

Weak economic conditions of Iran continued in 1392. Based on preliminary data, GDP declined by 1.9 percent, at constant 1383 prices. Gross fixed capital formation in machinery decreased by 16.1 percent and in construction, by 1.1 percent. Rise in the exchange rate, despite being an advantage for national production, reduced imports of raw materials, as well as intermediate and capital goods. Therefore, value of imports decreased by 7.0 percent compared with 1391, further reducing production in manufacturing establishments. However, government's attempts to stabilize the exchange rate and contain inflation, lowered uncertainties and facilitated planning for domestic production. As a result, unemployment rate fell by 1.7 percentage points to 10.4 percent.

Population and Human Resource

Based on the Statistical Center of Iran (SCI), in 1392, Iran's total population increased by 1.2 percent to 76.9 million persons, 55.5 million of whom dwelled in urban and the remaining in rural areas. This means that 72.1 percent of the population dwelled in urban areas. Gender ratio (the number of males per 100 females) reached 101.6 in 1392.

Total number of households was 22.9 million in 1392, indicating 4.0 percent increase compared with the year before. Out of total households, 16.8 million were

residing in urban and 6.1 million in rural areas, showing 4.5 and 2.6 percent growth, respectively, compared with 1391.

Based on the data released by the National Organization for Civil Registration, total number of births recorded in 1392 was 1,471.8 thousand, representing 3.5 percent growth compared with the year before. Considering 372.3 thousand registered deaths, 1,099.6 thousand persons were added to total population. In this year, the death rate by gender equaled 100 women to 129.4 for men. The number of registered deaths increased by 1.3 percent compared with the year before.

Table 8.1. Vital Statistics (thousand persons)

	1390	1391	1392	Percentage change	
				1391	1392
Registered births	1,382.2	1,421.7	1,471.8	2.9	3.5
Registered deaths	383.5	367.5	372.3	-4.2	1.3

Source: National Organization for Civil Registration.

Labor Market

Labor market developments are the result of interaction of labor supply and demand forces in the market. On the supply side, labor market conditions are affected by the demographic structure, especially the population of 10 years old and over, as well as economic factors. On the demand side, labor market is influenced by economic conditions, which have in turn been influenced

by financial restrictions, exchange rate instability, implementation of Subsidy Reform Plan, and galloping inflation over the past years. Instability in the foreign exchange market, coupled with high inflation, leads to uncertainty and lower investment. Restrictions emanating from sanctions also deprive domestic production from cutting-edge technology. In the long run, production will become costly and uncompetitive and demand for labor force will decline. Fall in fertility rate threatens the supply side of the labor market over the long term. Based on the census conducted by the SCI in 1390, fertility rate has decreased in Iran, possibly affecting labor market conditions in the future.

Labor Supply

Labor supply is a function of wages, inflation expectations, labor, and human force preferences, affected by demographic developments, particularly in the age group of 10 years old and over. Increase in population in late-1350s and early-1360s led to the presence of a young population in the labor market in 15 to 20 years' time, for which the labor market was not prepared.

In 1392, the economically active population increased by 1.5 percent to 23.8 million. The economically active population of men rose by 3.8 percent while for women, it fell by 8.6 percent. This is indicative of a fluctuating trend in the economically active population for women as in 1391, this variable increased by 8.1 percent for women but decreased by 1.2 percent for men.

Of total economically active population, 19.9 million were men and the remaining, women. Moreover, the economically active population in urban areas was 17.0 million and in rural areas, 6.8 million.

Participation rate was 37.6 percent in 1392, up by 0.2 percentage point compared with the year before. A rise of 1.5 percent in

the economically active population (employed and unemployed) led to a growth in participation rate in the whole country.

In 1392, participation rate in urban and rural areas reached respectively 36.9 and 39.7 percent, up by 0.4 and down by 0.6 percentage points.

