

In 1395, despite the rise in the number of job opportunities, the unemployment rate rose by 1.4 percentage points to 12.4 percent, mainly due to the higher increase of the economically active population. The Iranian labor market faced serious structural problems over the last decade, with an unemployment rate of constantly higher than 10 percent and a reduction in participation rate.

Population and Human Resource

Based on the SCI reports, Iran's total population increased by an annual average rate of 1.24 percent compared to the respective figure in the 1390 census, to reach 79.9 million in 1395. It is to be noted that 59.1 million people (74.0 percent) dwelled in urban and the remaining in rural areas. Meanwhile, gender ratio (the number of males per 100 females) reached 102.7 in this year.

Total number of households was 24.2 million in 1395, indicating 2.7 percent increase compared with the respective figure in the 1390 census. Out of total households, 18.1 million were residing in urban and 6.1 million in rural areas, up by 3.3 and 1.1 percent compared with 1390.

Based on the data released by the National Organization for Civil Registration, total number of births recorded in 1395 was 1,528.1 thousand, representing 2.7 percent

decrease compared with the year before. Considering 369.8 thousand registered deaths, 1,158.3 thousand persons were added to total population (excluding immigration figures). In this year, the death rate by gender (male to female death ratio) equaled 128.5, indicating a slight increase compared with the year before (127.7). Total number of registered deaths in 1395 decreased by 1.4 percent compared with 1394.

Table 8.1. Vital Statistics (thousand persons)

	1393	1394	1395	Percentage change	
				1394	1395
Registered births	1,534.4	1,570.2	1,528.1	2.3	-2.7
Registered deaths	446.3	374.8	369.8	-16.0	-1.4

Source: National Organization for Civil Registration.

Labor Market

Realization of economic targets requires the adoption and implementation of appropriate economic policies in various sectors of the economy. Therefore, labor market indicators and development are always at the center of the macroeconomic policymakers' attention. The analysis of the most important indices in this area, including the unemployment rate, the participation rate, and the number of employment opportunities, provides useful

information to economic policymakers and facilitates decision-making. What differentiates the labor market from the commodities market, capital market, and money market is the human factor on both the demand and supply sides. The country's labor market in 1395 was affected by the positive implications of the nuclear deal for the Iranian economy. As a result, the labor force became more motivated to participate in the labor market and employment opportunities increased.

Labor Supply

Labor supply is a function of wages, inflation expectations, and labor force preferences, and would also be 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 1395, the economically active population went up by 4.4 percent to 25.8 million, with the economically active population of men rising by 2.4 percent and that of women, by 13.9 percent. Of the total economically active population, 20.9 million were males and the remaining, females. Moreover, 18.8 million of them lived in urban areas and 7.0 million, in rural areas.

Participation rate was 39.4 percent in 1395, up by 1.2 percentage points compared with the year before. Higher increase in the economically active population (4.4 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 economy. In 1395, participation rate in urban and rural areas reached respectively 38.9 and 41.0 percent, up by 1.4 and 1.0 percentage points.

Participation rate for men rose by 0.9 percentage point to 64.1 percent and for women, it reached 14.9 percent, up by 1.6 percentage points compared with 1394.

Labor Demand

Labor demand is the (maximum) number of 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 income level (effective demand) and relative prices of factors of production.

Comparing employment across various economic sectors indicates that about 22.6 million persons were active in industry, agriculture, and services sectors in 1395 which, compared with the number of the employed workers in 1394, shows an increase in the number of available jobs by about 616.0 thousand (2.8 percent). In this year, 462.8, 99.2, and 53.4 thousand job opportunities were created in the services, agriculture, and industry sectors, respectively.

In 1395, services sector had the highest share in employment by 50.1 percent. Shares of industry and agriculture sectors in employment were 31.9 and 18.0 percent, respectively. Accordingly, the share of the services sector in employment increased by 0.7 percentage point, the share of the industry sector decreased by 0.6 percentage point, and that of the agriculture sector remained unchanged compared with 1394.

