

LABOR MARKET DEVELOPMENTS AND HUMAN RESOURCE

In 1390, unemployment declined, mainly due to lower labor force supply and active population as well as the rise in inactive population in total labor supply. The participation rate is usually affected by the general macroeconomic condition, hence the decline in participation rate was indicative of recessionary economic condition in this year. Besides, cash payments to Iranian households as of the third quarter of 1389 weakened the general motivation for women to participate in active labor force. In line with the approvals of the High Council of Employment, creation of 2.5 million job opportunities was targeted for the year 1390. Accordingly, it was decided that the Project for the Support of Home-based Businesses be implemented, with the coordination of the banking sector. Reducing the rate of return on transaction contracts and controlling the rate of PLS contracts, mainly aimed at supporting production, led to the flow of liquidity into high-yield markets, such as the gold market. This not only intensified the inflationary trend but also led to overinvestment in some projects and caused closure of a large number of productive units. Therefore, despite the fall in the unemployment rate, the number of the employed population dropped as well, indicating the fact that the labor market objectives were not realized in 1390.

In spite of the government's attempts in recent years to generate employment, the

number of jobs showed a meager increase and, in certain fields, even a decrease. Needless to say, labor market and its ensuing effect on the population necessitate the adoption of immediate measures by policymakers to remove impediments to employment, especially youth employment. Strategies to boost investment in the productive sector and create sustainable employment include strengthening the productive structure, utilizing new technologies in the manufacturing sector, and improving the quality of production, aimed at channeling the domestic demand into domestically produced goods and services.

Population and Human Resource

Based on the Nationwide Population and Housing Census carried out by the Statistical Center of Iran (SCI), in 1390, Iran's total population increased by 1.3 percent to 75.1 million persons, 53.6 million of whom dwelled in urban and the remaining in rural areas. This means that 71.4 percent of the population dwelled in urban areas. Gender ratio (the number of males per 100 females) reached 101.8 in 1390.

In 1390, the average age of the population reached 29.86 years and the median age was 27.0 years, indicating an increase compared with the statistics of the previous census conducted in 1385 (27.97 years and 24.73 years, respectively). Average household size declined from 4 persons in 1385 to

3.5 in 1390. This was attributable to the fall in the share of households with five members or more in total population.

Based on the data released by the National Organization for Civil Registration, total number of births recorded in 1390 was 1,382.2 thousand, representing 1.4 percent growth compared with the year before. Considering 422.1 thousand registered deaths, 960.1 thousand persons were added to total population. In this year, the death rate by gender equaled 100 women to 118.2 men i.e., compared to 100 registered deaths for women, 118.2 deaths were registered for men. This ratio increased by 3.2 percent compared with the year before.

Table 8.1. Vital Statistics (thousand persons)

	1388	1389	1390	Percentage change	
				1389	1390
Registered births	1,348.5	1,363.5	1,382.2	1.1	1.4
Registered deaths	393.5	441.0	422.1	12.1	-4.3

Source: National Organization for Civil Registration

Labor Market

Labor market performance, like other markets, is the result of interaction between economic, social, political, and cultural institutions, facilitating the process of employment generation. Labor market developments and employment generation process are the result of interaction of labor supply and demand forces in the market which in turn reflects the performance of societal and economic institutions. Hence, proper and optimum performance of these institutions and the labor market is the most important objective of governments.

Labor Supply

Labor supply is indicative of the total hours the workers are willing to work at a given real wage rate. 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, the economically active population decreased by 2.0 percent compared with 1389. A long unemployment period is one factor behind the disappointment of the active unemployed population in searching for a job, leading to a rise in inactive population.

Participation rate was 36.9 percent in 1390, down by 1.4 percentage points compared with the year before. A 2.0 percent fall in the economically active population (employed and unemployed) and a 1.7 percent rise in the population of 10 years old and over led to a reduction in participation rate in general.

In 1390, participation rate for men fell by 1.4 percentage points to 60.7 percent and for women, it reached 12.6 percent, down by 1.5 percentage points. Low participation rate for the Iranian women is rooted in the culture of the nation. However, considering higher attendance rates of high schools and universities for women and fall in the male participation rate, decline in female participation rate could be attributed to the recessionary condition affecting the Iranian economy.

In this year, participation rate in urban and rural areas reached respectively 35.8 and 39.8 percent, down by 1.5 and 1.0 percentage points, respectively.

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.

