# LABOR MARKET DEVELOPMENTS AND HUMAN RESOURCE

In 1389, creation of 1.1 million job opportunities was envisaged based on the approvals of the High Council of Employment. Accordingly, the said High Council approved that banks support and extend facilities to projects under household employment generation program. Moreover, to support the Small and Medium Enterprises (SMEs), the ceiling for the facilities allocated to these enterprises was raised from Rls. 10 billion to Rls. 20 billion, as subject of Note 3 to Article 5 of the executive by-law on the expansion of SMEs. It was decided that 30 percent of the resources remaining from the previous years as well as the new credits be allocated to the Medium and Large Enterprises by at least Rls. 20 billion and at most Rls. 100 billion.

In order to accelerate the operation of production units and sustain job opportunities, allocation of facilities to semi-finished projects and financing of the working capital of production units were set as the top priority. Despite the relative stability of the active population (labor supply) compared with the year before, unemployment rate reached its record high over the past six years. High unemployment among the youth, gender imbalance, and imbalance of the rate of unemployment in various provinces were among other features of the labor market in 1389. On the labor demand side, the number of jobs decreased, pointing to the dominance of the recessionary condition across the whole economy. Improvement of employment

condition and reduction of unemployment rate call for the adoption of stable, transparent and sustainable polices as well as appropriate foreign exchange policies applied to production, and revision of rules and regulations governing the labor market. Of the other factors contributing to the advancement of employment conditions are the increase in the skill level of the labor force and the training of the labor force in congruence with the labor market requirements.

## Population and Human Resource

According to the SCI, in 1389, Iran's total population amounted to 74.7 million persons, 53.6 million of whom dwelled in urban and the remaining in rural areas. Growth in urban population, affected by migration and transformation of rural areas into urban areas, was 2.5 percent which was higher than the growth of total population (1.5 percent). The rate of urbanization increased by 0.8 percentage point to 71.8 percent in this year. Gender ratio (the number of males per 100 females) slightly increased to 103.2.

During 1375-1385, over 12 million people migrated. A review of migration distribution based on term of residence reveals that about 2.5 million of migrants stayed in their new residence for less than a year. Comparing these migrants with those with a term of residence of more than one year is indicative of a remarkable rise in the number of migrants in 1385.

Migration, a process which contributes to the redistribution of the labor force, helps to maximize the income (utility), considering the cost-benefit analysis based on the side of immigrants. In case there is no limitation for the provision of urban, cultural, and residential services to migrants, migration could be useful for a more optimal distribution of the labor force.

Based on the data released by the National Organization for Civil Registration, total number of births recorded in 1389 was 1,363.5 thousand, representing 1.1 percent growth compared with the year before. Considering the number of registered deaths (441.0 thousand persons) in the year under review, 922.5 thousand persons were added to total population. Given the number of population in 1388 (73.7 million persons), the population growth in 1389, excluding the migrating population, is 1.25 percent.

**Table 8.1.  Vital Statistics**    (thousand persons)

|  | 1387 | 1388 | 1389 | Percentage change 1388 | 1389 |
|---|---|---|---|---|---|
| Registered births | 1,300.2 | 1,348.5 | 1,363.5 | 3.7 | 1.1 |
| Registered deaths | 417.8 | 393.5 | 441.0 | -5.8 | 12.1 |

Source: National Organization for Civil Registration

## Labor Market

In the labor market, like other markets, the forces of supply and demand jointly determine price (wage) and quantity (the number of people employed) of labor force employed in equilibrium condition. However, labor market is different from other markets as the subject matter of this market is services of labor force, having a humanistic dimension.

## Labor Supply

Labor supply is indicative of the total number of hours the labor force is willing to work in a given occupation for a given wage. The population of 10 years old and over constitutes the potential active population. Total supply of labor force is affected by demographic and economic variables. However, only a fraction of potential active population enters the labor market as active labor force.

