Relationship Between Bank Credits and Employment Opportunities in Iran Economy

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Abstract: Unemployment and inflation are two diseases of economy that are always regarded as phenomena by politicians, planners and governments. One of the signs of government’s efficiency is controlling these two basic problems. Unemployment means wasting resources and non-optimal use of scarce resources in which manpower unemployment is much more important due to human responsibility in the management and utilization of financial and physical resources. Therefore, all economic schools sought to provide employment and reduce unemployment. In Iran, before the Islamic revolution and during the five programs after it, the major concern of planners was to solve this problem. After the war finished the four development plans implemented by three governments of reconstruction, reform-oriented and fundamentalist. The fifth plan is also under approving. In reconstruction government, credits were paid to unemployed people through self-employment by job opportunities support fund. Reform-oriented government implemented forced employment plan by paying loan to those employers employing unemployed people. Fundamentalist government implemented early returns firms to create employment. All programs attempted to assist in creating employment through exchange resources. But less attention was paid to actions improving the business environment and increasing private capital investment. In this paper we study the relationship between population changes and bank credits by investigating documents of development programs using statistics provided by statistics center and central bank of Iran.

Key words: Employment • Unemployment • Development program • Policies of employment

INTRODUCTION

There is no doubt that unemployment is one of the economic problems which coping with it is the main concern of policymakers and the country head masters. Four economic development programs has implemented in Iran to create job opportunities for jobseekers.

The first program of economic, social and cultural development in Islamic Republic of Iran performed from 1989 to 1993. The purpose of this plan was to destroy economic imbalances and create necessary conditions for transition from a war economy to an economy with rapid growth rate using the unused capacity of the economy and also trying to expand the capacity of the economy such as infrastructure sector electricity, water and gas. The first program caused mobility in production activities and from the mid-1989 the economy entered into a peak stage after a long run recession.

The second economic, social and cultural development program of Islamic Republic of Iran performed from 1995 to 1999. The purpose of this program was achieving social justice, strengthening cultural and revolutionary values, balancing economic relations, increasing the efficiency of administration system and reforming process of privatization to achieve economic balance.

GDP growth rate during the second plan was 3.8 which reduced noticeably compared to the target of program (5.2). Inflation rate reached to 26.6 during the program and in 1995 reached to 49 percent which was the highest inflation rate in the economic history of Iran [1].

Third economic, social and cultural Development Program of Islamic Republic of Iran implemented from 1999 to 2004. Its goal was continuous improvement in quality of living, promoting Islamic thought and spirituality in
society, emphasizing on people's rights and freedoms, legal and social security and preserving national unity.

During this program unemployment rate decreased from 15 percent to 12.5 percent. For this purpose, entry of foreign labor force was limited and capital investment in deprived areas increased [2].

Fourth Development Plan implemented from 2005 to 2009. Its Main purpose was knowledge development and expansion of private sector activities. During this program corrective policies of Article 44 declared and the ground was leveled for transfer of economic activities to the private sector.

During the programs carried out by three governments, it was attempted to find a solution for reducing unemployment by using banking resources and injection of money. Self-employment loan scheme was the Construction Government's main solution.

To create employment. According to this plan, loan was paid from the fund to create job opportunities for unemployed people. This policy continued in the form of forced employment plan along with some reforms. In this plan, according to the experience of self-employed loans to firms hiring unemployed people, low-interest loan was paid. Ninth government put the early return firms plan in the agenda to solve the unemployment problem. In all these projects, Governments tried to create employment opportunities using bank resources.

In this article, after expression of theoretical backgrounds and reviewing policies adopted in different applications, we examine the relationship of employed population (PSE) as the dependent variable and bank credits (EB), public sector debt to the banking system (BD) and debt of non-government sector to the banking system (BNG) using official statistics and Eviews 4. In order to use the economic concept of elasticity, all relationships have been extracted logarithmically [3].

