



Financing Job Guarantee Schemes by Oil Revenue The Case of Iran

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Presentation Structure

- 1-Review of Literature**
(Employment Policies)
- 2- Changes in Iran's Labour Market**
- 3- Employment Policies in Iran**
- 4- Employment Guarantee Scheme
for Iran**
- 5- Concluding Remarks**



1- Employment Generation Policies

Credit Policy for Job Creation in 1990s

- Lack of Access of Low-Income Families, Especially in Deprived Regions
- Rent-Seeking Activities

○ **Employment Guarantee Schemes**

- **Economic & Social Benefits**

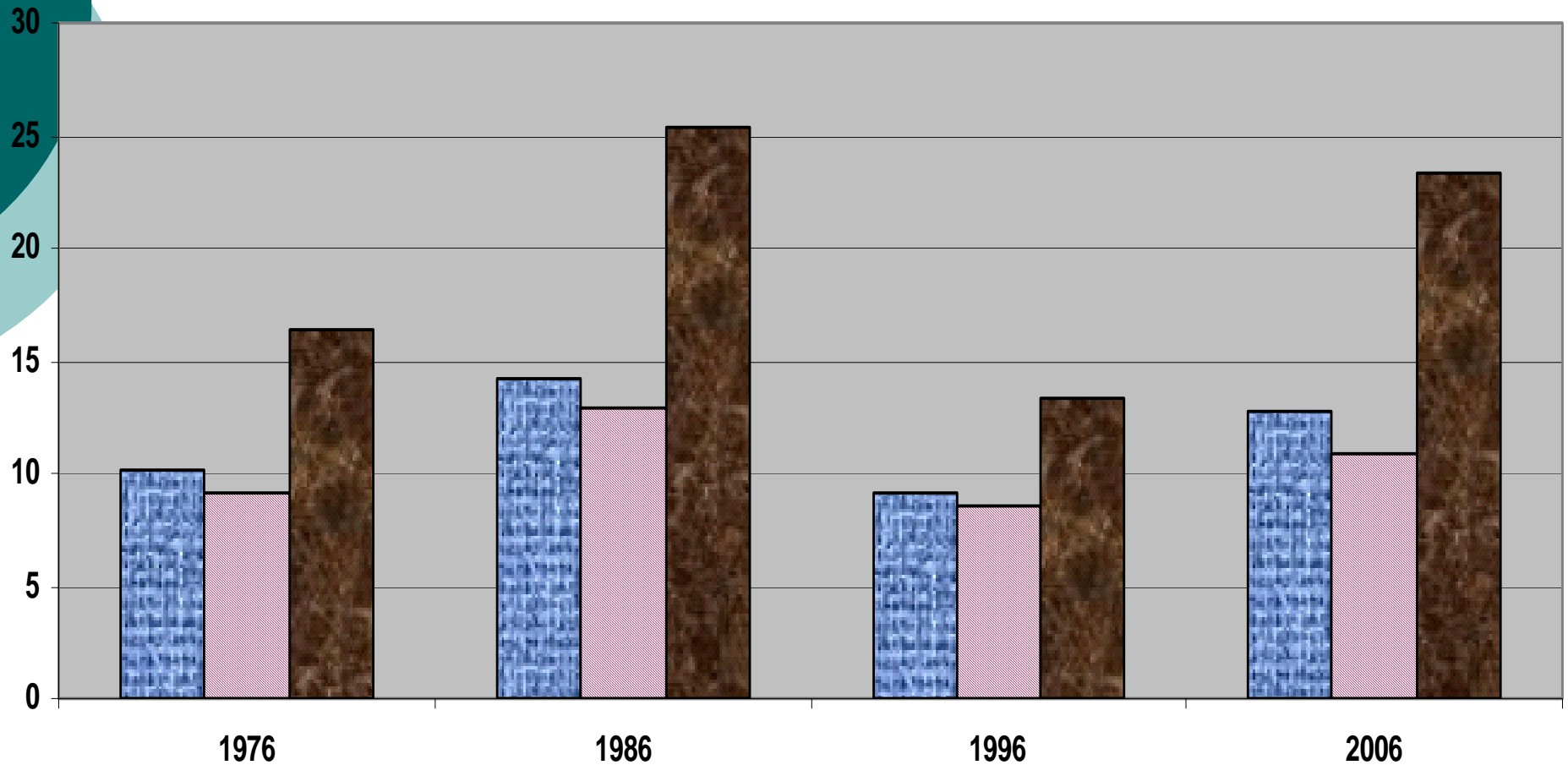
2- Iran's Labour Market (Average Annual Increase)

	Labour Force	Employed	Unemp.
1976-86	303	220	82
1986-96	321	357	-36
1996-2006	744	590	154

2-1. Unemployment Rates by Sexes

	Total	Men	Women
1976	10.2	9.1	16.4
1986	14.2	12.9	25.4
1996	9.1	8.5	13.3
2006	12.75	10.8	23.35

Unemployment Rates by Sexes



 **Total**  **Men**  **Women**



2-2. Iran's Labour Market Features

- **High Growth of Labour Supply**
 - **Baby Boom in 1980s**
 - **Women's Higher Participation Rates**
- **Low Growth of Labour Demand**
 - **Increased Capital Mobility**
 - **Technological Change**
 - **Bankruptcies of Public & Private Firms**
- **Increasing Unemployment**
- **Increasing Underemployment**
- **High Proportion of Inactive Women**