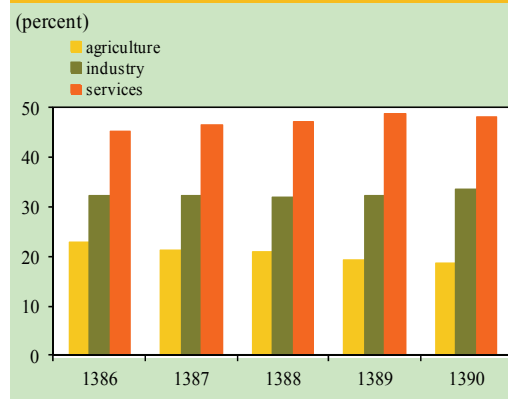
Comparing the number of the employed persons across various economic sectors indicates that about 20.5 million persons were active in industry, agriculture, and services in 1390, down by 0.7 percent compared with the year before. Reviewing the seasonally-adjusted employment figures reveals that the number of jobs remained constant at 20.7 million persons on average over the 1386-1390 period, with no upward trend witnessed in employment. Massive imports of consumer goods (industrial and agricultural goods) at low prices, especially from China, and lack of motivation for investment led to a fall in labor demand as of 1387 onwards.

In 1390, services sector had the highest share of 48.0 percent in employment. Shares of industry and agriculture sectors in employment were 33.4 and 18.6 percent, respectively.

Reviewing the share of the agriculture sector in employment over the recent years indicates that this sector has been losing its potential for employment generation. The number of persons employed in this sector dropped from 4,380 thousand persons in 1388 to 3,810 thousand persons at end-1390, indicating that approximately 570 thousand farmers lost their jobs. It is worth mentioning that during the 1389/90 farming year, the amount of precipitation decreased by 19.0 percent compared with the long-term average (42 years) and 16.0 percent compared with the previous farming year. This could be one factor behind the reduction

in the number of the employed persons in this sector. In 1390, the number of individuals employed in the industry sector increased by 2.9 percent while the number of those employed in the services sector fell 1.8 percent.

Figure 8.1. Share of employment in various economic sectors



In this year, 15.3 percent of women were in the labor force, down by 1.4 percentage points compared with the year before. Cash payments to households as of late-1389 have negatively affected women's incentives to work, as the perspective of finding a job is not very optimistic either.

Unemployment

In 1390, unemployment rate decreased by 1.2 percentage points to 12.3 percent. In this year, unemployment rate was 10.5 percent for males and 20.9 percent for females, showing 1.4 percentage points decrease and 0.4 percentage point increase, respectively, compared with the corresponding figures of the previous year. The unemployed population fell from 3.2 million persons in 1389 to 2.9 million persons in 1390. Therefore,

decline in the number of the unemployed persons by 341 thousand and a fall in the number of the employed people by 147 thousand brought about the decrease in the number of the economically active population by 487 thousand.

Unemployment figures indicate that the unemployment rate in urban areas was 13.7 percent and in rural areas, 8.9 percent, in 1390, showing 1.6 and 0.2 percentage points decrease in urban and rural areas, respectively, compared with the preceding year. Higher unemployment rate in urban areas is attributable to the migration of rural job seekers to these areas.

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

	1388	1389	1390	Percentage change ¹	
				1389	1390
Population of 10 years old & over (estimated)	61,346	62,391	63,437	1.7	1.7
Economically active	23,841	23,875	23,388	0.1	-2.0
Employed	21,001	20,657	20,510	-1.6	-0.7
Unemployed	2,840	3,218	2,878	13.3	-10.6
Participation rate	38.9	38.3	36.9	-0.6	-1.4
Unemployment rate	11.9	13.5	12.3	1.6	-1.2
Urban areas	13.5	15.3	13.7	1.8	-1.6
Rural areas	8.3	9.1	8.9	0.8	-0.2
Male	10.8	11.9	10.5	1.1	-1.4
Female	16.8	20.5	20.9	3.7	0.4
Youth (15-24 years old)	24.7	28.7	26.5	4.0	-2.2
Urban	29.4	34.0	30.0	4.6	-4.0
Rural	16.4	18.4	19.8	2.0	1.4
Youth (15-29 years old)	22.1	25.5	24.0	3.4	-1.5
Urban	25.1	29.0	26.5	3.9	-2.5
Rural	15.4	17.1	17.7	1.7	0.6

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 1390, outstanding facilities extended for employment creation out of the Budget Law for 1384 registered negative growth. This was due to the fact that new loans were not allocated and previous loans were not repaid in due time. However, outstanding facilities extended within the framework of employment creation project through the Small and Medium Enterprises (SMEs) increased by 9.1 percent (Rls. 22.8 trillion). As incomplete previous projects and the employment generated by them enjoyed priority in terms of the extension of facilities and banks' resources were also limited, employment generation facilities did not have a remarkable performance in 1390.

