

The Iranian economy experienced difficult and unfavorable conditions in 1391. This was attributable to a volatile foreign exchange market, imposition of unjust sanctions (restrictions on Central Bank and oil transactions), high inflation, and continued implementation of Subsidy Reform Plan. Although rise in foreign exchange rate, under certain conditions, could have led to improvements in domestic production and employment generation through a better competitive environment, the exchange rate rise, in practice, resulted in market fluctuations and a high inflation rate. This in turn led to heightened uncertainties and risk in production management. Overall, the Iranian economy seems to have become more resilient and reliant on domestic production in 1391, through higher competitiveness of domestic products (due to higher prices of imported goods), and more improved condition in the manufacturing establishments which also led to better labor market conditions. Therefore, the number of the employed population increased in this year and the unemployment rate decreased to 12.1 percent.

Population and Human Resource

Based on the Statistical Center of Iran (SCI), in 1391, Iran's total population increased by 1.2 percent to 76.0 million persons, 54.6 million of whom dwelled in urban and the remaining in rural areas. This means that 71.8 percent of the population dwelled in

urban areas. Gender ratio (the number of males per 100 females) reached 101.7 in 1391.

Total number of households was 22.0 million in 1391, indicating 4.0 percent increase compared with the year before. Out of total households, 16.1 million were residing in urban and 5.9 million in rural areas, showing 4.5 and 2.6 percent growth, respectively, compared with 1390. Reviewing the number of households based on urban and rural areas indicates that the highest growth in the number of households was related to the urban areas of Kohgiluyeh va Buyer Ahmad, Chahar Mahall va Bakhtiari, and Hormozgan Provinces by 7.3, 6.4, and 6.3 percent, respectively. In rural areas, the highest growth was related to Kerman, Bushehr, and Golestan Provinces by 6.3, 5.1, and 4.8 percent, respectively. In urban areas of Tehran Province, the number of households rose by 3.5 percent and in rural areas, 0.4 percent.

Based on the data released by the National Organization for Civil Registration, total number of births recorded in 1391 was 1,421.7 thousand, representing 2.9 percent growth compared with the year before. Considering 367.5 thousand registered deaths, 1,054.1 thousand persons were added to total population. In this year, the death rate by gender equaled 100 women to 127.6 men i.e., compared to 100 registered deaths for women, 127.6 deaths were registered for men. The number of registered deaths decreased by 4.2 percent compared with the year before, pointing to a rise in life expectancy in Iran.

Table 8.1. Vital Statistics (thousand persons)

	1389	1390▲	1391	Percentage change	
				1390	1391
Registered births	1,363.5	1,382.2	1,421.7	1.4	2.9
Registered deaths	441.0	383.5	367.5	-13.0	-4.2

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 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 increased by 0.4 percent compared with 1390. The economically active population of rural areas increased by 2.1 percent in 1391 while in urban areas, it decreased by 0.3 percent. Moreover, the economically active population of men fell by 1.2 percent while for women, it rose by 8.1 percent.

Participation rate was 37.4 percent in 1391, up by 0.5 percentage point compared with the year before. A rise of 0.4 percent in the economically active population (employed and unemployed) led to a growth in participation rate in general.

In this year, participation rate in urban and rural areas reached respectively 36.5 and 40.3 percent, up by 0.7 and 0.5 percentage point, respectively.

Participation rate for men rose by 0.5 percentage point to 61.2 percent and for women, it reached 13.7 percent, up by 1.1 percentage points, compared with 1390.

As to labor supply conditions, the active population has experienced a slow growth in recent years. However, one-third of the total population (over 24 million) are in the age group of 20-35 years old. Lack of proper economic incentives for higher participation in labor market is the main factor behind the meager growth of labor supply. Based on UN Human Development Report 2014, participation rate for the 15+ age group in Turkey in 2012 was 29.4 percent for women and 70.8 percent for men. In Egypt, these percentages were 23.6 and 74.6 for women and men, respectively, and in South Korea, 49.9 and 72.0 for women and men, respectively. The world average for this rate was 50.6 percent for women and 76.7 percent for men. The participation rate for the 15+ years old in Iran was 16.4 percent for women and 73.1 percent for men.

