

Financing Job Guarantee Schemes by Oil Revenue The Case of Iran

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Abstract

Iran's Constitution emphasises on social justice and obliges Government to provide job for every citizen. But in fact, government duty to provide jobs has changed to the governments' supportive measure for creating new employment opportunities through subsidized loans to private sector. By now this policy has not been successful and the current stock of the unemployed is about 3 million (12.75 percent of the country's labour force).

To realise the desire of Iranian people to achieve full employment and social justice, Government must implement EGS, at the first phase, in the most deprived areas. Elected towns and villages Councils can design and manage the public work with the help of other government and non-government institutions. Programmes can be financed by less than 10 percent of annual oil-exporting revenue that is deposited in the Oil Stabilization Fund.

1. Introduction

Islamic Republic of Iran's Constitution¹ emphasises on social justice through poverty eradication and elimination of all kinds of deprivation in nourishment, housing, employment, health and social insurance; and Iranian government is obliged to provide all the means for decent life for every citizen (Majlis 2005).

Increasing unemployment has created concern and discontent. For changing the unfavorable condition in the labour market, the government has implemented different supportive measures; yet, credit schemes have formed an essential part of such programs. In the past two decades, huge amount of highly subsidised loans to private sector by state-own banks could not solve the problem of unemployment and the number of unemployed increased rapidly and created concern of social unrest and economic crisis. Government has to apply effective programs to mitigate the problem. Employment Guarantee Scheme can create considerable new jobs and in the same time stimulate economic activities, especially in backward areas. Hiking oil prices facilitate EGS finance without imposing pressure on interest rate and private sector investment.

This paper reviews briefly the arguments about finance for employment creation through private sector investment and Job Guarantee Schemes. Then changes in the labour market and the role of credit facilities in generating new jobs in Iran during past 2 decades are studied. In the next sections applicability of Employment Guarantee Schemes by using a small fraction of oil exporting revenue in Iran and its consequences on inflation and women unemployment is analysed. Concluding remarks is presented in the last part.

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¹ Iran's new Constitution was approved in 1980, after the Islamic Revolution (1979).

2. Finance for Employment Generation

The weak growth performance of the developing countries in 1980s and 1990s has led to poor labour market outcomes, which have prevented creation of sufficient jobs for the large increases in the labour supply (Cornia 2004).

In the 1990s, credit policy had been promoted as the single most important mechanism in poverty alleviation and job creation. The lack of access to informal and formal credit by many entrepreneurs has been identified by numerous studies as a major, some even say, the major constraint. ILO studies in the Philippines, Bangladesh and Trinidad and Tobago place the lack of capital, especially in the start-up period, as the problem most often mentioned by micro entrepreneurs. (Schreiner 2002; Honohan 2004).

Chen (1992) insists that credit facilities are not the answer to all the problems of poverty and unemployment in developing countries, but it is indeed an 'inducer' to a great many actions that can lead to a better quality of life for the low-income groups. Credit programs rarely reach the poorest. One reason for this is that the tiny loans required by the very poorest people are too small to generate significant interest income for lenders and are expensive to deliver, especially in the case of hard-to-reach rural populations. They can not benefit from credit policies because of their initial low resource base, lack of skills and market contacts. In some contexts schemes mainly benefit those who are already better off (Montgomery 1996; Kabeer and Murthy 1996; Seibel 2003).

It is increasingly believed that governments' role for promoting employment is not limited to financial support. Subsidised loans can create a kind of rent for people who have good relation with the responsible officials for confirming the loans (Imboden 2005; Fisher, Bush and Gruene 2000).

Minsky (1986) states that There is no internal mechanism in market economies to identically match jobs to those seeking them; therefore, government intervention is necessary for realising full employment goal. Government can create "an infinitely elastic demand for labour at a floor or minimum wage that does not depend upon long- and short-run profit expectations of business and can absorb the unemployed and releasing them back in the market as needed" (Minsky 1986, p. 308).