Facilities Extended by Banks to SMEs

Reviewing the performance of facilities extended by banks to the SMEs indicates that as of the implementation of this project until end-1390, the value of projects referred to banks rose 8.6 percent to Rls. 730.0 trillion and the value of projects approved by banks reached Rls. 333.5 trillion. The value of concluded contracts was Rls. 295.6 trillion, 40.8 percent of which was related to enterprises with less than 10 employees and the remaining, to enterprises with 10 to 49 employees. Considering the value of concluded contracts and the job opportunities created based on them, a sum of Rls. 148.3 million is required for the creation of each job opportunity.

The balance of projected job opportunities based on concluded contracts increased by about 61.0 thousand in 1390. Manufacturing and mining sector, with 52.8 percent, had the highest share in receiving these facilities.

It is important to note that by end-1390, overdue loans amounted to Rls. 9,990.2 billion and non-performing loans totaled

Rls. 19,853.1 billion, indicating 20.7 and 41.5 percent rise, respectively, compared with end-1389. The ratio of sum of overdue and non-performing loans to total paid loans reached 10.9 percent by end-1390, showing 2.0 percentage points increase compared with the corresponding figure of previous year. This rise was attributable to production bottlenecks and increase in the price of energy carriers.

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from the Unemployment Insurance Fund grew by

10.0 percent in 1390 to reach 201,416 compared with the previous year. Considering 2,877.6 thousand unemployed people in 1390, the mentioned figure is very low. In this year, 173,427 persons were added to the pensioners of this Fund. Therefore, the number of pensioners benefiting from this Fund reached 356,458 persons.

The unemployment benefits for 142,872 beneficiaries were cut in 1390. This was due to a host of factors inter alia reaching maximum period (73.0 percent), reemployment (17.6 percent), and retirement, disability, decease, or absence from technical and vocational classes (9.4 percent).

Table 8.3. Facilities Extended to SMEs by end-1390

(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)	Total paid loans	Financing of concluded contracts (percent)
Commercial banks	387,146.0	608,778.5	273,523.0	241,339.3	1,569,854.0	222,728.3	92.3
Specialized banks	80,534.0	121,257.8	60,005.5	54,219.5	422,718.0	50,846.8	93.8
Total	467,680.0	730,036.3	333,528.5	295,558.8	1,992,572.0	273,575.1	92.6

Table 8.4. Facilities Extended to SMEs

(billion rials)

	Year-end balance			Change in balance		Percentage change	
	1388	1389	1390	1389	1390	1389	1390
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	631,733.4	672,433.3	730,036.3	40,699.9	57,603.0	6.4	8.6
Projects approved by banks	297,269.2	312,060.0	333,528.5	14,790.8	21,468.5	5.0	6.9
Value of concluded contracts	251,240.1	272,616.7	295,558.8	21,376.6	22,942.1	8.5	8.4
Projected job opportunities based on concluded contracts (person)	1,743,884.0	1,931,536.0	1,992,572.0	187,652.0	61,036.0	10.8	3.2
Total paid loans	228,573.6	250,771.4	273,575.1	22,197.8	22,803.7	9.7	9.1
Overdue loans	8,993.6	8,278.8	9,990.2	-714.8	1,711.4	-7.9	20.7
Non-performing loans	10,041.3	14,025.7	19,853.1	3,984.4	5,827.4	39.7	41.5

According to Labor Law, payment of unemployment benefits ranges from a minimum of 6 months to a maximum of 50 months after the first day of unemployment. In 1390, the value of unemployment benefits paid to each beneficiary in each month was Rls. 2.3 million, showing 9.6 percent growth compared with 1389.

Table 8.5. Performance of Unemployment Insurance Fund (person)

	1389	1390	Percentage change
Beneficiaries	183,031	201,416	10.0
New beneficiaries	162,088	173,427	7.0
Ceased benefits	145,859	142,872	-2.0

Source: Social Security Organization (SSO)

Table 8.6. Ceased Benefits and Reasons

	Total ceased benefits	Reaching maximum period	Reemployment	Other	
1389	Person	145,859	110,853	16,044	18,962
	Share (%)	100.0	76.0	11.0	13.0
1390	Person	142,872	104,296	25,152	13,424
	Share (%)	100.0	73.0	17.6	9.4

Source: Social Security Organization (SSO)

Wages and Salaries

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. In setting the minimum wage, increase in real wage should not be more than the increase in productivity, as the imbalance in labor market may lead to more unemployment. It is noteworthy that the minimum wage policy should be implemented in a way that would not reduce incentives for new employment by entrepreneurs. Hence, it is highly necessary

that governments seek other appropriate redistribution policies in addition to the wage policy.