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 20.6 million persons were active in industry, agriculture, and services in 1391, up by 0.6 percent compared with the year before. Reviewing the general employment trends reveals that the number of jobs remained constant at 20.7 million persons on average over the 1386-1391 period. Reviewing the number of available jobs in 1391 reveals that the highest number of employment opportunities was created in the agriculture sector which had experienced decrease in employment in 1390. This was attributable to better climatic conditions, increased precipitation, and lower imports in the aftermath of fluctuations in the foreign exchange market.

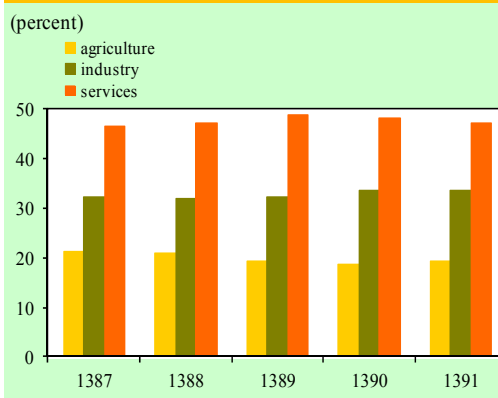
Considering 118 thousand net increase in employment in 1391, a total of 188 thousand job opportunities were created in the agriculture sector and 50 thousand in the industry sector. In the services sector, however, the number of jobs fell by 120 thousand. Moreover, 309 thousand jobs were created for women while the number of jobs for men decreased by 191 thousand.

In 1391, services sector had the highest share in employment by 47.2 percent. Shares of industry and agriculture sectors in employment were 33.4 and 19.4 percent, respectively. In 1391, the number of individuals employed in the industry sector increased by 0.7 percent while the number of those employed in the services sector fell by 1.2 percent.

The number of the employed population in the age group of 15-29 years old reached 5,918 thousand in 1391. Based on the census conducted in 1390, total population in this

age group was almost 24 million persons. Therefore, 25 percent of the population in this age group was employed while 75 percent was inactive in the labor market or unemployed. In 1385, the share of the age group of 15-29 years old in employment was 29 percent. Considering the large number of those in the age group of 15-29 years old in 1391, the above trend is indicative of no improvement in youth employment.

Figure 8.1. Share of employment by various economic sectors



In this year, the number of the employed women reached 3,447 thousand, showing 9.9 percent growth compared with the year before. In this year, share of women's employment in total employed population reached 16.7 percent, up by 1.4 percentage points compared with the year before. It is important to note that the number of employed women decreased by 9.2 percent in 1390. Therefore, rise in the employed population of women in 1391 made the total number of the employed women equal to the 1389 figure.

Unemployment

In 1391, unemployment rate decreased by 0.2 percentage point to 12.1 percent. In this year, unemployment rate was 10.4 percent for male and 19.7 percent for female, showing

0.1 and 1.2 percentage points decrease, respectively, compared with the corresponding figures of the previous year. The unemployed population fell from 2.88 million persons in 1390 to 2.85 million persons in 1391.

Unemployment figures indicate that the unemployment rate in urban areas was 13.8 percent and in rural areas, 8.2 percent, in 1391, showing 0.1 percentage point increase and 0.7 percentage point 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)

	1389	1390	1391	Percentage change ¹	
				1390	1391
Population of 10 years old & over (estimated)	62,391	63,437	62,712	1.7	0²
Economically active	23,875	23,388	23,476	-2.0	0.4
Employed	20,657	20,510	20,628	-0.7	0.6
Unemployed	3,218	2,878	2,848	-10.6	-1.0
Participation rate	38.3	36.9	37.4	-1.4	0.5
Unemployment rate	13.5	12.3	12.1	-1.2	-0.2
Urban areas	15.3	13.7	13.8	-1.6	0.1
Rural areas	9.1	8.9	8.2	-0.2	-0.7
Male	11.9	10.5	10.4	-1.4	-0.1
Female	20.5	20.9	19.7	0.4	-1.2
Youth (15-24 years old)	28.7	26.5	26.8	-2.2	0.3
Urban	34.0	30.0	31.4	-4.0	1.4
Rural	18.4	19.8	18.4	1.4	-1.4
Youth (15-29 years old)	25.5	24.0	24.5	-1.5	0.5
Urban	29.0	26.5	27.4	-2.5	0.9
Rural	17.1	17.7	17.1	0.6	-0.6

Source: Statistical Center of Iran (SCI)

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

² SCI's estimations on population have been revised based on the census conducted in 1390. Therefore, data on the population of 10 years old and over are not comparable with previous year figures.