EGS are viewed by many economists as programmes of promoting pro-poor development (Mitchell 2001; Bhadouri 2005; Hirway 2006; and Kregel 2006). EGS and *Employer of the Last Resort* can modify the economic growth path, so as to include segments of the population that are presently excluded from remunerative productive employment. EGS reduces a number of other social and economic costs such as expenditures on prisons and the criminal justice system, health care, social work, and other spending necessitated by the effects of unemployment that is rising rapidly in recent years. In addition, social capital will increase by more social inclusion and economic justice.

3. Changes in Iran's Labour Market

One of the most pressing challenges facing the government of Iran in the new millennium is the creation of enough jobs to absorb the growing number of its work force. According to a projection, the labour force in the country will increase by 3.4 percent annually during the 4th Development Plan (2005-2009). This means that the national economy will have to provide nearly 4.5 million new jobs at the end of the 2009 to avoid unemployment crisis, which shows clearly the formidable task ahead (Iran's Management and Planning Organisation 2004).

Rapid growth of the labour supply on one hand and the increased capital mobility combined with an accelerated pace of technological change on the other, have posed serious challenges for the Iranian workforce. Alarming bankruptcies of inefficient public and private firms, since mid-1990s, have had their share of the increased unemployment. As table 1 indicates the number of unemployed has been rising during the past decade. During 1976-1986 (The Islamic revolution and Iran- Iraq war) the growth of unemployment was very high, but since 1996 it has been escalating again due to the result of baby boom in 1980s and the increasing presence of educated women in the labour market. While in 1976-86 average annual increase in labour force and unemployed were 303,000 and 82,000 persons, these figures for 1996-2000 increased to 744,000 and 154,000 respectively. Hence Iran economy was able to create 590,000 new jobs during past decade, thanks to booming oil prices; it could not prevent increasing number of people join to the reserved army of unemployed.

Table 1

**Average Annual Increase in Labour Force
(1000 Persons)**

	Labour Force	Employed	Unemployed
Men and Women			
1976-86	303	220	82
1986-96	321	357	-36
1996-2006	744	590	154
Men			
1976-86	317	244	72
1986-96	248	278	-30
1996-2006	585	489	96
Women			
1976-86	-14	-24	10
1986-96	73	79	-6
1996-2006	159	102	58

Source: Iran Statistics Center, Extracted from different census years.

The stock of the unemployed for 2006 was 2.992 million persons (12.75 of labour force). However, a more immediate concern is that unemployment has increased considerably from 1996 to 2001. While the number of discouraged workers, or voluntary unemployed, or involuntary part-time workers are not available.

The number of unemployed women in the labour force is rising. Despite the rapid

increase in the number of employed women, the differential between male and female unemployment rates has widened during this period. Women's unemployment rate increased from 13.45 percent in 2001 to 23.35 in 2006, while unemployment for men was 10.81 in 2006 (Table 2).

Table 2

**Unemployment Rates by Sexes
1976-2006**

	The Whole Country			Urban Areas			Rural Areas		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
1976	10.2	9.1	16.4	5.1	5	6	14.2	12.6	21.6
1986	14.2	12.9	25.4	15.3	13.6	29.2	12.9	12.1	20.6
1996	9.1	8.5	13.3	8.9	8.4	12.5	9.4	8.6	14.4
2006	12.75	10.8	23.35	11.82	9.83	22.47	14.74	12.89	25.48

Source: Iran Statistics Center, Extracted from different census years.

The rapid increased in unemployment in Iran after 1996 was a reflection of a major shift in the composition, as well as structure of both the demand and supply of labour. Private firms are reluctant to invest under the prevailing uncertain conditions and risky business environment. So, expansionary policies of the government have negligible effects in reducing unemployment. During 1996-2006 Unemployment rates for men and women both in urban and rural areas have raised sharply. Unemployment rates in 2006 (during oil boom) are close to these rates in 1986 (in the height of Iran-Iraq war and lowest oil prices). Women unemployment rates indicate the insufficient job opportunities for increasing number of active women. The rapid improvement of the educational profile of the labour force brought into the labour market a large number of mostly young, well-qualified female workers. These developments took place at a time of significant restructuring and slowdown in the pace of economic growth in Iran. Government tries to create more "*flexibility*" in the labour market and to provide subsidized loans for encouraging investment and promoting production and employment of private firms. However, reduced production costs have been too low to compensate high risk of economic sanctions against Iran, and domestic and foreign investment has remained low. As the result of preventive business environment, the unemployment rate will likely continue to increase unless Government implements successfully new employment schemes.