Unemployment

Unemployment rate increased by 1.4 percentage points to 12.4 percent in 1395. In this year, unemployment rate was 10.5 percent for men and 20.7 percent for women, indicating respectively 1.2 and 1.3

percentage points increase compared with 1394. 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 31.6 percent, which was higher than the share of female economically active population in total active population (19.0 percent). This is indicative of lower probability for women to find jobs. Furthermore, the unemployed population increased from 2.7 million in the year before to 3.2 million in 1395.

In 1395, unemployment rate in urban areas was 13.7 percent and in rural areas, 8.9 percent, showing 1.5 and 0.8 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

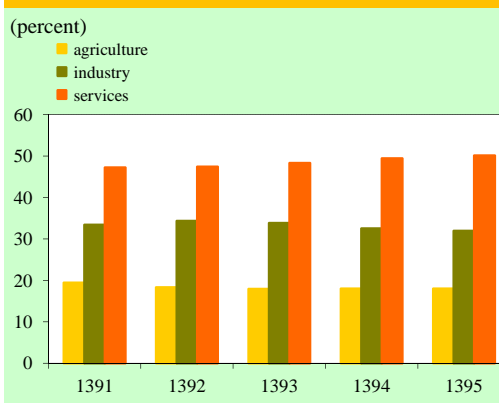


Table 8.2. Population and Labor Market Developments

(thousand persons)

	1393	1394	1395	Percentage change ¹	
				1394	1395
Population of 10 years old and over	64,017	64,692	65,385	1.1	1.1
Economically active	23,818	24,701	25,791	3.7	4.4
Employed	21,304	21,972	22,588	3.1	2.8
Unemployed	2,514	2,729	3,203	8.5	17.4
Participation rate (percent)	37.2	38.2	39.4	1.0	1.2
Unemployment rate (percent)	10.6	11.0	12.4	0.4	1.4
Urban areas	11.6	12.2	13.7	0.6	1.5
Rural areas	7.9	8.1	8.9	0.2	0.8
Male	8.8	9.3	10.5	0.5	1.2
Female	19.7	19.4	20.7	-0.3	1.3
Youth (15-24 years old)	25.2	26.1	29.2	0.9	3.1
Urban	28.5	29.3	32.3	0.8	3.0
Rural	18.8	20.0	22.5	1.2	2.5
Youth (15-29 years old)	21.9	23.3	25.9	1.4	2.6
Urban	24.0	25.5	28.1	1.5	2.6
Rural	16.5	17.6	19.9	1.1	2.3

Source: Statistical Center of Iran (SCI).

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

New Loans for Employment Generation

The Central Bank gives instructions for allocation of loans and facilities to self-employed households and home-based businesses annually, out of banks' Gharz-al-hasaneh resources. In 1395, a sum of Rls. 11,793 billion worth of facilities were allocated to the beneficiaries of the State Welfare Organization and Imam Khomeini Relief Foundation for employment generation and Rls. 738 billion was extended to home-based businesses. Comparing the disbursed amount with the quota determined by the Central Bank indicates that 90.7 percent of the approved amount for employment generation (Rls. 13 trillion) and 73.8 percent of the amount determined to be allocated for home-based businesses (one trillion rials) was actually realized. The percentages of realization were higher than the respective figures in 1394 (47.8 and 35.4 percent), mainly attributable to the reduction in declared quotas of facilities allocated for self-employment purposes and home-based businesses.

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from the Unemployment Insurance Fund increased by 6.4 percent in 1395 to reach 211.8 thousand. Considering 3,203.4 thousand unemployed people in 1395, the mentioned figure is very low. In this year, 224.7 thousand persons were added to the pensioners of this Fund. Therefore, the number of pensioners benefiting from this Fund reached 423.7 thousand persons¹.