Participation rate for men rose by 1.8 percentage points to 63.0 percent while for women, it reached 12.4 percent, down by 1.3 percentage points compared with 1391.

As to labor supply conditions, the active population has experienced a slow growth in recent years. However, about 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 2015, participation rate for the 15+ age group in Turkey in 2013 was 70.8 percent for men and 29.4 percent for women. In Egypt, these percentages were 74.8 and 23.7 for men and women, and in South Korea, 72.1 and 50.1 for men and women, respectively. The world average for this rate was 76.7 percent for men and 50.3 percent for women. Based on the mentioned report, the participation rate in Iran was 73.6 percent for men and 16.6 percent for women.

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.

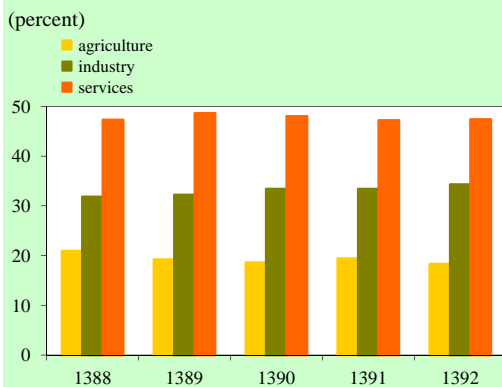
Comparing the number of the employed persons across various economic sectors indicates that about 21.3 million persons were

active in industry, agriculture, and services in 1392, up by 3.4 percent compared with the year before. Reviewing the number of available jobs in 1392 reveals that the biggest reduction in employment opportunities was related to the agriculture sector which had experienced the highest number of created employment opportunities in 1391. The highest number of employment opportunities were generated in the industry sector in 1392.

Considering 709.3 thousand net increase in employment in 1392, about 416.1 thousand job opportunities were created in the industry sector and 378.6 thousand, in the services sector. In the agriculture sector, however, the number of jobs fell by roughly 85.0 thousand. Moreover, 1,012.4 thousand jobs were created for men while the number of jobs for women decreased by 303.2 thousand.

In 1392, services sector had the highest share in employment by 47.4 percent. Shares of industry and agriculture sectors in employment were 34.3 and 18.3 percent, respectively. Accordingly, the number of employed people in the agriculture sector decreased by 2.1 percent while in the industry and services sectors, this variable rose by 6.0 and 3.9 percent, respectively.

Figure 8.1. Share of employment by various economic sectors



Unemployment

Unemployment rate decreased by 1.7 percentage points to 10.4 percent in 1392. In this year, unemployment rate was 8.6 percent for males and 19.8 percent for females, showing 1.8 percentage points decrease and 0.1 percentage point increase, respectively, compared with the corresponding figures of the previous year. The unemployed population fell from 2.85 million persons in 1391 to 2.49 million in 1392.

In 1392, unemployment rate in urban areas was 11.8 percent and in rural areas, 7.0 percent, showing 2.0 and 1.2 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)

	1390	1391	1392	Percentage change ¹	
				1391	1392
Population of 10 years old & over (estimated)					
Economically active	23,388	23,476	23,835	0.4	1.5
Employed	20,510	20,628	21,337	0.6	3.4
Unemployed	2,878	2,848	2,488	-1.0	-12.6
Participation rate	36.9	37.4	37.6	0.5	0.2
Unemployment rate	12.3	12.1	10.4	-0.2	-1.7
Urban areas	13.7	13.8	11.8	0.1	-2.0
Rural areas	8.9	8.2	7.0	-0.7	-1.2
Male	10.5	10.4	8.6	-0.1	-1.8
Female	20.9	19.7	19.8	-1.2	0.1
Youth (15-24 years old)	26.5	26.8	24.0	0.3	-2.8
Urban	30.0	31.4	28.2	1.4	-3.2
Rural	19.8	18.4	16.1	-1.4	-2.3
Youth (15-29 years old)	24.0	24.5	21.2	0.5	-3.3
Urban	26.5	27.4	24.1	0.9	-3.3
Rural	17.7	17.1	14.2	-0.6	-2.9

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 in 1391 are not comparable with 1390.