In this year, despite 1.7 percent growth in the population of 10 years old and over, the active population increased by 0.1 percent to 23,875 thousand persons. This points to a fall in the participation rate and the inactivity of part of the population. Participation rate decreased by 0.6 percentage point to 38.3 percent. Participation rate for men fell by 0.7 percentage point to 62.1 percent and for women, it reached 14.1 percent, down by 0.4 percentage point.

In 1389, participation rate in urban areas was 37.3 percent, down by 0.4 percentage point compared with 1388. Participation rate in rural areas decreased by 1.1 percentage points to 40.8 percent, the lowest since 1384. Low participation rate in 1389 is attributable to the migration of young people to cities, economic conditions, and implementation of the Subsidy Reform Act in the fourth quarter of 1389. Price adjustments, reduction of cash subsidies at constant prices, and rise in subsistence expenditures are expected to raise the labor supply of the coming years to its former level or even higher.

## Labor Demand

Labor demand is the (maximum) number of working hours that employers are willing to hire at any given wage rate. It is indicative of the number of employees that employers

hire across different wage rates. Generally, labor demand is a function of production level (effective demand) and relative prices of factors of production.

A review of employment by economic sectors indicates that 20.7 million persons were active in manufacturing, agriculture, and services sectors in 1389, showing 1.6 percent decline compared with the previous year. Comparing the number of the employed during 1384-1389 reveals that the highest number of the employed was related to 1386 by 21.1 million persons. Employment condition in post-1386 period was affected by the severity of economic recession and financial crisis. The rise in the number of the employed in 1388 is indicative of an improvement in economic situation, which was somewhat reversed in 1389. It is of special note that the growth of production in 1389, against the backdrop of the fall in employment, is due to the rise in labor productivity or capital replacement mainly in large production units.
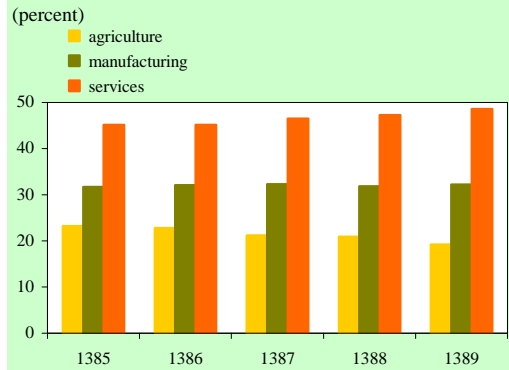
In 1389, of total employed population, 19.2 percent were active in agriculture sector, the lowest since 1384. Based on the labor force census, during 1384-1389, about 1,130 thousand jobs were eliminated in the agriculture sector. Sharp decline in employment in this sector was mainly due to agricultural mechanization strategy, high imports, imbalances of labor force in farmlands, water problems and drought. Employment shares of manufacturing and services sectors were 32.2 and 48.6 percent, the highest during the mentioned period.

## Unemployment

In 1389, unemployment rate increased by 1.6 percentage points to 13.5 percent. In this year, unemployment rate was 11.9 percent for males and 20.5 percent for females, up by

1.1 and 3.7 percentage points for males and females, respectively, compared with the corresponding figures of the previous year.



**Figure 8.1. Share of employment in various economic sectors**

(percent)
- agriculture
- manufacturing
- services

Review of unemployment rate in urban and rural areas indicates that the unemployment rate in urban areas was 15.3 percent and in rural areas, 9.1 percent, indicating 1.8 and 0.8 percentage points increase in urban and rural areas, respectively, compared with the preceding year. Higher unemployment rate in urban areas is attributable to the migration of rural dwellers to cities in search of jobs.

