

In 1393, household final consumption expenditure increased by 3.1 percent (at constant 1383 prices) to Rs. 992.6 trillion, indicating an increase when compared with 1.0 percent reduction in 1392. About 1.5 percentage points of the 4.3 percent growth of Gross Domestic Expenditure (GDE) at market price was due to the rise in private consumption expenditure.

### Socioeconomic Characteristics of Households in Urban Areas

Based on the Household Budget Survey, in 1393, the average number of household members decreased by 0.9 percent from 3.47 in 1392 to 3.44 in 1393. This was attributable to the decrease in the share of five-member households from 12.3 percent in 1392 to 11.5 percent in 1393 and rise in the share of single-member households from 6.0 percent in 1392 to 6.4 percent in 1393.

Households with four members had the highest share by 30.1 percent in 1393. This indicated 0.3 percentage point increase compared with 1392.

Distribution of household members by age groups reveals that 27.8 percent of household members in 1393 were in the age group of 16-30 years of age, indicating a decrease compared with previous years. Moreover, 11.1 percent of the household members were above 60 years old, up by 0.8 percentage point compared with 1392. This

upward trend is expected to continue over the coming years.

Reviewing the literacy rate among household members of 6+ years old revealed that 11.2 percent of household members were illiterate. Share of university educated members in total household members increased from 22.2 percent in 1392 to 22.5 percent in 1393.

Distribution of households' employed members based on expenditure deciles shows that of total households in the 1<sup>st</sup> decile, 40.7 percent had no employed member in 1393. In the 1<sup>st</sup> decile, about 0.7 percent of households were with three employed members and more. The mentioned share in the 2<sup>nd</sup> decile was 1.4 and in the 3<sup>rd</sup> decile, 3.3 percent. Reviewing the characteristics of the high-income deciles reveals that 52.7 percent of the households in the 10<sup>th</sup> decile had one employed person. Moreover, 9.1 percent of total households with one employed person were in the 10<sup>th</sup> decile, as in most other deciles.

A study of the distribution of the employed household members based on economic activity indicates that the highest share by 22.4 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 20.9 percent, "mining, manufacturing, and utilities" by

17.4 percent, and "construction" by 14.7 percent. Comparing these shares with the corresponding figures of 1392 shows that the share of the employed household members in "wholesale, retail trade, restaurants, and hotels" remained unchanged while that of other groups decreased.

The share of households who are homeowners residing in their owner-occupied dwellings remained unchanged at 64.4 percent in 1393. It is to be noted that with regard to expenditure deciles, 7.4 percent of households residing in owner-occupied houses in 1393 were in the 1<sup>st</sup> decile, 8.3 percent in the 2<sup>nd</sup> decile, 9.2 percent in the 3<sup>rd</sup> decile, and 12.5 percent (the highest) in the 10<sup>th</sup> decile. In this year, 25.6 percent of households were residing in rental houses, down by about 0.2 percentage point compared with the year before. Of total households in the 1<sup>st</sup> decile, 32.3 percent were residing in rental houses, showing 3.1 percentage points decrease compared with 1392. 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 households residing in rental houses, especially in lower deciles.

A review of utilities used by urban households in 1393 indicates that 99.5 percent of households had access to piped water, 100.0 percent to electricity, 92.8 percent to piped natural gas, and 43.5 percent to sewage system. In this year, 28.4 percent of households had access to internet, indicating 4.5 percentage points increase compared with 1392. Moreover, 45.8 percent of households owned an automobile and 95.2 percent had cell phones.

### Household Budget Survey

According to the Economic Statistics Department of the Central Bank, in 1393,

total annual household expenditure (gross)<sup>1</sup> in urban areas amounted to Rls. 328.8 million at current prices (Rls. 27.4 million monthly), showing 15.6 percent increase compared with the year before. In this year, average annual household expenditure (gross) in urban areas, at constant 1390 prices, fell by 0.3 percent compared with 1392 and reached Rls. 168.1 million. Comparing the minimum nominal wage in 1393 (Rls. 6,089 thousand per month) with the nominal monthly expenditure on "food and beverages" group at Rls. 6,734 thousand indicates that the minimum wage paid to workers covers almost 90.0 percent of the expenditures on this group which, compared to 78.2 percent in 1392, is indicative of better conditions for low-income groups and a narrower income-expenditure gap. This relative improvement in household budget condition is attributable to adoption of inflation containment and price stabilization policies.

