

In 1391, household final consumption expenditure decreased by 1.7 percent (at constant 1383 prices) to Rls. 972.6 trillion, constituting 0.8 percentage point of the 6.6 percent decrease in gross domestic expenditure. The positive outcome of the implementation of Subsidy Reform Plan on income distribution in 1390 was leveled in 1391, as prices continued to increase. Therefore, income inequality worsened slightly compared with the year before.

Socioeconomic Characteristics of Households in Urban Areas

Based on the Household Budget Survey, the downward trend of the household size in urban areas continued in 1391 as in previous years. The average number of household members decreased by 2.0 percent from 3.53 persons in 1390 to 3.46 persons in 1391. This was attributable to the increase in the shares of single-, two-, and three-member households¹ and fall in the share of households with five or more members. Thus, total share of single-, two-, and three-member households rose from 51.0 percent in 1390 to 52.3 percent in 1391. The share of single-member households increased by 0.7 percentage point, which was remarkable compared with the 0.9 percentage point decrease of 1390. This was due to the fact that a

substantial portion of the population reached the age when they were ready to be independent from the family and many of them were willing to continue their education at university level. Besides, the number of divorces also increased. Limited employment opportunities in small and medium-sized cities and the migration of the young population from the rural areas or smaller cities to larger cities were also among factors that raised the number of single-member households. Rise in the average age for marriage and the low tendency of the newlyweds to have children also caused the total number of household members to fall. It is to be noted that households with four members had the highest share by 28.8 percent in 1391, up by 0.6 percentage point compared with 1390.

Distribution of household members by age groups reveals that 30.3 percent of household members were in the age group of 16-30 years of age in 1391, indicating a decrease compared with the previous years. Moreover, 10.1 percent of the household members were above 60 years old, up by 1.1 percentage points compared with 1390. Given the rise in the share of this age group in total population as well as the health and medical care expenses, formulation of supportive policies to cover the relevant prospective costs is deemed necessary.

¹ In 1391, the shares of single- two-, and three-member households were 6.4, 17.9, and 28.0 percent, respectively, which was the highest over the 1382-1391 period.

Distribution of households' employed members based on expenditure deciles shows that of total households in the 1st decile, 40.6 percent had no employed member in 1391. In the 1st decile, about 1.2 percent of households were with three employed members and more. The mentioned share in the 2nd decile was 2.4 and in the 3rd decile, 3.1 percent. Reviewing the characteristics of the high-income deciles reveals that 50.0 percent of the households in the 10th decile had one employed person. Moreover, 8.7 percent of total households with one employed person were in the 10th decile, as in most other deciles.

Reviewing the distribution of the employed household members based on economic activity indicates that the highest share by 22.6 percent was related to those household members employed in "wholesale, retail trade, restaurants, and hotels" group, followed by "other community, social, and personal service activities" by 22.0 percent, "mining, manufacturing, and utilities" by 16.9 percent, and "construction" by 15.4 percent. Comparing these shares with the corresponding figures of 1390 shows that the share of the employed household members in "mining, manufacturing, and utilities" decreased while that of other groups increased.

The share of households who are homeowners residing in their owner-occupied dwellings increased from 60.8 percent in 1390 to 62.4 percent in 1391. It is to be noted that with regard to expenditure deciles, 7.7 percent of households residing in owner-occupied houses in 1391 were in the 1st decile, 8.2 percent in the 2nd decile, 8.5 percent in the 3rd decile, and 12.5 percent (the highest) in the 10th decile. In this year, 27.0 percent of households were residing in rental houses, down by 1.5 percentage points compared with the year before. Of total households in the 1st decile, 33.0 percent were residing in rentals, showing 1.8

percentage points decrease compared with 1390. Implementation of Mehr Housing Program contributed to the rise in the share of households residing in owner-occupied dwellings and a fall in the share of rental homes, especially among the low-income groups.

A review of utilities used by urban households in 1391 indicates that 99.3 percent of households had access to piped water, 100.0 percent to electricity, 92.8 percent to piped natural gas, and 38.7 percent to sewage system. In this year, 21.2 percent of households had access to internet, indicating 0.6 percentage point decline compared with 1390. Moreover, 43.1 percent of households owned an automobile and 93.7 percent had cell phones.