**Theoretical Foundations:** Undoubtedly, unemployment is one of the most fundamental problems that nations are facing. Different economic theories have suggested policies to solve this dilemma.

Policies are sets of criteria and legal measures, principles and criteria providing necessary facilities to achieve the goals. Only, properly designed and tailored programs and appropriate policies can cause the desired changes.

**The Classical Theory:** Classical theory explains the relationship between economic variables. Adam Smith, John Stuart Mill, David Ricardo are the first level thinkers of this school. They believe that imbalance between supply and demand for labor in the labor market due to transparent information and flexibility of prices and wages is temporary. Labor supply is a function of purchasing power and real wages and labor demand is a function of real wages [4].

**Neoclassical Theory:** Neoclassical believe that labor market information are not complete and it is required for individuals to search in order to access information. Searching is an economic activity and it is considered profitable such as other production. Productivity of search depends on available opportunities. Neoclassics believe that with the job search behavior modification, the job market itself will be balanced. Improved information services, increased cost of searching jobs or reducing its benefits through removal of prescribed unemployment is supported by Neoclassics. They use the principles of microeconomics to define the issues of labor market [5].

**Keynesian Theory:** Keynesians believe the labor market is not perfect despite of monopoly. Therefore, some adjustment from the state is necessary until an acceptable level of employment is preserved. They considered increase in effective demand or aggregate demand as a necessity to increase employment.

Decrease in tax cuts, increase in money supply, increase in government purchase of goods and services and even employment of the unemployed people by the government are supported by Keynesian. They explain labor market based on macroeconomic principles and emphasize on financial policies more than monetary policies [6].

**Monetarists Theory:** Monetarists introduced the natural unemployment rate. They believe that there is a natural unemployment rate in every economy, which is consistent with stable inflation. According to Monetarist idea governments can only lead economy to a lower unemployment rate than the natural unemployment rate with stimulating economic permanently through accelerating inflation.

Operations supported by monetarists is creation of occupational and geographical mobility, reduction of operations limiting unions, correction of information relating to jobs and creation of appropriate difference in internal labor markets (among employees of an industry) and between employees and unemployed people.
Microeconomic Theory of Labor Market: Although in existing classifications, unemployment is studied as one of the main macroeconomic issues, but it is clear and apparent that solving major problems regardless of logical relation of firm theory. Work factor is one of the main factors of production and in microeconomics has also been studied.

Labor supply in microeconomics depends on individual choice between working hours and rest. People choose between one of these two cases by paying attention to individual preferences and the opportunity cost of leisure. As the wage increases the opportunity cost of leisure time increases too and labor supply increases. Conversely, by reducing the real wages, people prefer more time devoted to rest and work supply will be reduced. So, labor supply is a direct function of real wages [7].

Labor demand in microeconomics perspective depends on the value of final production and in fact, employer employ a unit of labor to the point that it is equal to marginal production value of the physical value of final production and therefore it depends on the amount of wages paid and the final production of workforce. In other words, a firm hire a production factor until its production value get lesser than the final payment for the hire. Wage labor demand is a reversed function of wage.

From a macro viewpoint, factors such as number of active population, migration, labor force participation rate, information status, gender, cultural issues, community education level, nominal and real wages, age, labor law, the total income of workforce, education coverage, legal retirement age and population growth are effective in labor supply.

In macroeconomics, demand for labor depends on factors such as level of production, relative prices of production factors, technological changes, investment and its efficiency, use of existing capacity, labor productivity, capital productivity, type of production techniques common in the country, monetary, financial and foreign exchange policies, stability and compatibility of labor market law (unemployment insurance laws, tax companies, the import and export market ...) market structure type, transparency of individual property rights and [8].