Allocation of Facilities for Employment Creation

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-1392, outstanding value of projects referred to banks rose 2.2 percent to Rls. 766.5 trillion and the value of projects approved by banks reached Rls. 354.5 trillion, up by 4.1 percent. The value of concluded contracts was Rls. 316.3 trillion, 40.3 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 on this basis, a sum of Rls. 154.9 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-1392, amounted to Rls. 295.0 trillion, which was Rls. 10.6 trillion higher than the respective figure at end-1391.

By end-1392, overdue loans amounted to Rls. 10.9 trillion and non-performing loans totaled Rls. 28.4 trillion, indicating 3.6 and

20.3 percent rise, respectively, compared with end-1391. The ratio of sum of overdue and non-performing loans to total paid loans reached 13.3 percent by end-1392, showing 1.3 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 (ratified in 1389), Central Bank approved the allocation of facilities, out of banks' Gharz-al-hasaneh resources, worth Rls. 5.0 trillion to self-employed households and home-based businesses in 1392. The value of facilities allocated by the agent banks to self-employed households and home-based businesses was Rls. 4.0 trillion. Moreover, in 1392, Central Bank approved the allocation of Rls. 19.0 trillion for employment creation out of Gharz-al-hasaneh resources, Rls. 9.3 trillion of which was actually paid.

Table 8.3. Facilities Extended to SMEs

(billion rials)

	Year-end balance			Change in balance		Percentage change	
	1390	1391	1392	1391	1392	1391	1392
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	730,036.3	750,173.4	766,493.0	20,137.1	16,319.6	2.8	2.2
Projects approved by banks	333,528.5	340,480.2	354,510.0	6,951.7	14,029.8	2.1	4.1
Value of concluded contracts	295,558.8	304,667.5	316,342.0	9,108.7	11,674.5	3.1	3.8
Projected job opportunities based on concluded contracts (person)	1,992,572.0	2,017,495.0	2,042,100.0	24,923.0	24,605.0	1.3	1.2
Total paid loans	273,575.1	284,464.0	295,047.0	10,888.9	10,583.0	4.0	3.7
Overdue loans	9,990.2	10,477.7	10,859.7	487.5	382.0	4.9	3.6
Non-performing loans	19,853.1	23,580.9	28,376.7	3,727.8	4,795.8	18.8	20.3

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from the Unemployment Insurance Fund decreased by 11.6 percent in 1392 to reach 191 thousand. Considering 2,488.4 thousand unemployed people in 1392, the mentioned figure is very low. In this year, 167.4 thousand persons were added to the pensioners of this Fund. Therefore, the number of pensioners benefiting from this Fund reached 383.5 thousand persons¹.

Table 8.4. Performance of Unemployment Insurance Fund (person)

	1391	1392	Percentage change
Beneficiaries	216,177	190,996	-11.6
New beneficiaries	194,701	167,353	-14.0
Ceased benefits	168,624	179,165	6.3

Source: Social Security Organization (SSO).

The unemployment benefits for 179.2 thousand beneficiaries were cut in 1392. 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 6.7 percent in 1392.

Table 8.5. Ceased Benefits and Reasons

	Total ceased benefits	Reaching maximum period	Reemployment	Other
1391 Person	168,624	123,096	28,666	16,862
1391 Share (%)	100.0	73.0	17.0	10.0
1392 Person	179,165	130,729	30,574	17,862
1392 Share (%)	100.0	73.0	17.0	10.0

Source: Social Security Organization (SSO).

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 1392, the value of unemployment benefits paid to each beneficiary in each month was Rls. 2.4 million, showing 5.0 percent reduction compared with 1391.

