

The government adopted bold economic measures for increased employment opportunities in 2017/18, with the approval of two landmark projects, namely Comprehensive Employment and Support for Development of Sustainable Employment in Rural and Nomadic Communities by utilization of the NDFI financial resources. Based on the guidelines of the Comprehensive Employment Project ratified by the Resistance Economy Command Headquarters, it was decided that a sum of Rls. 200 trillion be earmarked for supporting the employment generation programs with strong impacts on labor market, with the priority to be given to plans confirmed via field studies and research. With the ratification of Law on Support for Development of Sustainable Employment in Rural and Nomadic Communities by the Parliament, the government was authorized to disburse \$1.5 billion out of the NDFI resources, in coordination with the banking system, on the allocation of job creation facilities to non-public natural and legal persons residing in rural areas or small cities with a population of less than 10 thousand, prioritizing border regions.

In 2017/18, due to the higher increase in the number of available job opportunities as compared to the rise in the economically active population, the unemployment rate fell by 0.3 percentage point to 12.1 percent. Nevertheless, the labor market in Iran, with an unemployment rate of constantly higher

than 10 percent for more than a decade and a relatively low participation rate, is facing serious structural problems.

### Population and Human Resources

Iran's total population rose by 1.4 percent compared with the year before, to reach 81.1 million in 2017/18. Urban population grew by 1.9 percent and rural population increased by almost 10 thousand to 20.8 million. Totally, 74.4 percent of the population was residing in urban areas in this year, up by 0.4 percentage point. Gender ratio (the number of males per 100 females) reached 102.6 in 2017/18. Meanwhile, total number of households was 24.7 million, showing 2.0 percent increase compared with 2016/17. Of total households, 18.6 million were residing in urban and 6.1 million in rural areas, up by 2.6 and 0.1 percent compared with the year before.

Based on statistics released by National Organization for Civil Registration, total number of births recorded in 2017/18 was 1,487.9 thousand, down by 2.6 percent compared with 2016/17. Considering 376.7 thousand registered deaths, 1,111.2 thousand persons were added to total population (excluding immigration figures). The death rate by gender (male to female death ratio) equaled 126.9, indicating a decrease compared with 128.5 in the year before. Total number of registered deaths increased by 1.9 percent in 2017/18.

## Chapter 8 LABOR MARKET DEVELOPMENTS AND HUMAN RESOURCE

**Table 8.1. Vital Statistics**

(thousand persons)

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Registered births	1,570.2	1,528.1	1,487.9	-2.7	-2.6
Registered deaths	374.8	369.8	376.7	-1.4	1.9

Source: National Organization for Civil Registration.

### Labor Market

Like any other market in the economy, labor market is also composed of supply and demand sides. The economically active population and participation rate make up the supply side of the labor market while the number of employment opportunities created in different economic sectors constitutes the demand side. The unemployed population and the unemployment rate figures are resulted from the equilibrium between supply and demand. The supply side of the labor market is affected by the demographic structure, especially the population of 10 years old and over as well as the economic factors. On the demand side, the labor market is influenced by the economic condition. Thus, decisions taken by the labor force (as the supplier) and the economic firms (as the market demander) affect the labor market developments. Significant factors on the supply side include the decision to enter the labor market, participation in skills training courses, job-seeking procedures, and wage levels. Demand by economic firms is mainly affected by the type of activity, wage levels, contract types, and working hours. On top of this, socio-cultural developments also impact the labor market trends.

The labor market situation of the country in 2017/18 was mainly influenced by general economic conditions and positive expectations of economic players upon the conclusion of the JCPOA, which created incentives for participation in the labor market as well as increase in employment opportunities.

### Labor Supply

Labor supply is affected by general demographic developments, particularly in the population of 10 years old and over. This population group experienced an increase of 0.8 percent compared with the previous year, to reach 65.9 million in 2017/18.

The economically active population went up by 3.1 percent to 26.6 million, of whom 21.4 million were men and the remaining were women. The economically active population of men and women increased by 2.2 and 6.9 percent, respectively. Moreover, the economically active population consisted of 19.6 million urban and 7.0 million rural dwellers in 2017/18.