The First Plan of Economic Social and Cultural Development (1989-1993): The first plan implemented after the war finished. Obviously, reconstruction of war-induced failure of this program was a problem. At this point we were facing empty capacity, depreciated equipments and basic needs of group which were mostly young. Some experts considered goals of the program ambitious and out of reach. Yet, the government has strongly defended the program and believes that the program was a big step in the direction of progress of the country. Along with several objectives that were developed for different parts of creating jobs plan there was other targets as follows:

Quantitative Targets:
- Creation of about 394 000 thousand jobs annually during the program.
- Reduction of unemployment rate from the current 15.9 percent to 13.4 percent at the end of program.
- Decreasing employment service activities from the current 47.2 to 45.5 percent in the last years of the program.
- Increase in per capita labor productivity rate of about 5.2 percent per year.
- Increased educated, technical and specialized staff from the current 9.6 percent of to about 10.7 percent per year in 1372.

Policies:
- Use of appropriate technology and instrument in a way which involves the promotion of economic and maximum utilization of labor society.
- Supporting small industries and employment workshops to increase employment.
- Preventing the entrance of those imported goods which are possible to make domestically.
- Occupied projects and causing water and agricultural sectors, particularly in operations related to irrigation and drainage networks has taken into consideration.
- Adopting encouraging and motivational policies and methods to attract professionals in deprived areas.
- Adopting fiscal, monetary, regulatory and tax policies and setting regulations facilitating application of capital resources in the private sector in the framework of country development.
- Training employees and appointment of qualified and experienced managers in key positions.
- Directing capital gained from outside of country to production affairs and making supportive policies for Iranian investment in production affairs in their country.
- Removing and adjusting of all rules and regulations that cause contraction of the labor market and lack of jobs.
Develop technical cooperation and exchange of labor, especially with neighbor countries.

- Adapting salaries, wages and labor productivity and incomes in an effort to balance between different economic sectors of country.
- Development of studies in the field of efficient production methods and developing specialized, technical and professional training on the job in every three private sector, cooperatives and state.
- Conducting current population plan annually between the two general censuses in the country and annual sample surveys of human resources and employment to be informed from population and labor market changes in the country.

In the continuous relationship between working population (PSH) as dependent variable and bank credits (EB), public sector debt to the banking system (BG) and unpublic sector debt to the banking system (BNG) as Explanatory variables during the time of the first, second, third and forth economic, social and cultural development program (1989-2009) Estimation with use liner regression model. Then test of significance to achieve by statistic t.

Relationship between working population and bank credits in the first program*

\[
\text{LPSH} = 15/49 + 0 / 0818\text{LEB} \\
R^2 = 0 / 84 \quad F = 22 \quad N = 5 \quad t (81) (4 / 6)
\]

The relationship between employed population and bank credit is statistically significant. Employed population elasticity than bank credit 0.08 percent. That is, a percentage change in bank credits will change employed population for 0.08 percent.

*Since the coherent information about loan payments was not available, private and public sector balance debt to banking system is used as the alternative variable

Relationship between employed population and public sector debt to the banking system in the first program

\[
\text{LPSH} = 8 / 75 + 2 / 894\text{LBG} \\
R^2 = 0 / 95 \quad F = 86 / 9 \quad n = 5 \quad t (13 / 7) (9 / 3)
\]

Elasticity of employed population than bank credit is 2.8 percent. In other words, one percent change in public sector debt of the banking system causes 2.8 percent change in the employed population.

Relationship between employed population and unpublic sector debt to the banking system in the first program

\[
LPSH = 15/718 + 0 / 064\text{LBNG} \\
R^2 = 0 / 87 \quad F = 27 / 7 \quad n = 5 \quad t (125) (5 / 27)
\]

Elasticity of employed population to the paid bank credits to the nongovernmental sector is 0.06 percent which is statistically significant. It means that one percentage change in bank credit payments to private sector led 0.06 percent change in the employed population. But elasticity is low.

The Second Economic, Social and Cultural Development Program (1995-1999): The second economic, social and cultural development programs Islamic was performed in 1995 to 1999. The purpose of this program was to achieve social justice, strengthening cultural and revolutionary values with emphasis on social sector, balancing foreign economic relations, increasing the efficiency of administrative system and reforming privatization process in achieving economic balance.

