main induces in country foreign commerce. Recently industry portion from gross national product is about %18. It is necessary to reach %30 portion of industry from GDP for achieving the goals of resistant economics and decreasing dependence on oil income (Iran Statistic Center).

Import is another important variable in foreign commerce that has a basic role in development process and goods producing defense, service and achieving quantitative goals of non-oil exports developments has been one of the government strategies during three third, fourth and fifth development programs encountered with some decreasing and increasing. Import portion of GDP, goods imports combination and growth of this variable is proportioned with exporting and producing needs in country include important induces in foreign commerce. Import great dependence on foreign exchange resources are of great challenges in these years. Of course if they are managed correctly, we can provide necessary foreign exchange for import from added value of export products.

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The study of induces function in foreign commerce field during the years 90,91 and 92and current process of these induces show that totally by facilitating processes and removal of unnecessary laws in export and import direction, export index growth has been negative during recent months Dey and Bahman (1392). This shows positive effect of eleventh government's programs policies after presidential selection on dominated conditions in exports field.

Government should seriously warn service executive organizations and also organizations related to producing and exports affairs to develop national producing and decrease their costs and increase competition of export-producing agencies and avoid making costly grounds for producer and exporter.

They should try to eliminate formalities and unnecessary laws, develop processes and profits of human sources have occupation in related governmental sections. It should be considered the goals of non-oil exports in 1393 that are about \$70billion (Iran statistic center).

Specifying Model

In this assay for inspection of international commerce effects on occupation, among 50 superior countries accepted in Tehran stock exchange 15 countries are selected and studied during the period 1388-1392. It is used from panel data method to assess the model.

$$L_{it} = \beta_1 + \beta_2 W_{it} + \beta_3 R_{it} + \beta_4 Y_{it} + \beta_5 ST_{it} + \beta_6 X_{it} + \varepsilon_{it}(1)$$

In which: L: labor power

W: wage of labor power

R: company's stock dividend

Y: company's producing

ST: producing per capita- this value is gained from the portion of

Company's producing to their labor power

X: exporting selling

i: indicates movement

t: indicates time period

It should be notified that all information related to these values is gained from audited financial statements of companies.

1-4 – test of durability of model's variables: when the number of chronological series observations in each one of the profiles is high, we can study durability analysis (existence of single root) for each of those profiles. But the power of testing single root will be low when the data intervals are few. In these conditions using single root test based on boarded data is necessary for increasing the power of test.

Zero- thesis for studying durability is the existence of single root and it is not accepted by rejecting H.thesis and shows variable durability.

Table 1: The results of durability model tests

Variables	pp-fisher chi-square		ADF- fisher chi-square		IM, pesaran and W-stst		Levin, Lin & cho	
	Possibility level	Calculated variable	Possibility level	Calculated variable	Possibility level	Calculated variable	Possibility level	Calculated variable
(L) occupation	0.008	51.66	0.002	56.07	0.000	-8.15	0.000	-38.62
(W)wage	1.000	6.23	0.99	9.03	1.000	5.11	1.000	6.85
Company's stock (R)dividend	0.99	12.58	0.99	10.25	1.000	4.94	0.99	2.90
(Y)producing	0.99	9.42	0.99	9.25	1.000	4.74	1.000	5.16
Producing per (ST)capita	0.99	14.18	0.99	12.56	1.000	4.25	1.000	5.21
(X)Export	0.03	43.18	0.06	39.96	0.000	-9.07	0.000	-21.41

Source: research calculation by software

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So, by rejecting H. thesis, non -durability is rejected and durability is accepted that or in level or by over plus once or two times it becomes durable.

To identify this part you should consider prob. It should be less than 0.05. As it is observed in table 1, occupation variable is in durable level in all testsbut in wage variable, the rate of stock exchange profit and producing per capita become durable by over plus once and export variable is durable in all durability tests.

Determining of Applying Method for Boarded Data

1-2-4. Based on the results of F- lamer test, it is determined about rejection or acceptance of company's special effects of equality thesis and finally about selecting classic method or panel data method. The table below shows the results of F-lamer test related to discuss model.