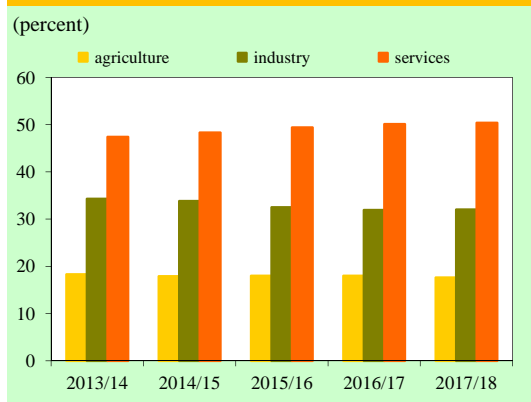
Participation rate reached 40.3 percent in 2017/18, indicating 0.9 percentage point rise compared with 2016/17. Higher increase in the economically active population (3.1 percent) compared to 0.8 percent rise in the population of 10 years old and over led to an increase in participation rate. This variable reached respectively 39.7 and 42.4 percent in urban and rural areas, showing 0.8 and 1.4 percentage points increase, respectively, compared with the year before.

Participation rate for men increased by 0.4 percentage point compared with the year before to reach 64.5 percent in 2017/18. Meanwhile, participation rate for women reached 16.0 percent, up by 1.1 percentage points compared with 2016/17.

### Labor Demand

Comparing employment across various economic sectors indicated that about 23.4 million people were active in industry, agriculture, and services sectors in 2017/18 which, compared with the number of the employed people in 2016/17, showed an increase in the number of available jobs by about 790.6 thousand (3.5 percent). In this year, 452.5, 287.6, and 48.9 thousand<sup>1</sup> job opportunities were created in the services, industry, and agriculture sectors, respectively. Services sector had the highest share in employment by 50.4 percent, followed by industry and agriculture sectors by 32.0 and 17.6 percent, respectively. Accordingly, the share of the services sector in employment rose by 0.3 and that of industry increased by 0.1 percentage points while the share of the agriculture sector declined by 0.4 percentage point compared with 2016/17.

**Figure 8.1. Share of employment by various economic sectors**



Reviewing data on new employment opportunities based on gender indicated that of total 790.6 thousand job opportunities created in 2017/18, about 476.2 thousand

<sup>1</sup> The discrepancy between the sum total and the 790.6 thousand mentioned earlier is due to the jobs created in unspecified fields.

were for men and 314.3 thousand belonged to women. Given the remarkable increase in employment opportunities for women over the past three years, the share of employed women in total employed population has increased from 14.5 percent in 2014/15 to 17.9 percent in 2017/18.

### Unemployment

The unemployed population increased by 0.2 percent in 2017/18 to reach 3.2 million persons. The unemployment rate, however, fell as the employed population experienced a higher rise than the unemployed population. The unemployment rate decreased by 0.3 percentage point in 2017/18 and reached 12.1 percent, with the unemployment rate for women decreasing by 0.9 percentage point to 19.8 percent and that of men falling by 0.3 percentage point to 10.2 percent. Unemployment rate in urban areas was 13.4 percent and in rural areas, 8.2 percent, down by 0.3 and 0.7 percentage points, respectively. Continued drought in recent years, which led to the migration of rural job seekers to cities, has been an important factor behind the higher unemployment rate in urban areas.

### New Loans for Employment Generation

The Central Bank gives instructions for allocation of loans and facilities out of banks' Gharz-al-hasaneh resources to self-employed households and home-based businesses annually. In 2017/18, a sum of Rls. 20,589 billion worth of facilities was allocated to the beneficiaries of State Welfare Organization and Imam Khomeini Relief Foundation for employment generation and Rls. 2,797 billion was extended to home-based businesses. Comparing the disbursed amount with the quota determined by the Central Bank indicated that 68.6 percent of the approved amount (Rls. 30 trillion) for employment

## Chapter 8 LABOR MARKET DEVELOPMENTS AND HUMAN RESOURCE

generation and 35.0 percent of the amount determined to be allocated for home-based businesses (Rls. 8 trillion) was actually realized. The realization rates were lower than respective figures in 2016/17 (90.7 and 73.8 percent), mainly attributable to a noticeable increase in declared quotas in this year as compared with the year before.

The Executive Bylaw on Paragraphs (A) and (B) of Note 18 to the 2017/18 Budget Law specified a sum of Rls. 200 trillion out of the resources of specified agent banks to be allocated to employment generation under the Comprehensive Employment Project, approved by the Resistance Economy Command Headquarters in 2017/18. Despite several technical problems in the execution of this project, including difficulties in accessing the electronic system devised by the Ministry of Cooperatives, Labor, and

Social Welfare and delay in introduction of relevant projects to agent banks, the performance report of this project indicates that by March 2018, over Rls. 1,200 billion worth of facilities was disbursed.