Household Budget Survey

According to the Economic Statistics Department of the Central Bank, in 1391, average annual household expenditure (gross)¹ in urban areas amounted to Rls. 216.5 million at current prices (Rls. 18,045 thousand monthly), showing 24.5 percent increase compared with the year before. In this year, average annual household expenditure (gross) in urban areas, at constant 1390 prices, fell by 3.5 percent compared with 1390 and reached Rls. 167.9 million. Comparing the minimum nominal wage in 1391 (Rls. 3,897 thousand per month) with the average monthly expenditure on "food and beverages" group at Rls. 4,737 thousand indicates that the minimum wage paid to workers covers almost 82 percent of the expenditures on this group. Part of the deficit in household income is compensated by cash handouts; however, the income-expenditure gap is still wide for low-income groups and holders of non-professional jobs, especially those with limited professional backgrounds.

¹Excludes household expenditure on tax and retirement savings.

Reviewing the gross household expenditure based on expenditure groups indicates that the shares of "housing, water, electricity, gas, and other fuels", "food and beverages", "health and medical care", and "tobacco" increased by 2.3, 1.3, 0.2, and 0.1 percentage points, respectively, while the shares of other groups decreased compared with 1390. The highest decrease by 2.3 percentage points was related to "transportation" group. Rise in the share of household expenditure was mostly related to the essential goods group, pointing to the higher tendency of households to spend on essential goods.

The total share of "food and beverages" and "housing, water, electricity, gas, and other fuels" groups was 59.1 percent, compared with 54.9 percent average share of these groups during the 1383-1390 period. The accelerating price inflation in these groups caused the households to spend more on these groups and less on others.

In 1391, the shares of "furniture, furnishings, and household equipment and operation", "clothing and footwear", "transportation",

"recreation and culture", "education", and "restaurants and hotels" hit a record low since 1383. Increase in prices in the aftermath of the economic sanctions and rise in the exchange rate are the driving factors behind the households' lower spending on the mentioned groups.

In 1391, annual household expenditure (gross) amounted to Rls. 167.9 million at constant 1390 prices, indicating 3.5 percent decrease compared with 1390.

Figure 9.1. Share of expenditure groups in urban areas in 1391

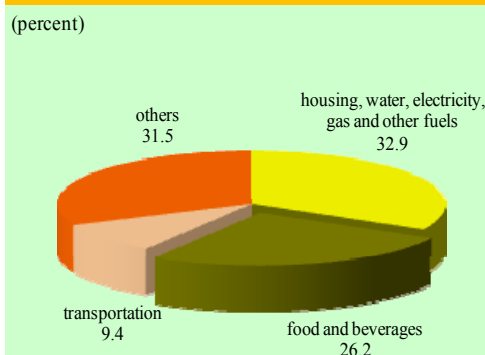


Table 9.1. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas

(ten thousand rials-percent)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Food and beverages	3,521.3	4,326.7	5,684.1	22.9	31.4	24.9	26.2
Tobacco	51.9	55.8	86.3	7.6	54.6	0.3	0.4
Clothing and footwear	693.1	796.3	984.2	14.9	23.6	4.6	4.5
Housing, water, electricity, gas and other fuels	4,263.7	5,329.2	7,115.8	25.0	33.5	30.6	32.9
Furniture, furnishings, and household equipment and operation	738.2	830.4	964.7	12.5	16.2	4.8	4.5
Health and medical care	786.6	930.0	1,185.8	18.2	27.5	5.3	5.5
Transportation	1,601.4	2,031.0	2,039.0	26.8	0.4	11.7	9.4
Communication	320.3	394.1	441.5	23.0	12.0	2.3	2.0
Recreation and culture	395.2	469.1	507.0	18.7	8.1	2.7	2.3
Education	347.5	365.3	421.7	5.1	15.5	2.1	1.9
Restaurants and hotels	314.3	397.3	453.5	26.4	14.1	2.3	2.1
Miscellaneous goods and services	1,132.6	1,467.3	1,770.3	29.5	20.7	8.4	8.2
Total	14,166.2	17,392.6	21,654.0	22.8	24.5	100.0	100.0

Comparing the inflation rate among various expenditure groups indicates that, in 1391, the highest inflation was related to "tobacco", "furniture, furnishings, and household equipment and operation", "clothing and footwear", "miscellaneous goods and services", and "food and beverages" groups while the lowest inflation was related to "communication" group.