In Employment Sector this Program Aims To:

- Strengthen collection and process of labor market information network and carrying out researches relating to market movements, standardization and classification of skills and linking quantitative and qualitative education to labor market needs.
- Support creation of job opportunities through appropriate justification and job training.
- Develop and support small industrial domestic industries, technical services and with priority of rural handicrafts.
- Provide productive jobs for surplus labor in rural areas and create tribal areas suitable for establishment of non-agricultural activities in rural environments in order to increase per capita rural income and create job opportunities for them.
- Reduce foreign labor forces as well as providing field labor deployment abroad.
- Study and apply the necessary legal support to identify career areas that have technical economic or cultural justification.
- Set the rules, regulations, procedures and letters that can shift human resources and organization governmental machineries.
- To restrict foreign labor through similar labor substitution having high rate of unemployment.
- Adopt appropriate policies for establishing production units in areas with high unemployment rate.
• Create, develop and strengthen technical and professional training centers and providing facilities for those without skills and non-skilled job seekers
• Create more employment opportunities for productive areas especially in low developed areas.
• Coordinate among related agencies in human resource planning.

Relationship between employed population and banking credits in the second program

\[ LPSH = 16/177 + 0.035LEB \]
\[ R^2 = 0.031 \quad F = 0.848 \quad n = 5 \quad t (35/07) (0.92) \]

There is no significant relationship between two variables.

Relationship Between Employed Population and Public Sector Debt in the Banking System in the Second Program:

\[ LPSH = 16/118 + 0.037LBG \]
\[ R^2 = 0.031 \quad F = 0.803 \quad n = 5 \quad t (34/18) (0.89) \]

there is no significant relationship between two variables.

The Third Economic, Social and Cultural Program Development (2000-2004): This program implemented in the years 2000 to 2004. During implementing direct tax law, reform and attraction of foreign investment law was passed that could have a positive effect on improvement of space business. But the revised labor law act did not receive remarkable attention. The third part of the plan in relation to employment is continuing yet.

• Ministry of Interior is required to collect all foreign workers without permission or deport them to their country or camps at the first year of Third Five-year economic, social and cultural program.

To encourage employers to hire a new workforce, government is required to subject employers, hiring new workers through labor ministry job centers, to discounts as follows:

A-Discount on employer’ contribution premium rate and prediction of required credit to compensate reduced earnings of social security organization in the country budget.

B-Reduction in employers’ tax rate of these workshops equal to tax imposed on new employees’ received income.

The executive bylaw of this Article will be approved by Cabinet Ministry with the joint proposition of Ministries of Labor and Social Affairs, Health, Medical Education and Planning and Budgeting Organization three months after the enactment of this Act.

Note - those workshops which gain profit during the program operation will use benefits in excess of the predicted amount in plan.

• Government is permitted to the followings in order to create employment:

A - Exemption from state law complications for investors in this area which is considered according to a law proposed by the Ministry of Economic Affairs and Finance and Industry and Labor and Social Affairs, Plan and Budget Organization and approved by government during the program implementation.

B - to pay some part of the granted facilities benefit to the private sector and cooperatives and service cooperatives of producers, rural and tribal production cooperatives and exploitation of natural resources and self-employment projects.

C - Granted facilities must share in the form of annual budgets and their implementation procedures should be divided in a way that the share of less developed regions be more than unemployment index.

• Government is permitted to offer facilities appropriate to applicants investment share in job creating and small industry plans as well as profit and facilities fee in the form of annual budget bills and through the administered funds.

Also part of the credit facilities to support the banking system should be small industries and employment allocated.

The executive bylaw of this article shall be approved by the Cabinet during a maximum period of six months.

• Three percent (3%) of the legal deposits of banks in Central Bank of Iran is deposited in agricultural, housing and industry and mining banks on the basis
of percentage of banks in 1999 (each bank a percentage of 1%) to spend the grant facility to agriculture and animal husbandry projects, housing construction and industrial and mining projects which their main feature employment.

