

LABOR MARKET DEVELOPMENTS AND HUMAN RESOURCE

In 1394, despite the rise in the number of job opportunities, the unemployment rate rose by 0.4 percentage point to 11.0 percent as the economically active population increased. The double-digit unemployment rate of the past three decades, coupled with an imbalanced labor market and chronic unemployment, is well indicative of structural impediments in the way of employment and job generation. Youth unemployment was still a major problem faced by the labor market in 1394 although women's performance indicators were more optimistic than those of men.

Population and Human Resource

Based on the Statistical Center of Iran (SCI), Iran's total population increased by 1.2 percent to 78.8 million persons in 1394, of whom 57.3 million dwelled in urban and the remaining in rural areas. This means that 72.8 percent of the population dwelled in urban areas. Gender ratio (the number of males per 100 females) reached 101.5 in this year.

Total number of households was 24.8 million in 1394, indicating 4.0 percent increase compared with the year before. Out of total households, 18.4 million were residing in urban and 6.4 million in rural areas, showing 4.5 and 2.6 percent growth, respectively, compared with 1393.

Based on the data released by the National Organization for Civil Registration, total

number of births recorded in 1394 was 1,570.2 thousand, representing 2.3 percent growth compared with the year before. Considering 374.8 thousand registered deaths, 1,195.4 thousand persons were added to total population. In this year, the death rate by gender (male to female death ratio) equaled 127.7, indicating a remarkable increase compared to last year's figure (99.3). Total number of registered deaths in 1394 decreased by 16.0 percent compared with the year before.

Table 8.1. Vital Statistics (thousand persons)

	1392	1393	1394	Percentage change	
				1393	1394
Registered births	1,471.8	1,534.4	1,570.2	4.2	2.3
Registered deaths	372.3	446.3	374.8	19.9	-16.0

Source: National Organization for Civil Registration.

Labor Market

Labor market is distinct from the other three major markets of the economy (namely money market, capital market, and commodities market) so far as it is impacted by human nature factors. The labor market experienced difficult conditions over the past two decades as the participation rate decreased and unemployment rate remained high. Over the past ten years, unemployment rate has continually been higher than 10 percent. In 1394, this rate was 12.2 percent in urban areas and 26.1 percent for those in

the age group of 15-24 years old. The double-digit unemployment rate of the past three decades, continued imbalances in the labor market, and persistence of long-term high unemployment are symptoms of structural problems in the labor market.

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 the population of 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 1394, the economically active population went up by 3.7 percent to 24.7 million. The economically active population for men rose by 2.2 percent and for women, by 11.3 percent.

Of total economically active population, 20.4 million were males and the remaining, females. Moreover, the economically active population in urban areas was 17.9 million and in rural areas, 6.8 million.

Participation rate was 38.2 percent in 1394, up by 1.0 percentage point compared with the year before. Higher increase in the economically active population (3.7 percent) compared to 1.1 percent rise in the population of 10 years old and over led to an increase in participation rate in the whole country.

In 1394, participation rate in urban and rural areas reached respectively 37.5 and 40.0 percent, up by 1.0 and 0.9 percentage points.

Participation rate for men rose by 0.7 percentage point to 63.2 percent and for

women, it reached 13.3 percent, up by 1.3 percentage points compared with 1393.

Labor Demand

Labor demand is the (maximum) number of hours of hiring that employers are willing to do 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 employment across various economic sectors indicates that about 22.0 million persons were active in industry, agriculture, and services sectors in 1394 which, compared with the number of the employed persons in 1393, shows an increase in the number of available jobs by 667.8 thousand. In 1394, about 562.9 thousand and 149.2 thousand job opportunities were created in the services and agriculture sectors, respectively, while the number of job opportunities in the industry sector was reduced by 44.7 thousand.

In 1394, services sector had the highest share in employment by 49.4 percent. Shares of industry and agriculture sectors in employment were 32.5 and 18.0 percent, respectively. Accordingly, the shares of agriculture and services sectors in employment increased by 0.1 and 1.1 percentage points while that of the industry sector decreased by 1.3 percentage points.

Unemployment

Unemployment rate increased by 0.4 percentage point to 11.0 percent in 1394. In this year, unemployment rate was 9.3 percent for the male and 19.4 percent for the female population, indicating 0.5 percentage point increase and 0.3 percentage point decrease,

respectively, compared with the previous year. Unemployment rate for women has constantly been higher than that of men although women have a lower share in total economically active population. The share of the female unemployed population in total unemployed population was 30.6 percent, which was higher than the share of female economically active population in total active population (17.4 percent). This is indicative of a lower possibility for women to find jobs. Furthermore, the unemployed population increased from 2.5 million in the year before to 2.7 million in 1394.