Wages and Salaries

A minimum 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 benchmark index for the civil servants annually. Based on Article 41 of Labor Law approved in 1369, the High Council of Employment is the body in charge of setting the minimum wage for workers. In 1392, the minimum nominal monthly wage was determined at Rls. 4,871.0 thousand, indicating 25.0 percent increase compared with the year before. Considering the 34.7 percent inflation rate for 1392 (base year: 1390), the minimum real monthly wage declined by 7.2 percent compared with 1391.

Based on the Cabinet approval, the salary benchmark index for the civil servants increased from 805 in 1391 to 1,006 in 1392. This was indicative of 25 percent growth compared with the year before. Considering the rate of inflation in this year (34.7 percent), the welfare level of civil servants decreased in real terms in 1392.

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

Education

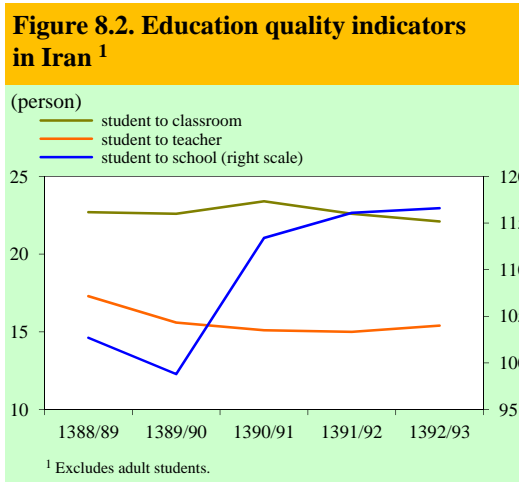
The educational system (including pre-schools, elementary schools, junior high schools, high schools, pre-university centers, and universities) in any society upgrades and lifts up the cultural and social standards. However, the main mandate of any educational system is to provide the infrastructure 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.

Total number of school age students¹ reached 13.3 million in 1392/93 academic year. The number of students in elementary schools increased by 2.4 percent while the number of students in junior high schools decreased by 2.0 percent. This was attributable to the reforming of the educational system and raising the years of study at elementary school from 5 to 6. Therefore, as a result of no new entries, the number of students in junior high schools decreased in this year.

In 1392/93 academic year, 29.3 percent of male high school students and 17.6 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 1392/93 academic year, with about

8.7 percent of students attending private schools. Furthermore, the number of schools increased by 0.6 percent to 110.7 thousand. Therefore, the ratio of "student to school" increased by about 0.5 points, from 116.1 in the year before to 116.6 in 1392/93. The ratio of "student to teacher" grew by 0.4 points to 15.4 persons. The ratio of "student to classroom" decreased by 0.5 points to 22.1 persons. Moreover, the number of classrooms rose by 3.4 percent to 583.3 thousand in 1392/93 academic year and the number of teachers reached 840.2 thousand, showing 1.1 percent decline compared with 1391.



Higher Education

In 1392/93 academic year, the number of students at public universities, Islamic Azad University, Payame Noor University, and private universities reached 4,685.4 thousand, up by 7.3 percent compared with the year before.

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

Table 8.6. Number of University Students (person)

	Academic year		Percentage change		Share (percent)	
	1391/92	1392/93	1391/92	1392/93	1391/92	1392/93
Public universities¹	2,853,499	3,167,219	0.9	11.0	65.3	67.6
Male	1,326,929	1,541,827	6.0	16.2	30.4	32.9
Female	1,526,570	1,625,392	-3.2	6.5	34.9	34.7
Islamic Azad University	1,514,402	1,518,167	-3.9	0.2	34.7	32.4
Male	934,333	929,141	-2.8	-0.6	21.4	19.8
Female	580,069	589,026	-5.7	1.5	13.3	12.6
Total	4,367,901	4,685,386	-0.8	7.3	100.0	100.0

Source: Ministry of Science, Research and Technology.

¹ Includes students at Payame Noor University and private universities.