Analysis of Household Expenditure by Deciles

A review of household expenditure by various deciles indicates that the 10th to the 1st decile ratio was 13.0 in 1391, i.e. the richest 10 percent had an average expenditure of 13.0 times that of the poorest 10 percent. This is indicative of worse income distribution in 1391 as the mentioned ratio is higher than it was in the year before. In this year, the average household expenditure in the 10th decile was 3.0 times compared with the average household expenditure in urban areas. On the other hand, the average household expenditure in the 1st decile constituted only 22.9 percent of the average household expenditure in urban areas, at current prices. Average household expenditure in the 1st to 6th deciles is lower than the average household expenditure in urban areas.

In 1391, growth in gross household expenditure in all deciles was negative in real terms. The highest decrease in the welfare level was related to the 9th, 6th, and 5th deciles. Moreover, the inflation difference between various deciles increased in the aftermath of the implementation of Subsidy Reform Plan. As the inflation resulting from the distribution of cash handouts has mostly affected low-income households, adoption of support policies aimed at improving the income level of households in the lower deciles is deemed essential.

Figure 9.2. Average household expenditure in urban areas compared to average expenditure of different deciles of urban households in 1391

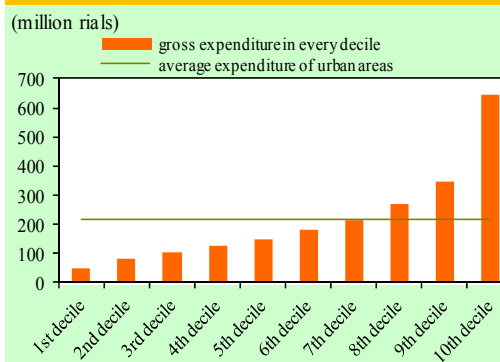


Table 9.2. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas (in real terms) (ten thousand rials-percent)

	1389▲	1390▲	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Food and beverages	4,433.5	4,326.7	3,932.3	-2.4	-9.1	24.9	23.4
Tobacco	55.2	55.8	47.3	1.2	-15.3	0.3	0.3
Clothing and footwear	846.8	796.3	666.0	-6.0	-16.4	4.6	4.0
Housing, water, electricity, gas and other fuels	5,041.8	5,331.4	6,301.8	5.7	18.2	30.7	37.5
Furniture, furnishings, and household equipment and operation	874.2	830.2	639.2	-5.0	-23.0	4.8	3.8
Health and medical care	922.0	929.8	951.0	0.8	2.3	5.3	5.7
Transportation	2,043.0	2,031.3	1,574.6	-0.6	-22.5	11.7	9.4
Communication	326.1	394.0	410.7	20.8	4.2	2.3	2.4
Recreation and culture	452.1	469.1	359.6	3.8	-23.3	2.7	2.1
Education	396.2	365.2	369.6	-7.8	1.2	2.1	2.2
Restaurants and hotels	370.8	397.6	326.9	7.2	-17.8	2.3	1.9
Miscellaneous goods and services	1,381.7	1,466.6	1,207.7	6.1	-17.7	8.4	7.2
Total¹	17,143.5	17,394.2	16,786.7	1.5	-3.5	100.0	100.0

¹ Total is calculated based on total real expenditures of expenditure groups. This is due to changes in the share of expenditure groups at 1390 prices.

Reviewing the share of deciles in various expenditure groups shows that "housing, water, electricity, gas, and other fuels" and "food and beverages" groups had the highest shares in the household budget in all deciles. In the 1st decile, these two groups had a total share of 75.9 percent in total household expenditure. Given the higher rate of rental houses for lower deciles compared to higher deciles of households, the higher share of "housing, water, electricity, gas, and other fuels" group in total household expenditure indicates that this group is affected by the developments of the "rental" index.

In 1391, in the high-income deciles, the lowest share of household expenditure was related to "tobacco" and "communication" groups.

Household Expenditure by Provinces

A review of annual household expenditure (gross) in urban areas of various provinces indicates that, in 1391, Tehran Province accounted for the highest expenditure while Hormozgan Province had the lowest share of expenditure at both current prices and constant 1390 prices. Average household expenditure in Tehran Province was 2.5 and 2.6 times as much as the average household expenditure in Hormozgan Province at current and constant prices, respectively, pointing to higher income inequality between provinces when compared with corresponding figures of the year before.