4- Employment Policies and Their Consequences

In the late 1980s, the Iranian government started to open up the economy, to privatise state-owned enterprises and promoted private sector activities. It is widely believed that the package of structural adjustment programmes that was reflected in the First Development Plan (1989-1994) was recommended by the IMF and World Bank. Yet the Plan prediction regarding high growth in the private investment and sufficient job opportunities in the long-term, especially by

the industrial sector, was not realised but the stigma about low productivity of public sector employees and inevitable corruption in expanding government institutions remained strong.

In the Third Development Plan (2000-04) creation of 765000 new jobs per year was expected to be created by applying different employment policies, especially through credit facilities to private sector; but despite all efforts total new job opportunities were about 580,000; in other words 77.3 percent of the employment goal was achieved.

It is estimated that the labour force will grow by the rate of 3.2 during 4th Development Plan (2005-09) and will exceed 26 million persons by the end of 2009, so the crisis of labour market will be exacerbated in the near future unless an annual creation of 900,000 jobs during the plan will be able to decrease the rate of unemployment from 12.5% at its starting year to 7% at the end of the Plan (Iran's Management and Planning Organisation 2004).

However, mitigating unemployment has been the priority of Development Plans, Government was obliged to facilitate private investment that can generate new jobs, while had to decrease the number of public employees. The most important remedy so far, has been credit facility. During 2000-2006 credit facilities to private sector has risen by more than 35 percent each year (Table 3).

During the 4th Plan, "Iran Central Bank" is obliged to use up to 3 percent of commercial banking reserves for financing employment creating projects of private sector. Job creation credits are in different forms such as: to finance labour-intensive projects; to facilitate the establishment of small and medium size enterprises; to motivate private sector to invest in deprived regions and to promote non-oil exports.

Table 3

Credit Facilities to Private Sector (Billion Rials²)

	Total Amount Billion Rials	Annual Growth (Pct.)
2000	170,895	33.1
2001	231,354	35.4
2002	314,039	35.7
2003	431,547	37.4
2004	597,324	38.4
2005	804,361	34.7

Source: Iran Central Bank, Economic Report,
Extracted from different years.

Since 2005, all state banks have to finance investment of small enterprises, whose plans are confirmed by Provincial Employment Councils. In 2006 banking system was obliged to provide at least 35 percent of their deposits to small businesses. This rate increased to 50 percent of total deposits in 2007. It is expected that these credits provide 820,000 new jobs (Iran Central Bank 2007). Yet, Iran's parliament (Majlis) announced that there have been wide spread corruption in providing

² During 2000-05 the equivalency of Iranian Rial and US dollar was 1 \$ = about 9000 Rials.

loans to small influential groups. Majlis concluded that such loans are inflationary and can not create sufficient sustainable jobs. Furthermore, there is not effective mechanism to supervise the use of the loans. In 2006, banking system provided about USD 90 billion to small firms to create 765,405 new jobs. In average, the cost of each new job was about USD 12,370 in Iranian small firms (Iran Central Bank 2007). Yet, it is not clear how many jobs really are created.

Many empirical studies show that large part of credits that are allocated for industries, have used for real estates and could not create expected jobs (Iran Central Bank 2007, Karimi 2005). For example, despite government support of cooperatives in the course of past 25 years, Iranian cooperative sector has experienced a very slow growth in production and employment and at present there are many inactive cooperatives all around the country. As Table 4 shows, more than one third of total cooperatives are inactive; and it is not clear that among "active" cooperatives what proportion of the firm are really working. It seems that it has been very easy for 7 persons³ to register a cooperative, receive the loan, divide the money in between, or use the money for more profitable businesses like trade, and not bother themselves for starting up a business and create sustainable jobs.