- In implementing Clause 2 in Article 43, the country banking system ought to plan during the years of third program in a way that always after deducting legal reserves and precautionary savings deposits the maximum loan twenty percent (20%) it does not exceed, at least seventy percent (70%) for preparing other tools available to those that were prepared for the possibility of working devices are not working. These facilities as interest-free loans and the fees it Monetary and Credit Council determines. Unemployed women living in villages and households unemployed graduates and career technical and vocational sectors public and non-governmental have priority. Loan amount for each applicant, not exceeding ten million (10000000) RLS determines and Central Bank of Iran is obliged according to law executive material it within three months of preparation and approval of the Cabinet will be used, based on the principle of trust and adopt a simple commitment to getting the most, respectively, granting facilities to customers and only give a refund once the loan funds given to the way that certain realistic and in accordance with economic conditions is the borrower.

- In order to create employment in rural areas especially in underdeveloped areas, a fund is established under the name of rural employment development loan fund with investment of the government and people. The fund statute will be prepared by joint proposition of Jihad Construction and agriculture ministries and the state Office of deprived areas, the president and Plan and Budget Organization within two months after notification of this law.

Relationships Between Banking Credits and Employed Population in Third Program:

\[ \text{LPSH} = 15/213 + 0 / 115 \text{LEB} \]
\[ R^2 = 0 / 99 \quad F = 675 \quad n = 5 \quad t = (266) (25/99) \]

There is no statistically significant relationship between two variables. Relative sensitivity of employed population to banking credit is 0.11 percent. This means one percentage change in bank credit makes 11 percent change in employment.

The Relationship Between Employed Population and Public Sector Debt to the Banking System in Third Program:

\[ \text{LPSH} = 14/806 + 0 / 170 \text{LBG} \]
\[ R^2 = 0 / 97 \quad F = 168 \quad n = 5 \quad t = (101) (12 / 9) \]

The elasticity of employed population compared to the public sector debt to banking system is 0.17 which means one percentage change in banks paid credit to public sector causes 17 percent change in employed population.

The Relationship Between Employed Population and Non-governmental Sector Debt to Banking System in Third Program:

\[ \text{LPSH} = 15/349 + 0 / 106 \text{LBNG} \]
\[ R^2 = 0 / 99 \quad F = 927 \quad n = 5 \quad t = (346) (30 / 4) \]

Relative sensitivity of employed population to non-public sector debt to the banking system is 0.10 which is statistically significant and means that one percentage change in bank credits paid to non-state sector makes 10 percent of change in the employed population.

The Fourth Economic, Social and Cultural Development Program (2005-2009): This program implemented since 1384 based on the knowledge-based development. The early return firm project and MEHR housing program were the original plans which could have significant effect on the labor market. The Article 44 policies declared during the plan which can lead to a dramatically change in Iran economy. The following are parts of the fourth program which could affect the labor market:

- Three percent (3%) of the legal deposit of banks with the Central Bank of Iran in 1383 should be transferred to agricultural, housing and industry and mining banks (1% of each bank) to be spent on facilities granted to agriculture and animal husbandry projects, housing construction and industrial and mining projects which their main characteristics is job production.
- Reforming and strengthening institutions supporting the development of entrepreneurship and Small and Medium Industries.
- Development and improvement of information systems and development of science databases in order to provide access to information needed by the investors and entrepreneurs.
Expansion of trade-oriented production within the framework of country exports policies.

The Government is authorized to level the ground for economic growth, improving technology, production quality, increasing job opportunities and exports in the realm of manufacturing activity, including industrial, mining, agriculture, infrastructure, services and information technology in implementing "the law of foreign investment protection approved on 19/12/1380", in order to attract foreign investment, through the required fields specified in Clause B of Article (3).