In 1389, the youth unemployment rate in the age group of 15-24 years old was 28.7 percent, up by 4.0 percentage points compared with 1388. Of note, a large number of youth in this age group are currently students and therefore inactive in the labor market. The youth unemployment rate in the age group of 15-29 years old increased by 3.4 percentage points to 25.5 percent. In both age groups, the unemployment rate of women is high. Female unemployment rates in the age groups of 15-24 and 15-29 years old were 41.3 and 39.7 percent, indicating a remarkable increase when compared with the corresponding figures of the previous year (32.4 and 31.0 percent, respectively).

The labor force participation rate reached 38.3 percent in 1389, down by 0.6 percentage point compared with 1388. Participation rate in eight provinces indicated growth in this year (0.9 percentage point increase on average). However, this rate fell by 1.4 percentage points on average in other provinces. Unemployment rate in Kohgiluyeh va Buyer Ahmad, Qom, Qazvin, and Chahar Mahall va Bakhtiari, despite the rise in their participation rate, decreased, pointing to an improvement in the economic condition in these provinces.

**Table 8.2.  Population and Labor Market Developments**                    (thousand persons-percent)

| | | | | Percentage change [1] | |
|---|---|---|---|---|---|
| | 1387 | 1388 | 1389 | 1388 | 1389 |
| **Population of 10 years old & over (estimated)** | **60,300** | **61,346** | **62,391** | **1.7** | **1.7** |
| Active | 22,892 | 23,841 | 23,875 | 4.1 | 0.1 |
| Employed | 20,500 | 21,001 | 20,657 | 2.4 | -1.6 |
| Unemployed | 2,392 | 2,840 | 3,218 | 18.7 | 13.3 |
| **Participation rate** | **38.0** | **38.9** | **38.3** | **0.9** | **-0.6** |
| **Unemployment rate** | **10.4** | **11.9** | **13.5** | **1.5** | **1.6** |
| Urban areas | 12.0 | 13.5 | 15.3 | 1.5 | 1.8 |
| Rural areas | 7.2 | 8.3 | 9.1 | 1.1 | 0.8 |
| Males | 9.1 | 10.8 | 11.9 | 1.7 | 1.1 |
| Females | 16.7 | 16.8 | 20.5 | 0.1 | 3.7 |
| Youth (15-24 years old) | 23.0 | 24.7 | 28.7 | 1.7 | 4.0 |
| Urban | 27.4 | 29.4 | 34.0 | 2.0 | 4.6 |
| Rural | 15.3 | 16.4 | 18.4 | 1.1 | 2.0 |
| Youth (15-29 years old) | 20.4 | 22.1 | 25.5 | 1.7 | 3.4 |
| Urban | 23.4 | 25.1 | 29.0 | 1.7 | 3.9 |
| Rural | 14.1 | 15.4 | 17.1 | 1.3 | 1.7 |

Source: Statistical Center of Iran (SCI)

[1] Changes in participation rate and unemployment rate are in percentage points.

## Allocation of Facilities for Employment Creation

In 1389, financial resources for employment creation out of the Budget Law for 1384 and SMEs projects registered a relative growth. Due to the priority given to the extension of facilities to previously approved and semi-finished projects and in order to sustain the current job opportunities, total employment opportunities created based on concluded contracts in 1389 out of employment creation facilities, subject of the Budget Law for 1384, and the employment creation projects through the SMEs, were estimated at 200 thousand. Restriction of banking resources, rise in banks' indebtedness to the Central Bank, high volume of banks' non-performing loans, and misapplication of loan proceeds led to the low performance of facilities extended for the employment creation project.

## Facilities Extended by Banks to SMEs

By end-1389, Rls. 672.4 trillion projects were referred to banks, up by 6.4 percent compared with 1388 year-end. The value of projects approved by banks was Rls. 312.1 trillion. Of total Rls. 272.6 trillion concluded contracts, 40.8 percent were related to enterprises with less than 10 employees and 59.2 percent to enterprises with 10 to 49 employees. Based on concluded contracts, an average of Rls. 141.1 million facilities are required for the creation of each job opportunity. Change in the outstanding projected job opportunities was 187.7 thousand. Manufacturing and mining sector, with 52.8 percent, had the highest share in receiving these facilities.