Reviewing the gross household expenditure based on expenditure groups indicates that expenditures on "transportation" increased by 40.1 percent at current price and expenditures on "education" and "communication" rose by 23.6 and 22.7 percent, respectively. Share of "food and beverages" group in total household expenditure decreased from 26.3 percent in the year before to 24.6 percent in 1393, indicating lower household spending on this group. Household expenditure on this group increased by 8.1 percent in 1393, lower than the 31.5 percent growth of 1392. Considering the high growth of this group in 1392 and 9.1 percent increase in the CPI of this group in 1393, household expenditure on this group decreased by 0.8 percent in real terms.

Total share of "food and beverages", "housing, water, electricity, gas, and other

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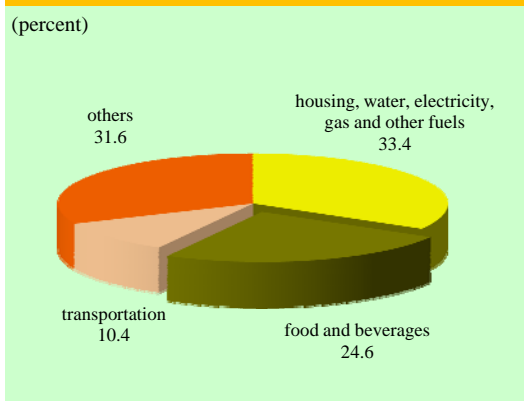
<sup>1</sup> Excludes household expenditure on tax and retirement savings.

fuels", and "clothing and footwear" groups was 62.6 percent at current prices, compared with 63.7 and 65.0 percent total shares of these groups in 1391 and 1392, respectively. This indicates that households have allocated a lower share of their income to essential goods and services.

Reviewing annual household expenditure (gross) at constant 1390 prices indicates declines in "health and medical care", "restaurants and hotels", "recreation and culture", "housing, water, electricity, gas, and other fuels", "clothing and footwear" and "food and beverages" while other groups experienced positive growth in real terms. The highest increases were related to "transportation", "communication", and "education" by 13.0, 10.7, and 9.6 percent, respectively.

Comparing the inflation rate among various expenditure groups indicates that, in 1393, the highest inflation was related to "health and medical care", "transportation", and "recreation and culture" while the CPI for "tobacco" group decreased by 6.1 percent.

**Figure 9.1. Share of expenditure groups in urban areas in 1393**



### Analysis of Household Expenditure by Deciles

A review of household expenditure by various deciles indicates that the 10<sup>th</sup> to the 1<sup>st</sup> decile ratio (ratio of richest 10 percent to poorest 10 percent) was 14.3 in 1393, i.e. the richest 10 percent had an average expenditure of 14.3 times that of the

**Table 9.1. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas** (ten thousand rials-percent)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Food and beverages	5,684.1	7,472.4	8,080.7	31.5	8.1	26.3	24.6
Tobacco	86.3	117.6	115.9	36.3	-1.4	0.4	0.4
Clothing and footwear	984.2	1,314.9	1,524.3	33.6	15.9	4.6	4.6
Housing, water, electricity, gas and other fuels	7,115.8	9,707.4	10,990.2	36.4	13.2	34.1	33.4
Furniture, furnishings, and household equipment and operation	964.7	1,192.3	1,360.0	23.6	14.1	4.2	4.1
Health and medical care	1,185.8	1,602.1	1,903.1	35.1	18.8	5.6	5.8
Transportation	2,039.0	2,429.9	3,404.3	19.2	40.1	8.5	10.4
Communication	441.5	573.0	703.0	29.8	22.7	2.0	2.1
Recreation and culture	507.0	654.9	772.7	29.2	18.0	2.3	2.4
Education	421.7	499.0	617.0	18.3	23.6	1.8	1.9
Restaurants and hotels	453.5	585.7	655.3	29.1	11.9	2.1	2.0
Miscellaneous goods and services	1,770.3	2,297.0	2,749.4	29.7	19.7	8.1	8.4
<b>Total</b>	<b>21,654.0</b>	<b>28,446.2</b>	<b>32,876.0</b>	<b>31.4</b>	<b>15.6</b>	<b>100.0</b>	<b>100.0</b>