In 1391, the highest number of household members by 4.6 persons belonged to Sistan and Baluchestan Province and the

Table 9.3. Comparison of Growth in Household Gross Expenditure in Urban Areas with Inflation for Different Expenditure Groups in 1391 (percent)

	Growth in household gross expenditure	Inflation	Growth in household gross expenditure in real terms
Food and beverages	31.4	44.6	-9.1
Tobacco	54.6	82.5	-15.3
Clothing and footwear	23.6	47.8	-16.4
Housing, water, electricity, gas and other fuels	33.5	12.9	18.2
Furniture, furnishings, and household equipment and operation	16.2	50.9	-23.0
Health and medical care	27.5	24.7	2.3
Transportation	0.4	29.5	-22.5
Communication	12.0	7.5	4.2
Recreation and culture	8.1	41.0	-23.3
Education	15.5	14.1	1.2
Restaurants and hotels	14.1	38.8	-17.8
Miscellaneous goods and services	20.7	46.5	-17.7
Total	24.5	30.5	-3.5

Table 9.4. Comparison of Average Household Gross Expenditure in Various Deciles in Urban Areas (at current and constant prices) (ten thousand rials-percent)

	1 st decile	2 nd decile	3 rd decile	4 th decile	5 th decile	6 th decile	7 th decile	8 th decile	9 th decile	10 th decile
1390	4,107	6,622	8,444	10,321	12,438	14,799	17,729	21,763	28,353	49,347
1391	4,950	8,053	10,391	12,610	15,040	17,951	21,696	26,765	34,765	64,322
Growth in gross expenditure (current prices)	20.5	21.6	23.1	22.2	20.9	21.3	22.4	23.0	22.6	30.3
Growth in real terms	-4.2	-4.3	-4.5	-5.3	-7.1	-7.1	-6.4	-6.9	-7.3	-2.3

lowest by 3.1 persons to Gilan Province. The average household size in urban areas of provinces was 3.6 persons, with a variance of 0.1 person in this year. Average household size in urban areas of provinces indicated 0.1 percentage point decline, compared with the corresponding figure of the year before.

Household Income

In 1391, gross household income (monetary and non-monetary income) amounted to Rls. 209.1 million (Rls. 17,422 thousand monthly), up by 25.0 percent compared with the previous year. Of this amount, 70.9 percent was monetary and 29.1 percent non-monetary income. The major portion of non-monetary income is the "imputed rental value of owner-occupied housing" affected by the fluctuations in the housing market, which do not necessarily bring cash income to the households.

In 1391, household income amounted to Rls. 160.2 million, at constant 1390 prices, indicating a deficit in the household budget when compared with the household expenditure in real terms (Rls. 167.9 million).

Figure 9.3. Comparison of gross household expenditure with income at constant 1390 prices

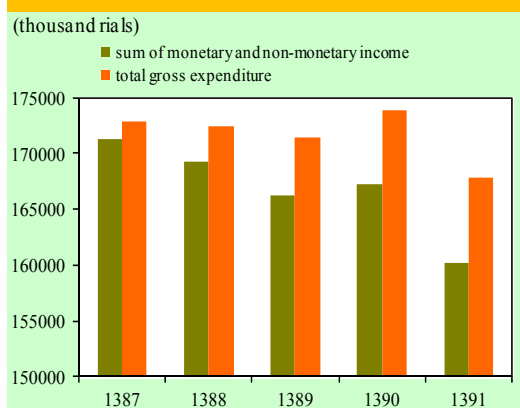


Table 9.5. Share of Various Expenditure Groups in Deciles in Urban Areas in 1391 (percent)

	1 st decile	2 nd decile	3 rd decile	4 th decile	5 th decile	6 th decile	7 th decile	8 th decile	9 th decile	10 th decile	Average share
Food and beverages	31.0	31.6	31.9	30.4	30.5	29.5	29.0	28.2	26.4	19.8	26.2
Tobacco	1.0	0.9	0.6	0.6	0.5	0.5	0.3	0.4	0.4	0.2	0.4
Clothing and footwear	2.3	3.2	3.4	3.9	3.9	4.4	4.8	4.8	5.2	4.9	4.5
Housing, water, electricity, gas and other fuels	44.9	40.3	37.0	36.3	33.5	31.7	31.0	29.6	28.1	34.4	32.9
Furniture, furnishings and household equipment and operation	2.2	2.5	2.8	3.3	3.6	4.0	4.1	4.5	5.0	5.5	4.5
Health and medical care	4.2	4.2	5.0	4.6	5.2	5.0	5.2	4.7	5.7	6.5	5.5
Transportation	3.9	4.6	5.3	5.4	6.7	7.8	8.1	9.7	11.3	12.3	9.4
Communication	2.8	2.7	2.6	2.5	2.5	2.4	2.2	2.1	1.9	1.5	2.0
Recreation and culture	0.8	1.2	1.5	1.8	2.0	2.2	2.5	2.7	2.7	2.6	2.3
Education	0.6	1.0	1.2	1.8	1.8	2.0	2.2	2.2	2.3	2.0	1.9
Restaurants and hotels	0.9	1.2	1.3	1.3	1.6	1.8	1.9	2.3	2.3	2.6	2.1
Miscellaneous goods and services	5.5	6.7	7.3	8.2	8.2	8.7	8.7	8.8	8.6	7.8	8.2