Government, in the fourth program, ought to do the following actions to improve the business climate in the country and underline economic development and interaction with all around the world:

A: Control of severe fluctuations in exchange rate along with making same exchange rate, in the form of managed floating rate using supply and demand mechanism and considering competitive exporting firms and compliance with policies for exports jump with regard to Clause "4" Table 2 of this Act.

B: Regulating import tariffs of production factors based on reasonable support conforming to the competitive advantage of domestic production and facilitating their export-oriented productive activities.

A: Planning and implementing infrastructure development with the aim of reducing production costs, creating competitive advantages and consistent with the country's economic development needs.

D: Review of laws and regulations concerning labor, with three dimensions mechanism (Government - workers - the employer), in a way that:

- Assignments should be transferred focused on social security and employment
- To be enough flexible to resolve the disputes.
- To predict and implement specific rules with regard to specific conditions and needs of different economic sectors

E: To offer "a comprehensive bill facilitating competition, controlling and preventing formation of monopolies", in the first year of the fourth program for submitting to the Assembly.

F: Expand and deepen the capital market and a variety of tools used in the act.

Government is required to develop national plans "do good" as the new field of work and development discourse based on "three sides" strategy which involves self-esteem, equal opportunities, freedom and work force safety, along with the necessary protection.

A: basic labor rights (freedom of association and protection of civil organizations rights, labor relations, the right to organize and negotiate collectively, equal wages for men and women working against for same value work, prohibiting discrimination in employment and profession, not exceeding the minimum working age, prohibition of child labor preserving the least minimum wage rate).

B: Social dialogue of government and social partners (civil institutions of work relationships), promotion of human and social capital, promotion of industrial relations and labor relations, the role of social partners, collective negotiations and bargaining, collective conclusion of treaties, establishment of Tripartite Consultation National Council, development of tripartite mechanisms in work relations, structural reforms, promotion of social dialogue and strengthening civil organizations of work relationships.

C: Spread of social support (social security, unemployment insurance, create, develop and enhance compensatory mechanisms, social support from informal labor market workers, rehabilitation and equal opportunities for disabled women and men and women empowerment through access to appropriate job opportunities.

D: The right to pursue civil rights of workers.

E: Revision and reformation of social security rules and regulations and labor relations (changes in social security rules and labor relations based on tripartite mechanism ((government, worker and employer)) and to engage in the labor market more flexibly.)

F: Productive employment (Capacity-building for employment in small and medium units, targeted and job focused training, educational planning with employment orientation, Entrepreneurial training, collecting and analyzing labor market information, relatedness and complete correlation of training and employment, removing barriers of structural unemployment, developing technical and professional training focused on labor market needs).
G: Reforming rules and regulations in order to adapt national rules and regulations with international standards and international, consular treaties, global work changes and eradication of social discrimination in all realms, especially in the field of labor relations and employment.

H: Adopt necessary measures for labor deployment abroad.

**The Relationship Between Employed Population and Banking Credits in Fourth Program:**

\[ \text{LPSH} = 16796 + 0.003 \times \text{LEB} = 0.094 \times F = 0.65 \]
\[ n = 5 \quad t(248) = 0.80 \]

Relationship between Bank Credits and Employed Population Is Not Significant:

**The Relationship Between Employed Population and Public Sector Debt to the Banking Systems in Fourth Program:**

\[ \text{LPSH} = 16418 + 0.034 \times \text{LBQ} \]
\[ R^2 = 0.121 \quad F = 0.56 \quad n = 5 \quad t(28.6) = 0.75 \]

Relationship between public sector debt and employed population is not significant.

**The Relationship Between the Employed Population and Non-governmental Sector Debt to the Banking Systems in Fourth Program:**

\[ \text{LPSH} = 16686 + 0.011 \times \text{LBNG} \]
\[ R^2 = 0.175 \quad F = 0.402 \quad n = 5 \quad t(64.2) = 0.63 \]

There is no significant relationship between two variables of employed population and by bank credits paid to the private sector.