## Chapter 9 SOCIAL AFFAIRS AND HOUSEHOLD WELFARE

poorest 10 percent in nominal terms, which was higher than the year before. In 1393, the average household expenditure in the 10<sup>th</sup> decile was 3.2 times compared with the average household expenditure in urban areas. Contrarily, the average household

expenditure in the 1<sup>st</sup> decile constituted only 22.0 percent of the average household expenditure in urban areas, at current prices. Average household expenditure in the 1<sup>st</sup> to 7<sup>th</sup> deciles is lower than the average household expenditure in urban areas.

**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)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Food and beverages	3,932.3	3,647.7	3,617.1	-7.2	-0.8	21.6	21.5
Tobacco	47.3	43.9	46.1	-7.0	5.0	0.3	0.3
Clothing and footwear	666.0	599.3	586.1	-10.0	-2.2	3.6	3.5
Housing, water, electricity, gas and other fuels	6,301.8	7,155.8	6,941.5	13.6	-3.0	42.4	41.3
Furniture, furnishings, and household equipment and operation	639.2	516.8	533.0	-19.2	3.1	3.1	3.2
Health and medical care	951.0	928.1	837.2	-2.4	-9.8	5.5	5.0
Transportation	1,574.6	1,397.4	1,578.5	-11.3	13.0	8.3	9.4
Communication	410.7	497.5	550.7	21.1	10.7	3.0	3.3
Recreation and culture	359.6	343.9	332.6	-4.4	-3.3	2.0	2.0
Education	369.6	388.5	425.9	5.1	9.6	2.3	2.5
Restaurants and hotels	326.9	303.2	285.5	-7.3	-5.9	1.8	1.7
Miscellaneous goods and services	1,207.7	1,040.5	1,074.8	-13.8	3.3	6.2	6.4
<b>Total<sup>1</sup></b>	<b>16,786.7</b>	<b>16,862.6</b>	<b>16,809.1</b>	<b>0.5</b>	<b>-0.3</b>	<b>100.0</b>	<b>100.0</b>

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

**Table 9.3. Comparison of Growth in Household Gross Expenditure in Urban Areas with Inflation for Different Expenditure Groups in 1393** (percent)

	Growth in household gross expenditure in nominal terms	Inflation	Growth in household gross expenditure in real terms
Food and beverages	8.1	9.1	-0.8
Tobacco	-1.4	-6.1	5.0
Clothing and footwear	15.9	18.5	-2.2
Housing, water, electricity, gas and other fuels	13.2	16.7	-3.0
Furniture, furnishings, and household equipment and operation	14.1	10.6	3.1
Health and medical care	18.8	31.7	-9.8
Transportation	40.1	24.0	13.0
Communication	22.7	10.8	10.7
Recreation and culture	18.0	22.0	-3.3
Education	23.6	12.8	9.6
Restaurants and hotels	11.9	18.8	-5.9
Miscellaneous goods and services	19.7	15.9	3.3
<b>Total</b>	<b>15.6</b>	<b>15.6</b>	<b>-0.3</b>

In 1393, growth in gross household expenditure in all deciles, except for the 10<sup>th</sup> decile, was negative in real terms. The highest decrease in the welfare level was related to the 1<sup>st</sup> and 4<sup>th</sup> deciles.

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 1<sup>st</sup> decile, these two groups had a total share of 76.4 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 "housing rental index".