Measurement and Analysis of Income Inequality

Gini coefficient increased by 2.2 percent and reached 0.3834 in the year 1391. Moreover, the ratio of the average income of the richest 10 percent to the poorest 10 percent increased from 12.2 in 1390 to 12.9 times in 1391 (a 0.7-point rise). A review of the shares of various income deciles in total income shows that the shares of nine deciles decreased compared with the previous year while the share of the 10th decile increased. As expected, increase in prices did not improve income distribution in favor of the low-income groups in this year. Therefore, the income gap between the high- and low-income families has widened. Equal distribution of cash handouts, regardless of the inflation rate, led to a rise in Gini coefficient and worsened income distribution.

Social Security

Non-contributory Coverage

In 1391, the total number of people covered by the Imam Khomeini Relief Foundation decreased by 7.2 percent to 5.8 million persons, constituting almost 7.7 percent of the total population. This decrease was attributable to the adoption of new policies to create jobs and support the beneficiaries, with the aim of reducing their reliance on monthly payments from this Foundation. The grants

provided by this Foundation increased by 5.0 percent to Rls. 43.4 trillion.

Table 9.7. Income Inequality Metrics in Urban Areas

	1390	1391
Gini coefficient	0.3750	0.3834
Share of 40 percent of low-income households (percent)	16.9	16.7
Share of 40 percent of middle-income households (percent)	38.4	37.7
Share of 20 percent of high-income households (percent)	44.7	45.6
Ratio of richest 10 percent to poorest 10 percent of households	12.2	12.9

Figure 9.4. Comparison of Lorenz Curves

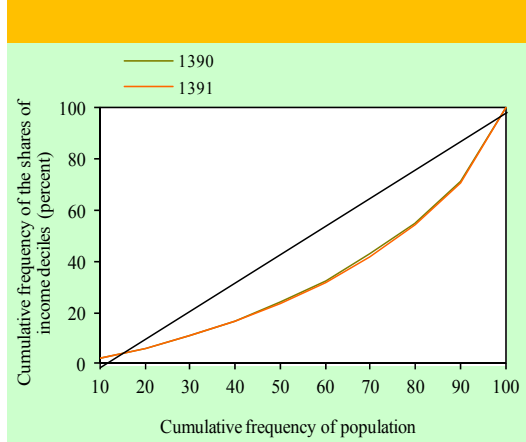


Table 9.6. Number of People Covered by Imam Khomeini Relief Foundation and Grants Provided

	1389	1390	1391	Percentage change	
				1390	1391
Total number of covered people (thousand persons)	7,531	6,283	5,833	-16.6	-7.2
Value of grants (billion rials)	32,480.2	41,307.4	43,381.4	27.2	5.0

Source: Imam Khomeini Relief Foundation

Contributory Coverage

Social Security Organization, Iran Health Insurance Organization¹, as well as some independent Funds are responsible for the provision of contributory insurance. In 1391, Social Security Organization and Iran Health Insurance Organization collectively covered about 71.9 million persons, showing 2.0 percent growth compared with the previous year.

The Social Security Organization (SSO) insures workers and employees, who are subject to the Labor Law, through obligatory partnership plans. This organization insures the self-employed parties through contracts. In 1391, the number of the main insured rose 6.9 percent to 12,286.7 thousand persons, 82.7 percent of whom were male and 17.3 percent were female.

In this year, total number of people insured by the Social Security Organization increased by 7.4 percent to 37.5 million, of whom 4.5 million were pensioners and the remaining received insurance services. It is important to note that since male children do not use insurance services after graduating and different household members are usually covered by various insurance companies simultaneously, the average number of insured household members is low. The number of the retired people under the coverage of Social Security Organization reached 1,187.6 thousand, registering 10.6 percent rise compared with the previous year.