Table 4

**Active and Inactive Cooperatives in Iran
(2003)**

Activities	Active	Inactive	Active and Inactive	Inactive (Percent)
Industries	4,026	3,216	7,242	44.4
Mining	864	668	1,532	43.6
Agriculture	7,960	3,054	11,014	27.7
Carpet viewing	553	440	993	44.3
Civil works	430	1,224	1,654	74.0
Services	6,013	1,904	7,917	24.0
Total	19,846	10,506	30,352	34.6

Source: Iran's Ministry of Cooperatives, 2004.

Due to formal statistics in 2003 the total employment of the cooperatives was about 800 thousands person (Ministry of Cooperatives 2004) although, more than 30 percent of employment possibilities were gone in the inactive cooperatives. Actually, most part of the formally announced jobs has never been created. Credits to other private entities have more or less similar stories. Prices of real estates in 2001-05 sky rocketed⁴ and showed clearly the tendency of private sector towards high and quick profits in speculation of non-tradable goods.

³ Cooperatives must have at least 7 members.

⁴ During 2001-05 prices of real estates increased more than 300 percent in urban areas.

4-1. Employment Emergency Measure

During Khatami's reformist government (1997-2005) the political pressure of opponents concentrated on the problem of unemployment. In reaction to the mounting pressure, in 2003 Government applied an emergency measure against unemployment. Due to new regulation, any employer that employed a job seeker through the channel of the Job Seekers Registration Centers of the Ministry of Labour, could receive more than 3500\$ as a medium term loan (repayable in 4 years) with highly subsidised interest rate (4 percent). While inflation rate was about 15 percent and interest rate was about 20 percent in the formal capital market and about 50 percent in informal capital market.

Many employers get the loans without adding to existing jobs. In Mazandaran province, cooperative officials and the Job Seekers Registration Centers agreed to encourage job seekers to establish new cooperatives to get about USD 25000 loans. Obviously enough, as job seekers do not know each other in advance and do not like necessarily to have similar activities, many of these newly registered "*cooperatives*" would not be able to continue their work and create sustainable employment.

The banking system officials stated that in most cases the creditors were neither employers nor employees. For example the owner of a small supermarket could get the confirmation of 7 newly employed workers, and receive about 25000\$ loan. The borrowed money was used in more profitable activities like real estate speculation, without creation new jobs, as there was not any efficient mechanism to control the use of loans. Lack of transparency, accountability, proper supervision and parallel government institutions created great difficulties in decision making and implementing policies. By applying the employment emergency measure, the government budget tolerated the burden of about USD 1 billion, that created limited unstable jobs, but certainly increased the inflationary pressure on the economy.

The experiences of the past 2 decades have showed that financing private sector investment by the subsidised loans can not solve the problem of unemployment; and the number of reserved army of unemployed is increasing and is reaching to the critical point that may make social disaster.

5. Is Employment Guarantee Scheme Applicable of in Iran?

As mentioned earlier, Iran's Constitution has emphasised on "right to remunerative work" and "right to food," for all citizens. In 4th Development plan (2005-09) again the basic rights to productive employment are accentuated (Iran's Management and Planning Org. 2004). Since 2004 Iran's oil exporting revenue has increased sharply, but this positive external shock have not able to speed up the economy. Government is expected to privatise the state-owned enterprises, while private sector is reluctant to invest in productive activities and generate new job opportunities. It is obvious that Government must react to the rising unemployment by new policies. EGS can create productive work for people who are interested and able to participate in the economic life of the society and in the

same time can revitalise the sense of civic duty, citizenship, social cohesion, and community involvement.

Iran, like most developing countries, faces large deficits in social services and basic physical infrastructure, especially in remote and deprived regions. Water delivery systems, electrification, roads, drainage and sanitation, schools and health care centers are in short supply. In the same time many people are excluded from productive remunerative employment. Large number of projects can be designed by local government and NGOs such as towns and villages councils, environment protection groups, charities and women and children advocate organizations, to cater to community needs, by employing the persons who are able and willing to work. So, by implementing EGS employment and production will increase and poverty will be eradicated in poor remote areas. Rising international oil prices provided the possibility of implementing EGS without pressure on interest rate and private investment.