Allocation of Facilities for Employment Creation

In 1391, financial resources for employment creation out of the Budget Law for 1384 decreased compared with 1390. However, resources allocated through the Small and Medium Enterprises (SMEs) indicated an increase. Moreover, a project for the Support of Home-based Businesses was put into operation in Shahrivar 1391.

A. Facilities Extended by Banks to SMEs

Reviewing the performance of the by-law on the expansion of the SMEs indicates that as of the implementation of this by-law in Esfand 1384 until end-1391, the outstanding value of projects referred to banks rose 2.8 percent to Rls. 750.2 trillion and the value of projects approved by banks reached Rls. 340.5 trillion, up by 2.1 percent. The value of concluded contracts was Rls. 304.7 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 projected job opportunities based on them, a sum of Rls. 151.0 million is required for the creation of each job opportunity.

Outstanding facilities extended by the agent banks, as of the implementation of this by-law until end-1391, amounted to Rls. 284.5 trillion of which, a sum of Rls. 10.9 trillion was related to the change in outstanding facilities at end-1391 compared with end-1390.

It is important to note that by end-1391, overdue loans amounted to Rls. 10.5 trillion and non-performing loans totaled Rls. 23.6 trillion, indicating 4.9 and 18.8 percent rise, respectively, compared with end-1390. The ratio of sum of overdue and non-performing loans to total paid loans reached 12.0 percent

by end-1391, showing 1.1 percentage points increase compared with the corresponding figure of previous year.

B. Financial Facilities Extended to Home-based Businesses and Self-employed Households

With the ratification and declaration of the Law on Organization and Support of Home-based Businesses, Central Bank approved the allocation of facilities to self-employed households and home-based businesses, based on the MCC approval and out of banks' Gharz-al-hasaneh resources. The MCC approved the extension of facilities worth Rls. 32 trillion to self-employed households and home-based businesses in 1391. The value of facilities allocated by the agent banks to self-employed households and home-based businesses was Rls. 18.1 trillion, showing over 50 percent realization compared with the approved figure.

Performance of Unemployment Insurance Fund

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

7.3 percent in 1391 to reach 216.2 thousand compared with the previous year. Considering 2,848.2 thousand unemployed people in 1391, the mentioned figure is very low. In this year, 194.7 thousand persons were added to the pensioners of this Fund. Therefore, the number of pensioners benefiting from this Fund reached 396.1 thousand persons¹, 23 percent of whom were women and the remaining were men. Moreover, 83 percent of beneficiaries were married.

The unemployment benefits for 168.6 thousand beneficiaries were cut in 1391. This was due to a host of factors inter alia reaching maximum period (73.0 percent), re-employment (17.0 percent), and retirement, disability, decease, or absence from technical and vocational classes (10.0 percent). The number of benefits cut due to reemployment increased by 14.0 percent in 1391.

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 1391, the value of unemployment benefits paid to each beneficiary in each month was

Table 8.3. Facilities Extended to SMEs

(billion rials)

	Year-end balance			Change in balance		Percentage change	
	1389	1390	1391	1390	1391	1390	1391
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	672,433.3	730,036.3	750,173.4	57,603.0	20,137.1	8.6	2.8
Projects approved by banks	312,060.0	333,528.5	340,480.2	21,468.5	6,951.7	6.9	2.1
Value of concluded contracts	272,616.7	295,558.8	304,667.5	22,942.1	9,108.7	8.4	3.1
Projected job opportunities based on concluded contracts (person)	1,931,536.0	1,992,572.0	2,017,495.0	61,036.0	24,923.0	3.2	1.3
Total paid loans	250,771.4	273,575.1	284,464.0	22,803.7	10,888.9	9.1	4.0
Overdue loans	8,278.8	9,990.2	10,477.7	1,711.4	486.5	20.7	4.9
Non-performing loans	14,025.7	19,853.1	23,580.9	5,827.4	3,727.8	41.5	18.8

¹ The number of beneficiaries in each year comprises total benefits started in that year plus beneficiaries remaining from the previous year-end.

Rls. 2.5 million, showing 10.0 percent growth compared with 1390.