Of special note is that by end-1389, Rls. 8,278.8 billion facilities were overdue

**Table 8.3.  Performance of Facilities Extended to SMEs by end-1389** (billion rials)

|  | Share allocated by the CBI | Projects referred to banks | Projects approved by banks | Value of concluded contracts | Projected job opportunities based on concluded contracts (person) | Outstanding extended facilities | Financing of concluded contracts (percent) |
|---|---|---|---|---|---|---|---|
| Commercial banks | 387,146.0 | 568,102.6 | 259,436.6 | 225,657.1 | 1,527,465.0 | 206,736.0 | 91.6 |
| Specialized banks | 80,534.0 | 104,330.7 | 52,623.4 | 46,959.6 | 404,071.0 | 44,035.5 | 93.8 |
| **Total** | **467,680.0** | **672,433.3** | **312,060.0** | **272,616.7** | **1,931,536.0** | **250,771.4** | **92.0** |

debts and Rls. 14,025.7 billion non-performing loans, indicating 7.9 percent fall and 39.7 percent rise, respectively, compared with end-1388.

## Performance of Unemployment Insurance Fund

The number of pensioners benefiting from the Unemployment Insurance Fund was 183 thousand persons in 1389, indicating 9.7 percent growth compared with the previous year. Considering approximately 3,218.3 thousand unemployed people in 1389, the mentioned figure is vey low. In this year, 162.1 thousand persons were added to the pensioners of this Fund. Therefore, the number

of pensioners benefiting from this Fund reached 328.9 thousand.

A review of the performance of the Unemployment Insurance Fund during 1366-1380 reveals that the sources of this Fund were higher than its uses, pointing to the relatively favorable performance of this Fund, during the said period. However, certain incidents and policy measures led to sharp imbalances in sources and uses of Fund's resources after the mentioned period. These factors included the crisis in the textile industry followed by approval of the Law on Supporting the Renovation of Textile Industry in 1380, and the enactment of the Law for Renovation and Facilitation of

**Table 8.4.  Facilities Extended to SMEs** (billion rials)

|  | Year-end balance | | | Change in balance | | Percentage change | |
|---|---|---|---|---|---|---|---|
|  | 1387 | 1388 | 1389 | 1388 | 1389 | 1388 | 1389 |
| Share allocated by the CBI | 467,680.0 | 467,680.0 | 467,680.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Projects referred to banks | 602,825.9 | 631,733.4 | 672,433.3 | 28,907.5 | 40,699.9 | 4.8 | 6.4 |
| Projects approved by banks | 281,673.3 | 297,269.2 | 312,060.0 | 15,595.9 | 14,790.8 | 5.5 | 5.0 |
| Value of concluded contracts | 235,259.5 | 251,240.1 | 272,616.7 | 15,980.6 | 21,376.6 | 6.8 | 8.5 |
| Projected job opportunities based on concluded contracts (person) | 1,627,178.2 | 1,743,884.0 | 1,931,536.0 | 116,705.8 | 187,652.0 | 7.2 | 10.8 |
| Outstanding extended facilities | 207,528.3 | 228,573.6 | 250,771.4 | 21,045.3 | 22,197.8 | 10.1 | 9.7 |
| Overdue debts | 6,678.6 | 8,993.6 | 8,278.8 | 2,315.0 | -714.8 | 34.7 | -7.9 |
| Non-performing loans | 5,328.6 | 10,041.3 | 14,025.6 | 4,712.7 | 3,984.3 | 88.4 | 39.7 |

Manufacturing Industries aiming at labor force restructuring and adjustment at crisis-stricken industries which allowed early retirement of workers in 1383.

In this year, 145,859 unemployment benefits ceased. This was due to a host of factors inter alia reaching maximum period (76 percent), reemployment (11 percent), and retirement, disability, decease, or absence from technical and vocational classes (13 percent). In 1389, share of reemployment decreased by 9.5 percentage points compared with the previous year and reemployment cases totaled 16,044 persons.