With the ratification of Law on Support for Development of Sustainable Employment in Rural and Nomadic Communities by utilization of the NDFI financial resources in 2017/18, the NDFI was authorized to disburse a sum of \$1,500 million, to be leveraged with banks' resources, on allocating loans and facilities to non-public natural and legal persons residing in villages and towns with a population of less than 10 thousand, with the priority to be given to border areas and nomadic communities. By year-end, 25 percent of NDFI's share in this amount was allocated to agent banks to be disbursed among beneficiaries.

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

	2015/16	2016/17	2017/18	Percentage change <sup>1</sup>	
				2016/17	2017/18
<b>Population of 10 years old and over</b>	<b>64,692</b>	<b>65,385</b>	<b>65,926</b>	<b>1.1</b>	<b>0.8</b>
Economically active	24,701	25,791	26,589	4.4	3.1
Employed	21,972	22,588	23,379	2.8	3.5
Unemployed	2,729	3,203	3,210	17.4	0.2
<b>Participation rate (percent)</b>	<b>38.2</b>	<b>39.4</b>	<b>40.3</b>	<b>1.2</b>	<b>0.9</b>
<b>Unemployment rate (percent)</b>	<b>11.0</b>	<b>12.4</b>	<b>12.1</b>	<b>1.4</b>	<b>-0.3</b>
Urban areas	12.2	13.7	13.4	1.5	-0.3
Rural areas	8.1	8.9	8.2	0.8	-0.7
Men	9.3	10.5	10.2	1.2	-0.3
Women	19.4	20.7	19.8	1.3	-0.9
Youth (15-24 years old)	26.1	29.2	28.4	3.1	-0.8
Urban areas	29.3	32.3	31.9	3.0	-0.4
Rural areas	20.0	22.5	20.7	2.5	-1.8
Youth (15-29 years old)	23.3	25.9	25.3	2.6	-0.6
Urban areas	25.5	28.1	27.6	2.6	-0.5
Rural areas	17.6	19.9	18.6	2.3	-1.3

Source: Statistical Center of Iran (SCI).

<sup>1</sup>Changes in participation rate and unemployment rate are in percentage points.

### Performance of Unemployment Insurance Fund

The number of pensioners benefiting from Unemployment Insurance Fund increased by 1.0 percent in 2017/18 to reach 213.8 thousand. Considering about 3,210.2 thousand unemployed people in 2017/18, the mentioned figure is very low. In this year, 235.3 thousand were added to the pensioners of the Fund. Thus, the number of persons enjoying unemployment benefits in 2017/18 reached 447.1 thousand<sup>1</sup>.

**Table 8.3. Performance of Unemployment Insurance Fund** (person)

	2016/17	2017/18	Percentage change
Beneficiaries	211,770	213,840	1.0
New beneficiaries	224,729	235,291	4.7
Ceased benefits	194,396	217,796	12.0

Source: Social Security Organization (SSO).

The unemployment benefits for 217.8 thousand beneficiaries were cut in 2017/18. This was due to a host of factors, inter alia, reaching maximum period (68.6 percent), reemployment (24.3 percent), and retirement, disability, decease, or absence from vocational-technical classes (7.1 percent).

According to Labor Law, the term of unemployment benefit payment ranges from

a minimum of 6 months to a maximum of 50 months as of the first day of getting unemployed. The value of unemployment benefits paid to each beneficiary in each month was Rls. 2,559.5 thousand in 2017/18, showing 2.8 percent increase compared with 2016/17.

### 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 workers and the salary benchmark index for civil servants annually. According to Article 41 of Labor Law approved in 1990, the Supreme Labor Council is the body in charge of setting the minimum wage for workers. In 2017/18, the minimum nominal monthly wage (covering 30 days) was determined at Rls. 9,299.3 thousand, indicating 14.5 percent increase compared with the year before. Based on the Cabinet approvals, the salary benchmark index for civil servants was set at 1,695 in 2017/18 as compared with 1,541 in 2016/17. This is indicative of 10.0 percent growth which, given the 9.6 percent inflation rate of this year, points to minor growth in wages and salaries in 2017/18, in real terms.

**Table 8.4. Ceased Benefits and Reasons**

		Total ceased benefits	Reaching maximum period	Reemployment	Other
2016/17	Person	<b>194,396</b>	135,883	48,404	10,109
	Share (%)	<b>100.0</b>	69.9	24.9	5.2
2017/18	Person	<b>217,796</b>	149,408	52,924	15,464
	Share (%)	<b>100.0</b>	68.6	24.3	7.1

Source: Social Security Organization (SSO).

<sup>1</sup> The discrepancy is due to the fact that the number of beneficiaries in each year comprises total benefits started in that year plus beneficiaries remaining from the previous year-end.