¹ Based on Article 38 of the 5th FYDP Law, Iran Health Insurance Organization, taking over all the duties of the Medical Services Insurance Organization, was established in 1391, with the aim of mobilization of financial resources in the health sector, elimination of overlapping health insurance programs, better social justice in the health and medical care sector, provision of medical insurance for all the uncovered Iranians, harmonization of health insurance policies and executive measures, organization of the insured parties' affairs, formation of health files, activation of the family physician project, and reduction of the share of the insured parties in health costs to 30 percent.

Iran Health Insurance Organization, affiliated to the Ministry of Cooperatives, Labor, and Social Welfare, extends health insurance coverage to civil servants and their dependents, rural dwellers, and the self-employed people. In 1391, the number of those insured by Iran Health Insurance Organization went down by 3.4 percent to 34,317 thousand persons. Following the implementation of Public Medical Service Insurance Coverage Act in the rural areas as of 1377, about 67.7 percent of total people insured by this organization in 1391 were rural dwellers (23,231.2 thousand).

Rural Dwellers' Social Insurance

Rural Dwellers' Social Insurance Project was put into operation as of the beginning of the 4th FYDP. Based on the Structural Rules of the Comprehensive System of Welfare and Social Security, Rural Insurance Fund insures farmers and other villagers on a voluntary basis. As a result, the activities of this Fund are expanded through brokerage firms. The number of brokerage firms amounted to 3,512 in 1391. Compared to the respective figure of the year before, 23 new brokerage firms were added in this year. In 1391, a sum of Rls. 2,601 billion was approved as government contribution to this Fund, 88.1 percent of which was paid to the Fund by the government.

Table 9.8. Number of Brokerage Firms and People Insured by Rural Insurance Fund

	1390	1391	Percentage change
Main insured	958,306	1,047,873	9.3
Brokerage firms	3,489	3,512	0.7

Source: Rural Insurance Fund

Human Development Indices

Human Development Index (HDI) in Iran

The 2014 Human Development Report (HDR) published for the United Nations Development Programme (UNDP), titled "Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience", looks at two concepts which are interconnected and important to securing human development progress.

Based on the mentioned report, as of the beginning of United Nations Development Programme and HDR publication in 1990, most countries have registered significant human development.

Human Development Report 2014 ranks Iran 75 in HDI among 187 countries in 2013. The HDI value for Iran was 0.749 in 2013, which was higher than 2012 but lower by 2 levels compared to other countries. The highest HDI in countries with very high human development was 0.890, indicating an improvement compared with 0.885 in 2012. Average world HDI was 0.702 in 2013, up by 0.002 point compared to 2012. This report considers four Human Development Index groups including very high human development, high human development, medium human development, and low human development. Countries with HDI values between 0.700 and 0.800 are the countries with high human development. Norway, with 0.944, had the highest HDI value in 2013.

Selected Human Development Indices

Among indices referred to in the 2014 Human Development Report is overall life satisfaction which varies from 0 (lowest life satisfaction) to 10 (highest life satisfaction). During 2007-2012, Life Satisfaction Index (LSI) for the global population was 5.3 and for Iran, it was estimated at 4.6 which was lower than the world average. The highest LSI by 7.8 was related to Switzerland.

Based on the 2014 report, maternal mortality ratio was 15 per 1,000 live births in Iran in 2012. Furthermore, life expectancy at birth was 72.2 years for males and 76.1 years for females in 2012, which is higher than the world average (68.8 and 73.0 years, respectively).

Gender Inequality Index (GII)

The GII measure contains three dimensions of reproductive health, empowerment, and labor market participation, indicating that countries with unequal distribution of human development also experience high inequality between men and women, and countries with high gender inequality also experience unequal distribution of human development. This measure ranges from 0, which indicates that men and women fare equally, to 1 which is indicative of perfect gender inequality.

According to the 2014 Human Development Report, Iran ranked 109 in 2013 in GII among 187 countries whose data were

Table 9.9. Iran's HDI Value

	2007	2010	2011	2012	2013	Change in rank		Annual average growth rate (percent)	
						2011-2012	2012-2013	1990-2000	2000-2013
HDI	0.706	0.740	0.742	0.742	0.749	-2	-2	1.69	1.07

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available. Slovenia and Switzerland ranked respectively 1st and 2nd in 2013 in GII. This indicates that the least gender inequality is found in these two countries.

Another index referred to in the 2014 Human Development Report is the percentage of women holding seats in the national

parliament. In 2013, the share of the Iranian women of seats in the national parliament was 3.1 percent. This index was 13.8 percent for Arab States, 18.2 percent in Europe and Central Asia, 20.0 percent in less-developed countries, 18.2 percent in the United States, and 21.1 percent for the world (average).