3- Employment Policies

Iran's Constitution

- **Priority of Mitigating Unemployment**
 - Financing Private Investment
 - Supporting SMEs
 - Credit to Quick Returning Firms

- **Risky Business Environment**

- **Consequences of Employment Policies**

- **Default in Loan's Repayment**
- **Speculation in Real Estates**
- **Accelerating Inflation (20 Pct. In 2008)**
- **Low Production & Employment Growth**



Credit Facilities to Private Sector

	Total Amount Billion Dollars	Annual Growth (Pct.)
2000	17	33.1
2001	23	35.4
2002	31	35.7
2003	43	37.4
2004	60	38.4
2005	80	34.7



3-1.Loans to Quick Returning Firms

- **About \$15 Billions During 2005-2007**
- **Expected New Employment:**
820,000 Persons
- **About \$18,300 Loan for Each New Job**
- **Inefficient Supervision on Loan Use**
- **Corruption in Providing Loans**
- **Speculation in Real Estates**
- **Inflationary Pressures**
- **Insufficient Sustainable Jobs**



3-2. Employment Emergency Measures (2003)

- **Providing Loans to Employers**
- **\$3500 for Each New Job**
 - **Interest Rate: 4 Percent**
 - **Payment Period: 4 Years**
- **Formal Interest Rate: 20 Percent**
- **Total Loans by State Banks: \$1 Billion**
- **Inefficient Supervision in Loan Use**
- **Corruption in Implementation**
 - **\$24,500 Loan for a Small Supermarket Promised 7 New Jobs**



3-3. Financial Support for Cooperatives

- **Supportive Measures Since Early 1990s**
- **Growing Number of Registered Coops**
- **Private Firms by the Name of Coops**
- **Increasing Number of Inactive Coops**
- **Insufficient Supervision on Loans' Use**
- **Corruption and Rent Seeking**

Active and Inactive Cooperatives (2003)

Activities	Active	Inactive	Inactive (Percent)
Industries	4,026	3,216	44.4
Mining	864	668	43.6
Agriculture	7,960	3,054	27.7
Carpet weaving	553	440	44.3
Civil works	430	1,224	74.0
Services	6,013	1,904	24.0
Total	19,846	10,506	34.6

4- Employment Guarantee Scheme in Iran

“Right to Work” in Iran's Constitution

- Private Sector's Reluctance in Productive investment
- High Risk & low Profit
- Speculation on Real Estates & Gold

- **EGS: the Effective Program for Creating Productive Work**
- **Large Deficits in Social Services and Basic Infrastructures**
- **Town and Village Councils**



4-1. Oil Revenue For Financing EGS

- Oil Stabilization Fund
- Oil Revenue in 2007:
 - (\$37 Per Barrel as Government Revenue)
 - (\$40 Per Barrel in Oil Stabilization Fund)
- 50% of Reserves to Non-Government Firms
(as Loans for Investment)
- Consequences of EGS:
 - Creation of Productive Employment
 - Improving Infrastructures
 - Accelerating Economic Growth
 - Increasing Aggregate Demand
 - Encouraging Private Investment

4-2. EGS Trial Implementation

- **8 Provinces with Highest Unemployment**

Total Population (15-64)	7,500,000
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Students	1,800,000
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Potential Applicants	5,700,000
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- **Accepting 1 Worker for Each Household**

- **4 months per Year**

EGS Workers (Each Period)	2,000,000
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- **5 Hours Work Per Day**

- **50% of Formal Minimum Wage**

Capital for Each New Job	\$3000
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Annual Cost of EGS:	\$8.4 Billion
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4-3. Limitations and challenges of EGS Implementation in Iran

A) Corruption

- **Political Manipulation**
- **Problem of Supervision**
- **Lack of Social Capital**
- **Weak NGOs**

Solution:

- **Decentralized Social Audit**
- **Transparency and Accountability**
- **Mass-Media Programs for Public Awareness**

Limitations and challenges of EGS Implementation in Iran

B) Organizational Obstacles

Public Will

Network for Designing, Finance & Implementation

- Capacity in Local Level
- Cost of Living in Different Provinces
- Lack of Experience
- Low Social Capital

Solution:

Empowering Towns' & Villages' Councils

Mobilizing Physical & Human Resources

Mass-Media Programs for Public Awareness



Limitations and challenges of EGS Implementation in Iran

C) Rising Inflation

- Increase in Wages
- Raise of Aggregate Demand

Solution:

- Production Growth Due to Higher Demand
- Increasing Private Investment
- Declining Speculation in Real Estates



Limitations and challenges of EGS Implementation in Iran

D) Women's Participation

- High Proportion of Inactive Women
- High Participation Rate in EGS
- Insufficient Jobs for Women in EGS

Solution:

- Jobs in Health Centers
- Children and Old People Care Centers
- Accounting and Supervision



5- Concluding Remarks

- **Right to Work in Iran's Constitution**
 - **Unsuccessful Employment Policies**
 - **Increasing Unemployment**
- **The Necessity of EGS Implementation**
 - **Improving Infrastructures**
 - **Encouraging Private Investment**
- **Challenges for Implementing EGS**
 - **Possibility to Realizing Social Justice by Implementing EGS**