5-1. The Role of Oil and Gas Exports Revenue in Financing EGS

Iranian Government can finance the EGS by a fraction of the revenue of oil and gas exports. During Khatami's presidency, an "Oil Stabilization Fund"⁵ was formed to buffer the economy from the external shocks. Due to the rules of the Fund, Iranian government only benefits from an internally set price of oil (in 2007, the price of oil was fixed on USD 37 per barrel). The difference between the fixed price and the actual market price (USD 90 in Oct. 2007) is deposited into the Stabilization Fund. Some 50% of this Fund is put aside for offsetting probable low oil prices in the future and securing a stable income. The other 50% can be used by the non-government firms as loans, for investment. Due to the 4th Development Plan (2005-09) the government is allowed to use up to 50 percent of Oil Stabilization for investing in productive projects and encouraging private entrepreneurship. Therefore, increasing oil prices enable Government to implement EGS to generate new jobs, expand infrastructure and eliminate poverty in the deprived region. EGS will help to mitigate regional disparities; as workers in such programmes can participate in many community-based and beneficial activities that will accelerate the economic growth and will have intergenerational payoffs.

EGS finance will have no negative effect on private sector. On contrary EGS will stimulate private investment by increase in aggregate demand and improvement in infrastructure of backward region and in job training of employed workers; the vital factors for encouraging private investment.

EGS can be implemented, at the first stage in 7 provinces with the highest unemployment rates. Total population of 15-64 years of age in these provinces is about 6,162,000 (Iran Statistics Center 2007). About 23.5 percent of this age group is student. Therefore, if EGS ration the jobs for one worker for each family, the total number of workers in the programmes in all 7 provinces will be less than 2

⁵ Oil Stabilization Found is a special reserve from the oil export revenue. This fund was established in 2000 for preventing the fluctuation of the economy, caused by the changes in the international price of oil.

million (Table 5). All generated jobs will be part-time and temporary, with an average duration of four months. About 2,000,000 people can be employed in these programmes at any one time. It pays about 50 percent of formal minimum wage for 5 hours work per day, in an attempt at efficient self-selection targeting.

Table 5

Population in 15-64 Years of Age in Selected Provinces (2006)

Provinces	Women	Men	Total
Eilam	189,873	192,720	382,593
Hormozgan	440,405	471,998	912,403
Lorestan	599,626	607,629	1,207,255
Kordestan	491,954	493,893	985,847
Kermanshah	340,777	351,481	692,258
Sistan and Balouchestan	697,764	702,443	1,400,207
Chahar Mahal & Bakhtiari	291,807	289,582	581,389
Sum Total	3,052,206	3,109,746	6,161,952

Source: Iran Statistics Center, 2006 Census.

The formal minimum wage is equal for all sectors and occupations in Iran. In 2007 the monthly minimum wage was about USD 200; yet, it is not attainable for large part of short-term contract workers in public and private enterprises. The "flexible" labour market in Iran has pushed down the already low and declining wages. In most small and medium-size firms, even in several large companies, employees either do not have written contracts or sign a contracts for one to three months with a monthly salary equal to 40-60 percent of the minimum wage. Therefore, the wage of EGS can not be more than 50 percent of formal minimum wage for 5 hours daily work. The short-term and relatively low-paid work in EGS supports the buffer stock of employment. Whenever, private sector demand labour with higher wage and for more stable jobs, workers can move from public work to private sector.

Each Council will have the responsibility of preparing an annual action plan for taking up works, according to the felt needs of the people. It is expected that sufficient number of projects can be defined in backward regions. For example, labour-intensive road and rail-road network, towns and villages sewage systems construction and maintenance, renovating agrarian and farm drainage systems, cultivating forest, building small public facilities and repairing public utilities, community centres and welfare institutions, roadside cleaning and rubbish collection can generate huge employment opportunities and at the same time can promote the economic activities in the deprived provinces. All of these programmes focus on labour-intensive infrastructure creation and maintenance works. Central and state budgets for Job Guarantee Schemes will be released directly to the town and village Councils.