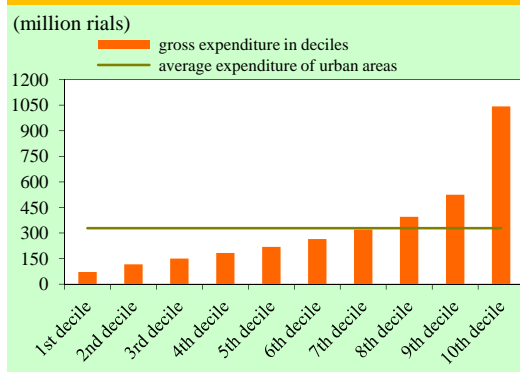
### Household Expenditure by Provinces

A review of annual household expenditure (gross) in urban areas of various provinces indicates that, in 1393, Tehran Province accounted for the highest expenditure while Lorestan Province accounted

for the lowest expenditure both at current and constant 1390 prices. Average expenditures of a household in Tehran was 2.5 times that of a household in Lorestan at current prices, and 2.7 times at constant prices. This is indicative of higher income inequality among different provinces than the year before.

In 1393, the highest number of household members by 4.4 persons belonged to Ilam Province and the lowest by 3.0 persons to Gilan Province.

**Figure 9.2. Average household expenditure in urban areas compared to average expenditure of different deciles of urban households in 1393**



**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 <sup>st</sup> decile	2 <sup>nd</sup> decile	3 <sup>rd</sup> decile	4 <sup>th</sup> decile	5 <sup>th</sup> decile	6 <sup>th</sup> decile	7 <sup>th</sup> decile	8 <sup>th</sup> decile	9 <sup>th</sup> decile	10 <sup>th</sup> decile
1392	6,442	10,318	13,261	16,268	19,450	23,191	27,927	34,364	45,525	87,711
1393	7,138	11,589	15,042	18,310	21,903	26,421	32,039	39,546	52,473	104,292
Growth in gross expenditure (current prices)	10.8	12.3	13.4	12.6	12.6	13.9	14.7	15.1	15.3	18.9
Growth in real terms <sup>1</sup>	-3.5	-2.0	-1.3	-2.2	-2.0	-1.2	-0.5	-0.4	-0.5	2.0

<sup>1</sup> Growth in real terms is calculated based on inflation by expenditure deciles and, therefore, is not comparable with the average household expenditure.

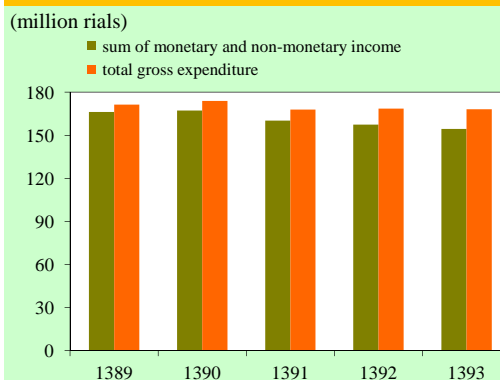
### Household Income

Gross household income (monetary and non-monetary income) amounted to Rls. 313.8 million (Rls. 26,152 thousand monthly) in 1393, up by 13.3 percent compared with the previous year. Of this amount, 69.7 percent was monetary and 30.3 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, not necessarily bringing cash income to households.

In 1393, total household income amounted to Rls. 154.4 million, at constant 1390 prices. This was indicative of a deficit in the household budget when compared with the household expenditure in real

terms. Real household expenditure was Rls. 168.1 million in 1393.