**Conclusion and Recommendations:** By investigating steps taken in the course of employment it can be observed that unemployment has always common approach to the crisis as simply s like job creation has. Despite of importance of this subject and plenty of speeches about it, there is no fundamental action to create job and the efforts done to solve the problem are merely limited to injection of money and budget allocation.

Job Opportunities Fund was established during the Second Development Plan in 1991. According the law, the fund ought to treat all possibility to help real and legal persons to implement their technical, financial and economic justified plans and projects by granting credits.

The Fund operated for 14 years under the supervision of Ministry of Labor and Social Affairs until 2006. Till 2001 this fund was almost the only professional organization that was supporting self-employed businesses.

Rural Employment Fund established in 2000 according to Article 137 of the Third Development Plan in order to avoid the expansion of parallel organizations through the Agricultural Bank. Aim of this Fund was granting credit to real and legal persons, particularly in rural or underdeveloped rural areas, to create employment in these regions. The fund started its activities in 2001 and continued for 5 years.

The first act in the ninth government approved in 25/07/2005 in holy shrine Razavy was Imam Reza Mehr Fund formed. The bill in this regard was submitted to parliament, but according to the prolonged process maturity based on the official Supreme Council approved 16/05/2006 Employment, marriage and MEHR housing Imam Reza(AS) found from merger rural employment development loan found and young marriage found in the support job opportunities found were created. Three schemes implemented in the three governments to create employment, self-employment and self-employment loan scheme, which its aim to create self-employed for to expand small and return early economic activities for peoples that to lose their employment. Based on this plan to per one unemployed to loan equal 30000000 Rials.

Considering the failure of self-employment plan, the employment-Swift scheme to formulated in 2001 year. Based on this plan, employers can receive loan equal 30000000 Rials with 4 percent interest by submitting workshops permission and workers listings and in return of employing new employees. In this scheme they can exempted from paying employers' insurance premiums.

Early return firms plan was introduced in 2005 by the Ministry of Labor and Social Affairs. the finance this plan first rate by banking system.

Studies show that the phenomenon of unemployment is an effect with several causes.

Therefore, it is necessary to solve it through scientific methods and to avoid hurry.
Job market is influenced by product and services market, money market, capital market. In addition, cultural factors are effective in shaping the behavior of labor force. So, it is not possible to create equilibrium in the employment market abstractly without considering other markets in the labor market.

- Firstly, it is necessary to change policy makers and executives’ views to deal with unemployment problem and this opinion that employment is created only through injecting funds and exchange should also be changed.
- Developing an applicable economic theory compatible with social, political and economical conditions of the country because one reason of failure in Iran development plan is lack of theoretical foundations leading to lack of operational coherence and failure in achieving goals.
- Underlying factors affecting business environment leading to private sector investment and consequently increase in production and annual income.
- Paying attention to proper and full implementation of Article 44, government downsizing and increase in its efficiency, deregulation and elimination of waste steps in economic activities
- Reforming rules and regulations in favor of work culture and avoiding some decisions that undermine the spirit of work.
- Correct and rational utilization of the other countries experiences and avoid superficial and partial comprehension that led to the continuation of trial and error process and wasting the country resources.

For example, early returns small firms’ success in developed countries was not based on obligation and order of the government but it was based on the industry needs. In fact, their economy was encouraged by government.

- Paying attention to labor market characteristics such as quality of workforce, combination and structure of workforce, adoption job creating policies and avoiding hurried decisions.

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<td>8586/6</td>
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<td>19346496</td>
<td>72927/4</td>
<td>62571/4</td>
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<td>2005</td>
<td>20618579</td>
<td>110923/1</td>
<td>86531/5</td>
<td>23566/7</td>
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<td>2006</td>
<td>20841420</td>
<td>148242/0</td>
<td>12262/0</td>
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<td>2007</td>
<td>21092477</td>
<td>194416/2</td>
<td>16627/5</td>
<td>28063/6</td>
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<td>2008</td>
<td>20502010</td>
<td>215800/3</td>
<td>189655/0</td>
<td>29315/4</td>
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<td>2009</td>
<td>21007030</td>
<td>242269/6</td>
<td>208235/6</td>
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Dependent Variable: LPSH
Method: Least Squares
Date: 08/30/10 Time: 10:20
Sample: 1989-1993
Included observations: 5