The bulk of employment can be created for unskilled and semi-skilled labour, both male and female, with or without previous work experiences. Like Jefes in

Argentina, large influx of women to the programme can be expected in Iran; as large numbers of inactive women are interested to work, if job is accessible.

As mentioned earlier, due to Iran Central Bank, the cost of one new job in small enterprises is about USD 12,370 which is financed mainly by subsidised loans from state owned banks. If Government implements EGS and allocate USD 1,000 for machineries and equipments per workers in labour-intensive projects, as most of such works require very little capital equipment and training (Mitchell, 1998). In addition to capital goods, Government must pay about USD 100 monthly wage to 2,000,000 workers of all projects, total costs of EGS will be less than USD 5 billion that can be financed easily by deposited money from Oil Stabilization Fund. The whole package of programmes will be less than 10 per cent of government expenditure and less than 2 percent of GDP. Furthermore, by financing EGS by the deposited money in the Oil Stabilization Fund, it is not necessary for the government to cut its current and investment budget for implementing EGS. By gaining fruitful results and successful experiences the programmes can be expanded to all provinces and to all people who are able and willing to work.

5-2. Limitations and challenges

Organizational Obstacles: As EGS must be implemented by close cooperation of local government officials and NGOs who are most familiar with the economic needs of their communities to administer the program, arranging the processes of design, finance and execution of projects in appropriate organization is difficult task, especially in the beginning of EGS. “Labour-intensive public works require an extensive and solid network of institutions at the local level, with the technical and operational capacity to choose the works to be done, to organise the production process, and to channel resources to the needy poor” (Márquez 1999).

Experiences of Jefes in Argentina and Maharashta EGS in India have shown that political manipulation of funds is one of the major problems. Program's aim is to achieve pro-poor targeting but may reach to only a fraction of the poor, so that jobs on the programme can be rationed. Given the large numbers of unemployed poor who may not participate, it is possible that the program both reach its targeted population and that political considerations influence who among the targeted population to be benefited. For example, the allocation of programme funds between provinces or states might be politically biased – favouring the factions or groups in power or their supporters – rather than determined by objective indicators of need, even if the process of selecting individual programme participants is pro-poor (Marshall 2004; Murgai and Ravallion 2005).

EGS will face difficulties, especially because of mismanagement and lack of experience of cooperation between government and non-government organizations on serious public works in Iran. There is also the risk of clientelism, discrimination against special groups and political manipulation of workers in the implementation of the programmes.

Local officials and NGOs, especially town and village Councils must play vital roles in defining projects and implementing the programs effectively with

transparency and accountability. In past 6 years, elected town and city Councils have negligible effects on economic and social well-being of their constituency. They do not have financial and technical capability to design and apply serious programs. They are mainly relied on voluntary work of the community and by now were not successful to mobilise local physical and human resources to stimulate the economic and social change. EGS will be a capacity building programme for activating town and village Councils and other NGOs by providing necessary capital facilities and money for approved public work projects and supervising the process of job placement to avoid abuse of resources and discrimination against any group of applicants. All EGS applicants must be registered and the list of selected workers must be announced and the data must be accessible to all members of related communities to prevent corruption.

If EGS can not be arranged by harmonised cooperation of government officials and NGOs, its impacts on the lives of people in deprived areas will be limited and after a while, people will start to think that public works are new source of rent-seeking for interest groups. Yet, successful results from EGS in Argentina and India create hope and optimism about the probable positive consequences of implementation EGS in Iran.

Rising Inflation: In 2006, about 3 million were unemployed and about 53.6 percent of population of 15-65 years of age were inactive. By applying EGS, at first stage 2,000,000 persons in deprived provinces can find work with USD100 monthly salary. The program will increase aggregate demand that can generate inflation. Furthermore, private sector must offer wages higher than EGS fixed wage to employ new workers and to prevent their workers to apply for EGS. At the same time, rising income of poor families, by work in EGS, increase the demand for domestically produced goods and services and motivate private sector to expand production capabilities and create new jobs. At present insufficient demand for domestic products in textile, home appliances and electronic devices and high demand for imported clothing and luxury durable goods, have raised the risk of bankruptcy for Iranian producers.