**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 1393** (percent)

	1 <sup>st</sup> decile	2 <sup>nd</sup> decile	3 <sup>rd</sup> decile	4 <sup>th</sup> decile	5 <sup>th</sup> decile	6 <sup>th</sup> decile	7 <sup>th</sup> decile	8 <sup>th</sup> decile	9 <sup>th</sup> decile	10 <sup>th</sup> decile	Average share
Food and beverages	28.5	29.3	30.3	29.3	29.9	29.6	27.8	27.6	25.4	17.2	24.6
Tobacco	1.0	0.8	0.7	0.5	0.6	0.5	0.3	0.3	0.3	0.2	0.4
Clothing and footwear	1.6	2.6	3.0	4.0	4.2	4.4	4.8	5.1	5.5	4.9	4.6
Housing, water, electricity, gas and other fuels	47.9	42.1	38.3	35.9	34.2	31.9	31.3	28.6	29.3	35.1	33.4
Furniture, furnishings and household equipment and operation	1.8	2.5	2.7	3.2	3.2	3.7	4.1	4.7	4.5	4.7	4.1
Health and medical care	4.9	4.5	5.3	5.1	4.9	5.5	6.1	5.8	6.0	6.2	5.8
Transportation	3.9	4.9	5.4	6.1	6.7	7.5	7.7	9.8	10.9	15.1	10.4
Communication	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.2	2.1	1.6	2.1
Recreation and culture	0.8	1.1	1.4	1.8	1.9	2.0	2.3	2.5	2.9	2.7	2.4
Education	0.6	1.1	1.4	1.8	1.8	1.8	2.0	2.2	2.2	1.8	1.9
Restaurants and hotels	0.7	0.8	1.2	1.2	1.6	1.6	2.0	1.9	2.3	2.5	2.0
Miscellaneous goods and services	5.5	7.4	7.8	8.3	8.7	9.0	9.1	9.3	8.6	7.9	8.4

## Measurement and Analysis of Income Inequality

Gini coefficient increased by 1.2 percent and reached 0.3999 in 1393. Moreover, the ratio of the income of the richest 10 percent to the poorest 10 percent grew by 3.6 percent, from 13.8 times in 1392 to 14.3 times in 1393. This was lower than the respective growth figure of 1392 (7.0 percent). Share of 20 percent of high income households increased from 46.9 percent in the year before to 47.2 percent in 1393. A review of the shares of various income deciles in total income shows that the share of the 2<sup>nd</sup> to 6<sup>th</sup> deciles decreased, shares of the 1<sup>st</sup>, 7<sup>th</sup>, and 8<sup>th</sup> deciles remained unchanged, and shares of the 9<sup>th</sup> and 10<sup>th</sup> deciles increased compared with the year before. Despite the decrease in inflation in 1393, income distribution was in favor of high-income groups.

**Table 9.6. Income Inequality Metrics in Urban Areas**

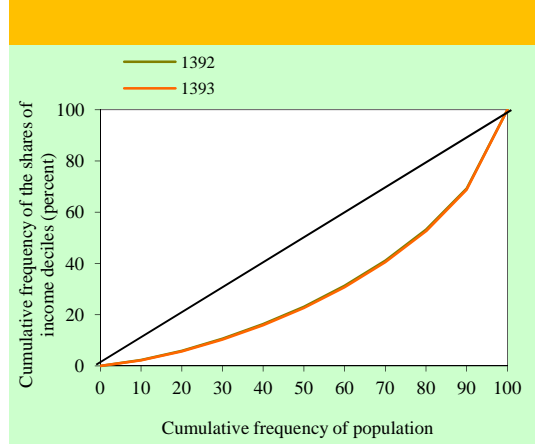
	1392	1393
Gini coefficient	0.3952	0.3999
Share of 40 percent of low-income households (percent)	16.2	16.0
Share of 40 percent of middle-income households (percent)	36.9	36.9
Share of 20 percent of high-income households (percent)	46.9	47.2
Ratio of richest 10 percent to poorest 10 percent of households	13.8	14.3

## Social Security

### Non-contributory Coverage

In 1393, the number of people covered by Imam Khomeini Relief Foundation decreased by 8.1 percent (321 thousand persons) to almost 3,664 thousand persons. The grants provided by this Foundation also decreased by 13.9 percent compared with 1392, to reach Rls. 42.7 trillion.

**Figure 9.4. Comparison of Lorenz Curves**



### Contributory Coverage

Social Security Organization, Iran Health Insurance Organization<sup>1</sup>, as well as some independent Funds are responsible for the provision of contributory insurance. In 1393, total number of people covered by Social Security Organization and Iran Health Insurance Organization increased by 10.5 percent to about 80.5 million persons, which is higher than total country's population (77.9 million persons). This indicates that some citizens are under the insurance coverage of several organizations.