**Table 8.5.  Performance of Unemployment Insurance Fund**

|  | 1388 | 1389 | Percentage change |
|---|---|---|---|
| Beneficiaries | 166,802 | 183,031 | 9.7 |
| New pensioners | 159,807 | 162,088 | 1.4 |
| Ceased benefits | 129,929 | 145,859 | 12.3 |

Source: Social Security Organization (SSO)

**Table 8.6.  Ceased Benefits and Reasons**

|  |  | Total ceased benefits | Reaching maximum period | Reemployment | Other |
|---|---|---|---|---|---|
| 1388 | Person | 129,929 | 94,848 | 26,693 | 8,388 |
|  | Share (percent) | 100.0 | 73.0 | 20.5 | 6.5 |
| 1389 | Person | 145,859 | 110,853 | 16,044 | 18,962 |
|  | Share (percent) | 100.0 | 76.0 | 11.0 | 13.0 |

Source: Social Security Organization (SSO)

According to Labor Law, payment of unemployment benefit ranges from a minimum of 6 months to a maximum of 50 months after the first day of unemployment. Based on relevant statistics, the amount of pension based on person-months grew by 7.0 percent to Rls. 2.1 million in 1389. Considering the total number of beneficiaries, unemployment benefit was paid for 11.5 months on average to each unemployed person.

## Wages and Salary

A minimum nominal wage policy is usually adopted by governments to promote social justice programs in the economy and to protect the low-skilled labor force. The Iranian government sets the minimum wage for the workers and the salary coefficient for the civil servants annually. Based on Article 41 of the Labor Law approved in 1369, the High Council of Employment is the body in charge of setting the minimum wage for workers. In 1389, the minimum nominal monthly wage was determined at Rls. 3,030.0 thousand, indicating 15.0 percent increase compared with the previous year. Considering the 12.4 percent inflation rate for 1389, the minimum real monthly wage rose by 2.3 percent.

Based on the Cabinet approval, the salary coefficient of civil servants increased from 600 in 1388 to 636 in 1389 which, considering 3 to 5 percent annual increase, indicates 9.0 to 11.0 percent rise in total salary of civil servants. Therefore, compared to the inflation rate, the real salary of civil servants decreased in 1389.

## Education

Generally speaking, the educational system (including the preschool centers, elementary, junior high, and high schools, pre-university centers, and universities) in any society upgrades and lifts up the cultural and social standards of the society. However, the main mandate of any educational system is to provide a backbone and infrastructure for labor training. By a proper knowledge of relative advantages of education as well as suitable educational planning, a more dynamic labor force will be trained for expediting the economic growth. Appropriate educational facilities for the public pave the way for the eradication of cultural as well as

economic poverty, and motivate the talents of the community members.

The total number of school age students[1] reached 13.3 million in 1389, indicating 0.4 percent fall compared with the preceding year. Of these students, 501 thousand were adults, showing an increase of 38.8 percent compared with the year before.
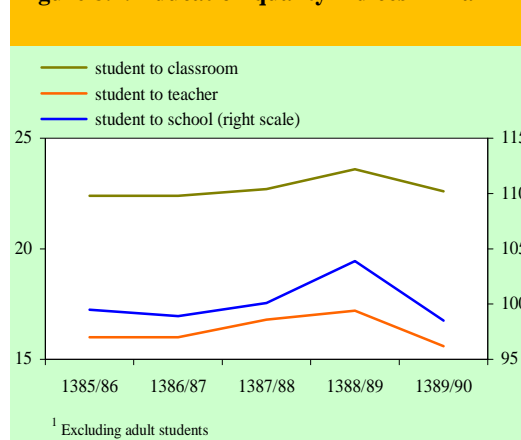
In 1389/90 academic year, total number of students in pre-university centers (public and private, excluding adult students) reached 435.0 thousand, up by 6.0 percent compared with the previous year. Students' gender composition indicates the higher share of female students at pre-university centers by 60.8 percent. This is attributable to the fact that male students (65.2 percent) are willing to continue their studies in technical and vocational fields.