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<tr>
<th>Variable</th>
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<th>t-Statistic</th>
<th>Prob.</th>
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<tbody>
<tr>
<td>C</td>
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<td>0.189948</td>
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<td>LEB</td>
<td>0.081876</td>
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<tr>
<td>R-squared</td>
<td>0.80035</td>
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<tr>
<td>Adjusted R-squared</td>
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<tr>
<td>H.S.E of regression</td>
<td>0.037330</td>
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<tr>
<td>Sun squared resid</td>
<td>0.064181</td>
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<td>Durbin-Watson stat</td>
<td>1.656755</td>
<td>Prob(F-statistic)</td>
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Dependent Variable: LPSH
Method: Least Squares
Date: 08/31/10 Time: 21:43
Sample: 1989-1993
Included observations: 5

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<tr>
<td>Adjusted R-squared</td>
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<tr>
<td>H.S.E of regression</td>
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<tr>
<td>Sun squared resid</td>
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<td>Log likelihood</td>
<td>11.13621</td>
<td>F-statistic</td>
<td>27.5977</td>
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Dependent Variable: LPSH
Method: Least Squares
Date: 09/01/10 Time: 17:53
Sample: 1994 1999
Included observations: 6

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<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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<tbody>
<tr>
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<td>H.S.E of regression</td>
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<tr>
<td>Sun squared resid</td>
<td>0.005809</td>
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<tr>
<td>Log likelihood</td>
<td>12.30661</td>
<td>F-statistic</td>
<td>0.8481</td>
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<tr>
<td>Durbin-Watson stat</td>
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<td>Prob(F-statistic)</td>
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### Model 1

**Dependent Variable:** LPSH  
**Method:** Least Squares  
**Date:** 09/01/10  
**Time:** 18:02  
**Sample:** 1994 1999  
**Included observations:** 6  

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<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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<tbody>
<tr>
<td>C</td>
<td>16.11810</td>
<td>0.47152</td>
<td>34.18324</td>
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<tr>
<td>LBG</td>
<td>0.03772</td>
<td>0.04207</td>
<td>8.96065</td>
<td>0.4206</td>
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<td>R-squared</td>
<td>0.167343</td>
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<tr>
<td>Adjusted R-squared</td>
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<td>S.D. dependent var</td>
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<td>S.E. of regression</td>
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<td>Alkaline info criterion</td>
<td>-3.425368</td>
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<td>Sum squared resid</td>
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<td>Schwarz criterion</td>
<td>-3.49781</td>
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<tr>
<td>Log likelihood</td>
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<td>F-statistic</td>
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### Model 2

**Dependent Variable:** LPSH  
**Method:** Least Squares  
**Date:** 09/01/10  
**Time:** 18:05  
**Sample:** 1994 1999  
**Included observations:** 6  

<table>
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<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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</thead>
<tbody>
<tr>
<td>C</td>
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<tr>
<td>LBG</td>
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<td>S.D. dependent var</td>
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### Model 3

**Dependent Variable:** LPSH  
**Method:** Least Squares  
**Date:** 09/02/10  
**Time:** 09:09  
**Sample:** 2000 2004  
**Included observations:** 5  

<table>
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<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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### Model 4

**Dependent Variable:** LPSH  
**Method:** Least Squares  
**Date:** 09/02/10  
**Time:** 08:59  
**Sample:** 2000 2004  
**Included observations:** 5  

<table>
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<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
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### Model 5

**Dependent Variable:** LPSH  
**Method:** Least Squares  
**Date:** 09/02/10  
**Time:** 08:59  
**Sample:** 2000 2004  
**Included observations:** 5  

<table>
<thead>
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<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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<tbody>
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