The Social Security Organization (SSO) insures workers and employees, who are subject to the Labor Law, through obligatory

<sup>1</sup> Based on Article 38 of the 5<sup>th</sup> 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.

partnership plans. This organization insures the self-employed parties through contracts. In 1393, the number of the main insured reached 13.3 million persons, showing 4.2 percent increase compared with 1392.

In this year, total number of people insured by the Social Security Organization increased by 3.0 percent to 40.3 million, of whom 5.1 million were pensioners and the remaining received insurance services. The number of the retired people under the coverage of Social Security Organization reached 1,394.5 thousand, registering 9.3 percent rise compared with the previous year.

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 1393, the number of those insured by Iran Health Insurance Organization increased by 19.0 percent to 40,187 thousand persons, mainly attributable to the implementation of Public Medical Service Insurance Plan in Ordibehesht 1393 which covered 9,073 thousand persons.

**Rural Dwellers' Social Insurance**

Rural Dwellers' Social Insurance Project was put into operation as of the beginning of the 4<sup>th</sup> 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 reached 3,580 in 1393. Compared to the respective figure of the year before, 57 new brokerage firms were added in this year.

In 1393, the amount approved by the government as contribution to Rural Dwellers' Social Insurance Fund increased by 9.3

percent to Rls. 3,300.0 billion, 85.0 percent of which was actually allocated.

**Table 9.7. Number of Brokerage Firms and People Insured by Rural Insurance Fund**

	1392	1393	Percentage change
Main insured	1,144,179	1,322,451	15.6
Brokerage firms	3,523	3,580	1.6

Source: Rural Dwellers' Social Insurance Fund.

**Human Development Indices**

**Human Development Index (HDI) in Iran**

The 2015 Human Development Report (HDR) published for the United Nations Development Programme (UNDP), titled "Rethinking Work for Human Development", focuses on labor market conditions. 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 2015 ranks Iran 69 in HDI among 188 countries in 2014. The HDI value for Iran was 0.766 in 2014. The highest HDI in countries with very high human development was 0.944 in 2014, indicating an improvement compared with 0.942 in 2013. Average world HDI was 0.711 in 2014, up by 0.002 points compared to 2013. It is noteworthy that 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. Accordingly, Norway, with an HDI value of 0.944, had the highest HDI value and Iran was ranked among countries with high human development in 2014.



### *Selected Human Development Indices*

Among indices referred to in the 2015 Human Development Report is overall life satisfaction which varies from 0 (lowest life satisfaction) to 10 (highest life satisfaction). Life Satisfaction Index (LSI) for the global population was 5.3 in 2014. LSI for Iran was estimated at 4.7, lower than the world average. The highest LSI by 7.5 was related to Switzerland and Denmark.

Based on the 2015 Report, maternal mortality ratio for Iran was 14.4 per 1,000 live births in 2013. Life expectancy at birth was 74.3 years for men and 76.5 years for women in 2014, which is higher than the world average (69.5 and 73.7 years, respectively).

Gender Inequality Index (GII) 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 highest gender inequality.

According to the 2015 Human Development Report, Iran ranked 114 in 2014 in GII among 188 countries whose data were available. Slovenia and Switzerland ranked respectively 1<sup>st</sup> and 2<sup>nd</sup> in 2014 in GII. This indicates that the lowest gender inequality is found in these two countries.

Another index referred to in the 2015 Human Development Report is the percentage of women holding seats in the national parliament. In 2014, the share of parliamentary seats held by Iranian women was 3.1 percent. This index was 14.0 percent for Arab States, 18.7 percent in Europe and Central Asia, 20.5 percent in less developed countries, 19.4 percent in the United States, and 21.8 percent for the world (average).

**Table 9.8. Iran's HDI Value**

	2000	2010	2011	2012	2013	2014	Change in rank	Annual average growth rate (percent)	
							2009-2014	2000-2010	2010-2014
HDI	0.665	0.743	0.751	0.764	0.764	0.766	7	1.11	0.74