Table 8.4. Performance of Unemployment Insurance Fund (person)

	1390	1391	Percentage change
Beneficiaries	201,416	216,177	7.3
New beneficiaries	173,427	194,701	12.3
Ceased benefits	142,872	168,624	18.0

Source: Social Security Organization (SSO)

Table 8.5. Ceased Benefits and Reasons

	Total ceased benefits	Reaching maximum period	Reemployment	Other	
1390	Person	142,872	104,296	25,152	13,424
	Share (%)	100.0	73.0	17.6	9.4
1391	Person	168,624	123,096	28,666	16,862
	Share (%)	100.0	73.0	17.0	10.0

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.

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 1391, the minimum nominal monthly wage was determined at Rls. 3,897.0 thousand, indicating 18.0 percent

increase compared with the previous year. Considering the 30.5 percent inflation rate for 1391, the minimum real monthly wage declined by 9.6 percent compared with 1390.

Based on the Cabinet approval, the salary coefficient of the civil servants increased from 700 in 1390 to 805 in 1391 which, considering 3.0 to 5.0 percent annual increase, indicates 18.0 to 20.0 percent rise in total salary of civil servants. Therefore, compared to the inflation rate, the welfare level of civil servants decreased in 1391.

Education

The educational system (including pre-schools, 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 1391, indicating a slight decrease compared with the preceding year. About 452 thousand of these students were adult learners, showing a reduction of 2.8 percent compared with the year before. Analyzing the time-series data on the number of students during 1384-1391 indicates an average reduction of 2.1 percent annually.

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

In 1391/92 academic year, 29.3 percent of male high school students and 17.2 percent of female high school students attended vocational-technical schools and skills training centers. This indicates the higher tendency of boys to enter the labor market immediately and that of girls to continue university studies.

Number of students in private schools increased in 1391/92 academic year. In this year, about 8.2 percent of students were attending private schools. Furthermore, the number of schools decreased by 2.3 percent to 110.0 thousand. Therefore, the ratio of "student to school" increased by 2.4 percent, from 113.4 persons in 1390/91 academic year to 116.1 in this year. The ratio of "student to teacher" remained relatively unchanged at about 15.0 persons. The ratio of "student to classroom" decreased by 3.4 percent to 22.6 persons. Moreover, the number of classrooms rose by 3.6 percent to 564.1 thousand in 1391/92 academic year and the number of teachers reached 849.4 thousand, showing 0.2 percent growth compared with 1390.

Higher Education

In 1391/92 academic year, the number of students at public universities, Islamic Azad University, Payame Noor University, and private universities reached 4,367.9 thousand, down by 0.8 percent compared with the year before.

Figure 8.2. Education quality indicators in Iran¹

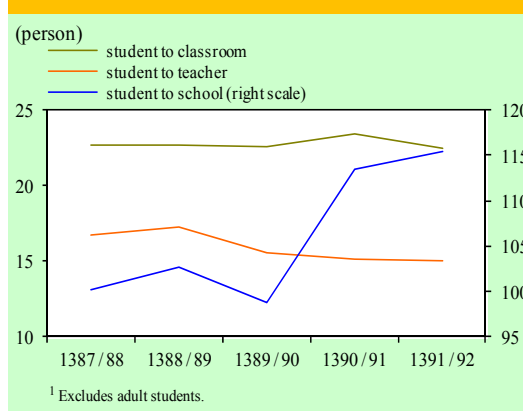


Table 8.6. Number of University Students

	(person)					
	Academic year		Percentage change		Share (percent)	
	1390/91	1391/92	1390/91	1391/92	1390/91	1391/92
Public universities¹	2,828,265	2,853,499	9.6	0.9	64.2	65.3
Male	1,251,963	1,326,929	10.0	6.0	28.4	30.4
Female	1,576,302	1,526,570	9.3	-3.2	35.8	34.9
Islamic Azad University	1,576,349	1,514,402	2.6	-3.9	35.8	34.7
Male	961,242	934,333	2.2	-2.8	21.8	21.4
Female	615,107	580,069	3.2	-5.7	14.0	13.3
Total	4,404,614	4,367,901	7.0	-0.8	100.0	100.0

Source: Ministry of Science, Research and Technology

¹ Includes students at Payame Noor University and private universities.