In 1394, unemployment rate in urban areas was 12.2 percent and in rural areas, 8.1 percent, showing 0.6 and 0.2 percentage points increase 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.

Figure 8.1. Share of employment by various economic sectors

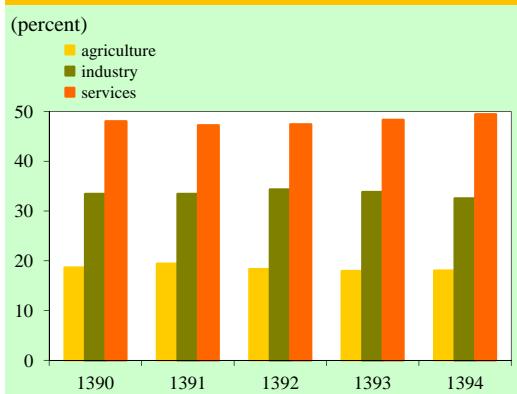


Table 8.2. Population and Labor Market Developments (thousand persons)

	1392	1393	1394	Percentage change ¹	1393	1394
Population of 10 years old and over	63,356	64,017	64,692	1.0	1.1	
Economically active	23,835	23,818	24,701	-0.1	3.7	
Employed	21,346	21,304	21,972	-0.2	3.1	
Unemployed	2,488	2,514	2,729	1.0	8.5	
Participation rate	37.6	37.2	38.2	-0.4	1.0	
Unemployment rate	10.4	10.6	11.0	0.2	0.4	
Urban areas	11.8	11.6	12.2	-0.2	0.6	
Rural areas	7.0	7.9	8.1	0.9	0.2	
Male	8.6	8.8	9.3	0.2	0.5	
Female	19.8	19.7	19.4	-0.1	-0.3	
Youth (15-24 years old)	24.0	25.2	26.1	1.2	0.9	
Urban	28.2	28.5	29.3	0.3	0.8	
Rural	16.1	18.8	20.0	2.7	1.2	
Youth (15-29 years old)	21.2	21.9	23.3	0.7	1.4	
Urban	24.1	24.0	25.5	-0.1	1.5	
Rural	14.2	16.5	17.6	2.3	1.1	

Source: Statistical Center of Iran (SCI).

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

New Loans for Employment Generation

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 from banks' Gharz-al-hasaneh resources. In 1394, a sum of Rls. 14,328 billion loans and facilities out of banks' Gharz-al-hasaneh resources were allocated to employment generation projects and Rls. 1,061 billion facilities were extended from banks' own resources and in the framework of Islamic contracts to home-based businesses. Comparing the disbursed amount with the quota determined by the Central Bank indicates that 47.8 percent of the amount approved to be allocated for employment generation (Rls. 30 trillion) and 35.4 percent of the sum determined to be extended for home-based businesses (Rls. 3 trillion) were actually realized, higher than the corresponding figures in 1393 (3.2 and 10.0 percent).

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from the Unemployment Insurance Fund increased by 11.1 percent in 1394 to reach 199.0 thousand. Considering 2,729.1 thousand unemployed people in 1394, the mentioned figure is very low. In this year, 211.5 thousand persons were added to the pensioners of this Fund. Therefore, the number of pensioners benefiting from this Fund reached 390.6 thousand persons¹.

The unemployment benefits for 170.8 thousand beneficiaries were cut in 1394. This was due to a host of factors inter alia reaching maximum period (69.1 percent),

reemployment (24.9 percent), and retirement, disability, decease, or absence from vocational-technical classes (6.0 percent).

Table 8.3. Performance of Unemployment Insurance Fund (person)

	1393	1394	Percentage change
Beneficiaries	179,058	198,953	11.1
New beneficiaries	169,462	211,513	24.8
Ceased benefits	181,400	170,803	-5.8

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 1394, the value of unemployment benefits paid to each beneficiary in each month was Rls. 2.2 million, showing about 3.3 percent increase compared with 1393.

Table 8.4. Ceased Benefits and Reasons

	Total ceased benefits	Reaching maximum period	Reemployment	Other
1393	Person	181,400	132,422	39,908
	Share (%)	100.0	73.0	22.0
1394	Person	170,803	118,025	42,509
	Share (%)	100.0	69.1	24.9

Source: Social Security Organization (SSO).