The unemployment benefits for 194.4 thousand beneficiaries were cut in 1395. This was due to a host of factors, inter alia,

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

reaching maximum period (69.9 percent), reemployment (24.9 percent), and retirement, disability, decease, or absence from vocational-technical classes (5.2 percent).

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 1395, the value of unemployment benefits paid to each beneficiary in each month was Rls. 2,488.9 thousand, showing 11.9 percent increase compared with 1394.

Table 8.3. Performance of Unemployment Insurance Fund (person)

	1394	1395	Percentage change
Beneficiaries	198,953	211,770	6.4
New beneficiaries	211,513	224,729	6.2
Ceased benefits	170,803	194,396	13.8

Source: Social Security Organization (SSO).

Table 8.4. Ceased Benefits and Reasons

		Total ceased benefits	Reaching maximum period	Reemployment	Other
1394	Person	170,803	118,025	42,509	10,269
	Share (%)	100.0	69.1	24.9	6.0
1395	Person	194,396	135,883	48,404	10,109
	Share (%)	100.0	69.9	24.9	5.2

Source: Social Security Organization (SSO).

Wages and Salaries

A minimum wage policy is usually adopted by governments to promote social justice 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. According to Article 41 of Labor Law approved in 1369,

the Supreme Labor Council is the body in charge of setting the minimum wage for workers. In 1395, the minimum nominal monthly wage (covering 30 days) was determined at Rls. 8,121.6 thousand, indicating 14.0 percent increase compared with the year before. Based on the Cabinet Approvals, the salary benchmark index for the civil servants increased from 1,376 in 1394 to 1,541 in 1395. This was indicative of 12.0 percent growth compared with the year before. Therefore, considering the rate of inflation in this year (9.0 percent), the real wages of workers and civil servants grew in 1395.

Education

The educational system (including pre-schools, 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 14.1 million in 1395/96 academic year, showing 2.6 percent growth compared with the year before. The number of students in primary schools increased by 3.0 percent and the number of students in junior high schools (referred to as "first period of middle school" based on the new classification)

¹ Includes students of preschools, primary schools, junior high schools (1st period of middle school), high schools, teacher training centers, and vocational-technical schools (2nd period of middle school) as well as adult students.

rose by 1.9 percent while the number of students in the 2nd period of middle school (including skills training centers and vocational-technical schools) fell by 1.9 percent. As of the implementation of the Educational System Reform Project in 1391/92 academic year, 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 indicated a decrease. In 1394/95 academic year, in the 7th, 8th, and 9th grades (1st period of middle school), the number of students increased, leading to a reduction in the number of high school students (including skills training centers and vocational-technical schools), as the first grade of high school was now included in the "first period of middle school" classification. The mentioned trend was rather stabilized in the 1395/96 academic year due to the increase in the number of students at all educational levels.

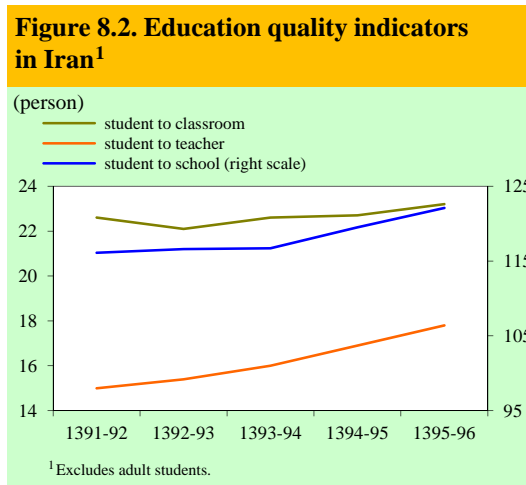
In 1395/96 academic year, 36.2 percent of male middle school students (2nd period) and 20.8 percent of female middle school students (2nd period) attended vocational-technical schools and skills training centers. This indicates the higher tendency of boys to enter the labor market and that of girls to continue university studies.