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 1390, the minimum nominal monthly wage was determined at Rls. 3,303.0 thousand, indicating 9.0 percent increase compared with the previous year. Considering the 21.5 percent inflation rate for 1390, the minimum real monthly wage declined by 10.3 percent.

Based on the Cabinet approval, the salary coefficient of the civil servants increased from 636 in 1389 to 700 in 1390 which, considering 3.0 to 5.0 percent annual increase, indicates 13.0 to 15.0 percent rise in total salary of civil servants. Therefore, compared to the inflation rate, the welfare level of civil servants decreased in 1390.

Education

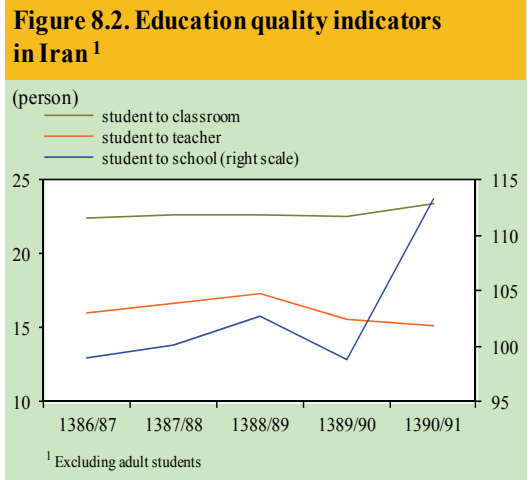
Generally speaking, the educational system (including preschools, elementary schools, junior high schools, high schools, pre-university centers, and universities) in any society upgrades and lifts up the cultural and social standards. However, the main mandate of any educational system is to provide the 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 students¹ reached 13.2 million in 1390, indicating 0.9 percent fall compared with the preceding year. About 466 thousand of these students were adult learners, showing a reduction of 7.1 percent compared with the year before. Analyzing the time-series data on the number of students during 1384-1390 indicates an average reduction of 2.5 percent annually.

In 1390/91 academic year, total number of students in pre-university centers (public and private, excluding adult students) reached 440.6 thousand, up by 1.3 percent compared with the previous year. Students' gender composition indicated the higher share of female students at pre-university centers by 59.8 percent. This is due to the fact that 65.0 percent of male students attended vocational-technical schools and skills training centers.

Number of students in private schools increased in 1390/91 academic year, compared with the previous year. In this year, about 7.4 percent of students were attending private schools. Furthermore, the number of schools decreased by 13.5 percent to 112.6 thousand. Therefore, the ratio of "student to school" increased from 98.5 persons in 1389/90 academic year to 113.1 in this year. Since the number of students decreased, the ratio of "student to teacher" also fell to 15.0 persons. On the other hand, due to the decrease in the number of classrooms, the ratio of "student to classroom" increased to 23.4 persons. The number of classrooms came to 544.6 thousand in 1390/91 academic year, showing a decrease of 4.2 percent. The number of teachers reached 847.8 thousand

in this year, showing 2.7 percent growth compared with 1389.



Higher Education

In 1390/91 academic year, the number of students at public universities and Islamic Azad University reached 4,404.6 thousand, up by 7.0 percent compared with the year before. This was mainly attributable to the rise in the number of students at public universities. The labor force survey data indicate that total students at higher education levels as well as graduates were 10,011.7 thousand persons, of whom 4,643.6 thousand were economically active and 901.6 thousand were unemployed. Therefore 19.4 percent of the economically active population, with a university degree, is unemployed. Given the current large number of university students, the labor market will face challenges in the coming years in generating job opportunities for university graduates.

¹ Includes students of preschools, elementary schools, junior high schools, high schools, pre-university centers, as well as adult students.

Table 8.7. Number of University Students (person)

	Academic year		Percentage change		Share (percent)	
	1389/90	1390/91	1389/90	1390/91	1389/90	1390/91
Public universities¹	2,580,403	2,828,265	10.7	9.6	62.7	64.2
Male	1,138,142	1,251,963	9.9	10.0	27.6	28.4
Female	1,442,261	1,576,302	11.3	9.3	35.0	35.8
Islamic Azad University	1,536,190	1,576,349	5.2	2.6	37.3	35.8
Male	940,362	961,242	6.8	2.2	22.8	21.8
Female	595,828	615,107	2.8	3.2	14.5	14.0
Total	4,116,593	4,404,614	8.6	7.0	100.0	100.0

Source: Ministry of Science, Research and Technology

¹Includes students at Payame Noor University.