**Education**

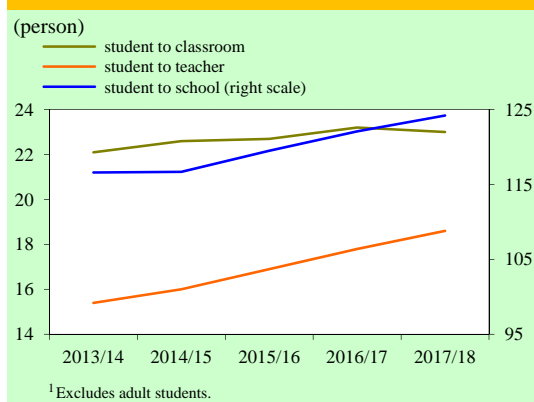
Total number of school age students<sup>1</sup> reached 14.6 million in 2017/18 academic year, up by 3.1 percent compared with the year before. The number of students in primary schools and 1<sup>st</sup> period of middle schools increased by 3.0 and 2.6 percent, respectively. In the 2<sup>nd</sup> period (including vocational-technical schools and skills training centers), the number of students rose by 0.6 percent. About 35.9 percent of male and 20.1 percent of female middle school students (2<sup>nd</sup> period) attended vocational-technical schools and skills training centers, indicating 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 9.2 percent in 2017/18 academic year. In the 2<sup>nd</sup> period of middle schools (private), the number of students experienced 0.6 percent increase, despite the decrease in the number of students at skills training centers and vocational-technical schools. Comparing the developments in the number of students at private primary and middle schools indicated that families were more willing to register their children in private schools in this year. As a result, the share of students at private schools in total increased in primary and 1<sup>st</sup> period of middle schools while in the 2<sup>nd</sup> period, it remained unchanged.

The number of schools and classrooms increased by 1.3 and 3.6 percent to 114.4 thousand and 616.8 thousand, respectively. Meanwhile, the number of teachers reached 764.8 thousand in 2017/18, down by 1.5 percent compared with 2016/17. Therefore, the ratio of student to school (excluding

adult students) rose by 2.1 points from 122.1 in 2016/17 to 124.2 in 2017/18 academic year. The student-teacher ratio grew by 0.8 points to 18.6, mainly due to the fall in the number of teachers and rise in that of students. This ratio was 24.8 in primary schools (including kindergartens) and 15.9 and 10.6 in the 1<sup>st</sup> and 2<sup>nd</sup> periods of middle schools, respectively. The student to classroom ratio decreased by 0.2 points to 23.0.

**Figure 8.2. Education quality indicators in Iran<sup>1</sup>**



**Higher Education**

In 2017/18 academic year, the number of university students (public and private) decreased by 11.2 percent to 3,616.1 thousand. The number of students in all academic fields decreased in this year. It is important to note that the field of education science experienced the highest decrease in the number of students by 15.8 percent, followed by agriculture and veterinary science by 14.1 percent. Reviewing the developments in the

<sup>1</sup> Includes students of preschools, primary schools, 1<sup>st</sup> period of middle schools (junior high schools), 2<sup>nd</sup> period of middle schools (high schools, vocational-technical schools, and skills training centers) as well as adult students.

number of students by gender indicated that the highest fall in the number of male students was related to the field of education

science by 22.6 percent and in the group of female students, to the field of agriculture and veterinary science by 15.6 percent.

**Table 8.5. Number of University Students**

(thousand persons)

	Academic year		Percentage change		Share (percent)	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
<b>Public universities<sup>1</sup></b>	<b>2,533.3</b>	<b>2,289.1</b>	<b>-7.1</b>	<b>-9.6</b>	<b>62.2</b>	<b>63.3</b>
Women	1,240.1	1,124.0	-8.6	-9.4	30.4	31.1
Men	1,293.2	1,165.1	-5.6	-9.9	31.7	32.2
<b>Islamic Azad University</b>	<b>1,540.5</b>	<b>1,327.0</b>	<b>-5.0</b>	<b>-13.9</b>	<b>37.8</b>	<b>36.7</b>
Women	631.5	561.1	-2.2	-11.1	15.5	15.5
Men	909.1	765.8	-6.9	-15.8	22.3	21.2
<b>Total</b>	<b>4,073.8</b>	<b>3,616.1</b>	<b>-6.3</b>	<b>-11.2</b>	<b>100.0</b>	<b>100.0</b>

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

<sup>1</sup> Includes students at universities affiliated to the Ministry of Science, Research, and Technology, Payame Noor University, University of Applied Science and Technology, Farhangian University, Technical and Vocational University, private and nonprofit universities, as well as universities affiliated to the Ministry of Health and Medical Education and other executive organizations.