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

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

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 1394, the minimum nominal monthly wage was determined at Rls. 7,124.3 thousand, indicating 17.0 percent increase compared with the year before. Based on the Cabinet approval, the salary benchmark index for the civil servants increased from 1,207 in 1393 to 1,376 in 1394. This was indicative of 14.0 percent growth compared with the year before. Therefore, considering the rate of inflation in this year (11.9 percent), the welfare level of civil servants grew in real terms in 1394.

Education

The educational system (including preschools, primary 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 13.8 million in 1394/95 academic year, showing 1.7 percent growth compared with the year before. The number of students in primary schools increased by 3.2 percent and the number of students in junior high schools (referred to as "first period of middle

school" based on the new classification) rose by 49.2 percent. As of the implementation of the Educational System Reform Project, which led to the inclusion of the 1st grade of junior high school in the primary school categorization, the number of students in the junior high school has indicated a decrease. In 1394/95 academic year, in the 7th, 8th, and 9th grades of middle school, the number of students increased. This led to 30.3 percent reduction in the number of high school students (including vocational-technical schools and skills training centers), as the first grade of high school was now included in the "first period of middle school" classification.

In 1394/95 academic year, 38.6 percent of male high school students and 22.7 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 after high school and that of girls to continue university studies.

Number of students in private schools increased by 4.2 percent in 1394/95 academic year. The number of students in junior high schools (private) experienced a remarkable increase of 57.2 percent while in high schools (private), the number of students decreased by 26.5 percent as the high school first graders were classified as middle school students. A review of the number of students in the private non-profit schools indicates that families are more willing to register their children in such schools.

The number of schools decreased by 0.2 percent to 112.1 thousand. Therefore, the ratio of "student to school" increased by about 2.8 points from 116.7 in 1393/94 to

¹ Includes students of preschools, primary schools, junior high schools, high schools, teacher training centers, and vocational-technical schools as well as adult students.

119.5 in 1394/95. The ratio of "student to teacher" grew by 0.9 points to 16.9 persons. The ratios of "student to teacher" in primary, junior high, and high schools were 22.2, 15.3, and 9.7. The elimination of the 1st grade of high school from the high school category led to a reduction in this ratio for high schools. The ratio of "student to classroom" increased by 0.1 points to 22.7 persons. Moreover, the number of classrooms rose by 1.7 percent to 589.6 thousand in 1394/95 academic year and the number of teachers reached 793.3 thousand, showing 3.2 percent decline compared with 1393.

Higher Education

In 1394/95 academic year, the number of students at public universities, Islamic Azad

University, Payame Noor University, and private universities decreased by 9.5 percent to 4,348.4 thousand.

Figure 8.2. Education quality indicators in Iran¹

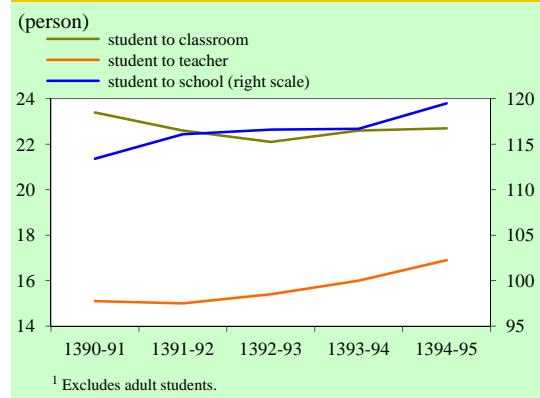


Table 8.5. Number of University Students

	Academic year		Percentage change		(thousand persons)	
	1393/94	1394/95	1393/94	1394/95	1393/94	1394/95
Public universities¹	3,117.3	2,726.6	-1.6	-12.5	64.9	62.7
Male	1,574.4	1,369.4	2.1	-13.0	32.8	31.5
Female	1,542.9	1,357.2	-5.1	-12.0	32.1	31.2
Islamic Azad University	1,685.5	1,621.8	11.0	-3.8	35.1	37.3
Male	1,028.0	976.4	10.6	-5.0	21.4	22.5
Female	657.5	645.4	11.6	-1.8	13.7	14.8
Total	4,802.7	4,348.4	2.5	-9.5	100.0	100.0

Source: Ministry of Science, Research and Technology.

¹ Includes students at Payame Noor University and private and nonprofit universities.