As mentioned earlier, subsidised loans to private sector has been the most important policy to generate employment in the past two decades. Huge amount of oil exporting revenue has been injected to the country through these loans, while there is not efficient supervision mechanism to control the use of borrowed money. No one can guarantee that the loan can generate new sustainable jobs; yet it is for sure that such credit policies are inflationary. Huge amount of borrowed money is concentrated in real estates that accelerated the pace of price hike. Increasing rent cost was responsible for 44.6 and 37.7 percent rise in CPI in 2001 and 2005 respectively (Iran Central Bank 2007). Part of deposited money in Oil Stabilization Fund can be borrowed by town and village Councils to be allocated for EGS instead of providing more subsidised loans to private sector. As there will be control mechanisms for public projects, increase in value added and employment in different economic sectors will occur in regional and national levels. Furthermore, successful implementation of EGS can control inflation by encouraging productive investment in private sector, rising production in

agriculture and industrial sectors and declining the share of money that is attracted by real estate speculation. Growing private sector investment can create sustainable jobs and curtail the need to implement EGS in future.

Jobs for Women: In 2006, 84.7 percent of women in 15-64 years of age were inactive. There are not job opportunities for women in most economic sectors. Educated women are concentrated in limited activities like education and health and less educated women workers are mainly involved in textile and clothing, handicrafts and farm works. By implementing EGS in backward provinces, considerable number of women will be interested to participate in the programmes, yet in labour-intensive projects, mainly construction works, there will be very limited opportunities for women. Therefore, it is necessary to design special jobs in health center, child and elderly care centers, libraries, accounting and supervision for educated and less educated women, especially women head of households. Such works will promote the well-being of the communities and will empower women as well. Anyhow, implementing EGS in the first stage can not reduce women's unemployment rates considerably, as many women will enter to the labour market by appearing the job possibilities. In fact, EGS will reveal the real number of potential active women who have not enough courage to continue the desperate search for jobs in current stagnant situation of the labour market.

6. Concluding Remarks

In the past two decades, credit facilities to private sector by state-owned banks were the most important leverage for creating new jobs. However, generously subsidised loans were not successful to generate sufficient employment opportunities for increasing number of workforce. In fact considerable part of the public budget has been poured into channels that have not created sustainable jobs. Private sector is not interested in productive investment in unfavorable business environment; and credit facility can not bond the creditor to use the money in job creating businesses. Empirical studies show that a large part of the formally registered new firms have been established for obtaining credit facilities and either never started any significant economic activities or shot down their firms very soon, because in many cases borrowers try to maximise their profit by investing on real estates or solve the most important, short run financial problems by the obtained loans.

Government has not generated employment opportunities in the recent years, because of implementation of structural adjustment policies such as privatization and government downsizing. However, escalating number of unemployed and increasing concern about its high economic and social costs, oblige Government to react to the problem by effective policies. EGS can be the most efficient programmes to prevent unemployment and income inequality to become a social disaster.

Recent oil price hike enable Iran's Government to apply EGS without imposing financial pressure on private sector. EGS can stimulate the economy of backward

provinces and provide the necessary infrastructure to encourage private investment and raise agricultural and industrial production in such regions. At first stage, EGS can be implemented in 7 provinces of Iran with the highest unemployment rates. Government is capable to finance EGS to create 2,000,000 jobs in public works by using less than 10 percent of oil exports revenue. The program can be locally administered by cooperation between government institutions and town and village Councils and other NGOs who are familiar with their communities' needs. As there were not experiences of such cooperation in serious works, arranging appropriate organizations will be great and difficult task. There is also the risk of abuse of resources and corruption among the officials and NGOs. Hence, experiences of Argentina and India in EGS implementation creates hope and optimism that similar programmes can be applied in Iran successfully too.

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