In 1389/90 academic year, share of students in private schools decreased, compared with the previous year. Accordingly, ratios of "student to school", "student to teacher", and "student to classroom" increased, due to the reduction in the number of students and rise in the number of schools and teaching staff. It should be noted that the number of schools and teaching staff increased by 2.5 and 9.4 percent, respectively while the number of classrooms decreased by 1.1 percent.

In 1389/90 academic year, the number of the illiterate and low-literate population under the coverage of the Literacy Movement Organization (LMO) amounted to 972.8 thousand persons, down by 15.0 percent compared with the previous year. Of total

[1] Includes students of preschool centers, elementary schools, junior high schools, high schools, pre-university centers, and adult students.

groups benefiting from the literacy movement program, 42.5 percent were primary level students and 57.5 percent were educated at supplementary, final, and 5th grade of elementary school levels.



Figure 8.2. Education quality indices in Iran [1]

[1] Excluding adult students

Among the age group of 6-29 years old, literacy rate was 97.1 percent, indicating 0.6 percentage point increase compared with the previous year.

Table 8.7.  Enrollment and Literacy Rates (percent)

| | 1388 | 1389[1] |
|---|---|---|
| **Enrollment rate (6-14 years old)** | | |
| Urban areas | 96.8 | .. |
| Rural areas | 87.7 | .. |
| **Total** | **93.6** | **..** |
| **Literacy rate (6-29 years old)** | | |
| Urban areas | 96.5 | 97.1 |
| Rural areas | 93.9 | .. |
| **Total** | **95.6** | **..** |

Source: President Deputy for Strategic Planning and Control
[1] Data unavailable

**Table 8.8. Literacy Rate in the Population of 6+ Years** (percent)

|  | Total | Urban areas | Rural areas |
|---|---|---|---|
| 1388 | 87.3 | 90.9 | 79.4 |
| 1389 | .. | .. | .. |

Source: President Deputy for Strategic Planning and Control

## Higher Education

Human resource training, together with upgrading and lifting social capital, leads to economic growth and acceleration of the economic development. Development of fields of study which are not commensurate

with the requirements of the labor market will increase the labor market friction which in turn raises unemployment.

During 1384-1389, total number of university students grew by 9.0 percent annually, on average. During 1389/90 academic year, the number of university students increased by 8.6 percent to 4,116.6 thousand persons.

It is advisable that the government and policymakers set the ground for market absorption of university students, congruent with the demands of various economic sectors.

**Table 8.9. Number of University Students** (person)

|  | Academic year | | Percentage change | | Share (percent) | |
|---|---|---|---|---|---|---|
|  | 1388/89 | 1389/90 | 1388/89 | 1389/90 | 1388/89 | 1389/90 |
| **Public universities**[1] | **2,330,831** | **2,580,403** | **19.0** | **10.7** | **61.5** | **62.7** |
| Females | 1,295,389 | 1,442,261 | 14.0 | 11.3 | 34.2 | 35.0 |
| Males | 1,035,442 | 1,138,142 | 26.0 | 9.9 | 27.3 | 27.6 |
| **Islamic Azad University** | **1,460,028** | **1,536,190** | **4.9** | **5.2** | **38.5** | **37.3** |
| Females | 579,577 | 595,828 | 1.2 | 2.8 | 15.3 | 14.5 |
| Males | 880,451 | 940,362 | 7.5 | 6.8 | 23.2 | 22.8 |
| **Total** | **3,790,859** | **4,116,593** | **13.2** | **8.6** | **100.0** | **100.0** |

Source: Ministry of Science, Research and Technology
[1] Includes students at Payame Noor University.