Table 2: The results of F-lamer test

Test	Variable of test	Value of possibility	Test result
Cross-section F	27.25	0.0000	H. thesis is rejected(panel data method is selected)
Cross-section chi	149.96	0.0000	

Source: research calculation by software

As it can be observed in table2 the amount possibility value of F-lamer test is less than one percent, so zero -thesis is rejected and opposite thesis about being panel data in estimate method will be accepted. Also, determining assessment of model with fixed or accidental effects is discussed for this reason they used from Housman test.

Housman test for Selecting Fixed or Accidental Effects

Fixed effects method, by entering figurative variables separate sectional elements effects method also removes intergroup unlikeness variance in another way. In order to distinguish which method (fixed or accidental effect) is more suitable for estimation we use Housman test.

Zero thesis in Housman test is that there is no relation between subversion component related to latitude from source and expository variables i.e. if they are independent from each other and zero thesis is rejected and opposite thesis accepted, so the method of fixed effects is compatible and the method of accidental effects are incompatible and we should use fixed effects method.

Housman test variable has K-Z distribution.

If its possibility is less than 0.05, fixed effects model is accepted in reliance level of 0.95, otherwise accidental effects model is used for model assessment.

Table 3: The results of Housman test

Test	Test variable	Possibility value	Test result
Cross-section random	0.0000	1.0000	H ₀ is accepted(accidental effects method is suitable)

Source: research calculation by software

Study and Assessment of the Model

Regarding to obtained results in table 4 processed effects of international commerce on occupation it was specified that wage, rate of stock exchange's profit, the amount of exporting selling and producing have a meaningful effect on occupation.

Also because producing per capita ST of each unit is labor power, any amount producing per capita is maximum and there is no need for new labor power. So the relation between ST and occupation is negative.

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Table 4: The results of compound data assessment

Variable	Coefficient	Std. Error	t-statistic	Prob
C	1524.95	145.67	10.46	0.0000
W	7.27	5.43	13.38	0.0000
R	-0.0002	2.67	-8.33	0.0000
Y	0.0001	4.61	38.90	0.0000
ST	-0.122	0.013	- 9.09	0.0000
X	1.82	1.03	1.75	0.08
F- statistic	3658.73	D-W	1.26	
prob(F- statistic)	0.0000	Adjust R-squared=0.85	R-squared = 0.86	

RESULTS AND DISCUSSION

Results

Some factors that can have effect on human source demand and the amount of occupation are export development and economic growth by foreign commerce.

Foreign commerce as a world instrument is making a ground for international competition and countries participation in economic activities. It is natural that foreign commerce activities with no competed power will lose their survival and following that decreasing of non-efficient activities and unemployment of human source of these units entail unemployment level in short time.

So regarding to importance of the subject, this assay tried to study the effects of international commerce on occupation. The result of model assessment is that wage has a meaningful effect on occupation. If the wage of a unit changes, occupation will increase 7.27.

Therefore according to previous assays, wage and occupation can have negative and positive relation with each other, so international commerce have positive effect on expert labor power's occupation and wage. It has negative effect on nonprofessional labor power's occupation and wage or doesn't have more effect on it.

From the other side, results show that the rate of stock exchange's profit has a meaningful effect on occupation and if the profit rate of a unit changes, occupation decreases about 0.0002.

Also producing has a meaningful effect on occupation. In fact any amount producing increases, occupation will increase too.

Therefore if producing of a unit changes, occupation will increase 0.0001 units. Assessment results for producing per capita variable of each labor power's unit shows its negative relation with occupation that if a unit of producing per capita of labor's power changes, occupation will decrease to 0.12 unit. Another studying variable is the amount of exporting selling that has a meaningful effect on occupation and if exporting of a unit changes, occupation will increase 1.28 units.

Now by studying each one of variables it can be stated that international commerce has a meaningful effect on occupation.

Suggestion

- 1) One technique for making occupation is moving toward free commerce (international commerce). While making commerce free, necessary revisions in occupation market are done to increase profit and functionality. Of course without adopting governmental policies, some occupational opportunities may lost, so it is suggested that while entering the process of making commerce free, government's role in supporting susceptible classes via social supplying should be followed with precise programming.
- 2) Applying long-time economic policies specially in foreign section should be in direction of making commerce free in a way that change real parts of economic main occupation,
- 3) Training of skilled labor power proportioned to applied technology that leads to use of maximum producing capacity
- 4) Removing unwieldy laws in bank systems in providing necessary credit facilities for capitalization in different economic departments

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