The number of students in private schools increased by 9.4 percent in 1395/96 academic year. The number of students in the 2nd period of middle schools (private) experienced 1.8 percent decrease, due to the fall in the number of students at skills training centers and vocational-technical schools. Total number of students at public and private skills training centers decreased in 1395/96 academic year. Increase in the number of students in the private schools (except in the 2nd period of middle school) indicates that families are more willing to register their children in such schools.

The number of schools and classrooms increased by 0.7 and 0.9 percent to 112.9 thousand and 595.1 thousand, respectively. On the other hand, the number of teachers reached 776.2 thousand, showing 2.2 percent decline compared with 1394. Therefore, the ratio of "student to school" (excluding adult students) increased by 2.6 points from 119.5 in 1394/95 to 122.1 in 1395/96 and that of "student to teacher" grew by 0.9 points to 17.8 persons. The ratios of "student to classroom" in primary, junior high (1st period of middle school), and high schools (2nd period of middle school) were 23.7, 15.5, and 10.1 in the 1395/96 academic year. The ratio of "student to classroom" increased by 0.5 points to 23.2 persons.

Higher Education

In 1395/96 academic year, the number of students at public universities, Islamic Azad University, Payame Noor University, and private universities decreased by 6.3 percent to 4,073.8 thousand.



5th Five-Year Development Plan (1390-1395)

Unemployment rate, a major indicator of the labor market, was projected to decrease to 7.0 percent by the last year of the 5th FYDP (1395). In practice, however, the rate of unemployment followed an upward trend from 10.4 percent in 1392 to 12.4 percent in 1395. Based on the SCI report, this rate

Table 8.5. Number of University Students

(thousand persons)

	Academic year		Percentage change		Share (percent)	
	1394/95	1395/96	1394/95	1395/96	1394/95	1395/96
Public universities¹	2,726.6	2,533.3	-12.5	-7.1	62.7	62.2
Male	1,369.4	1,293.2	-13.0	-5.6	31.5	31.7
Female	1,357.2	1,240.1	-12.0	-8.6	31.2	30.4
Islamic Azad University	1,621.8	1,540.5	-3.8	-5.0	37.3	37.8
Male	976.4	909.1	-5.0	-6.9	22.5	22.3
Female	645.4	631.5	-1.8	-2.2	14.8	15.5
Total	4,348.4	4,073.8	-9.5	-6.3	100.0	100.0

Source: Ministry of Science, Research and Technology and Islamic Azad University.

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

had decreased from 13.5 percent in 1389 to 10.4 percent in 1392. This condition may be attributable to the higher increase in labor supply (economically active population) compared to labor demand (employed population) in the final years of the plan.

The unrealized targets of the Plan and vision document of the country are rooted in the structural challenges that the labor

market is confronting. The large number of university graduates, unmatching nature of educational fields and labor market requirements, inadequate investment, reduced demand for labor force in modern technology-based production, disproportionate distribution of the unemployed population in provinces, low competitiveness of products, and lack of access to the global markets are the major causes behind distortions in the market.

Table 8.6. Labor Market Developments during the 5th FYDP (million persons-percent)

	Base year	Years						Annual average growth ¹
	1389	1390	1391	1392	1393	1394	1395	
Total population	74.2	75.1	76.1	77.0	78.0	78.9	79.9	1.3
Population of 10 years old and over	62.4	63.4	62.7	63.4	64.0	64.7	65.4	0.8
Economically active population	23.9	23.4	23.5	23.8	23.8	24.7	25.8	1.3
Participation rate	38.3	36.9	37.4	37.6	37.2	38.2	39.4	37.8
Employed population	20.7	20.5	20.6	21.3	21.3	22.0	22.6	1.5
Unemployed population	3.2	2.9	2.8	2.5	2.5	2.7	3.2	-0.1
Unemployment rate	13.5	12.3	12.1	10.4	10.6	11.0	12.4	11.5

Source: Statistical Center of Iran (SCI).

¹Figures for participation rate and unemployment rate are based on annual average rates during the plan period (1390-1395).