CHAPTER 9

SOCIAL AFFAIRS AND HOUSEHOLD WELFARE

In 2017/18, household final consumption expenditure rose by 2.5 percent (at constant 2011/12 prices) to Rls. 2,790.7 trillion. About 1.0 percentage point of the 3.8 percent increase in GDE in this year (at market price) was related to the growth in the household final consumption expenditure.

Socioeconomic Characteristics of Households in Urban Areas

Household Budget Survey conducted by the CBI shows that the average number of household members decreased by 1.5 percent from 3.33 in 2016/17 to 3.28 in 2017/18. This was owing to the rise in the share of one- and two-member households and the fall in the shares of four- and five-member households. Households with four and three members had the highest shares of households by 28.9 and 28.5 percent, respectively, in 2017/18. This indicated 0.5 and 0.1 percentage points decline compared with 2016/17.

Distribution of household members by age groups revealed that 23.6 percent of household members in 2017/18 were in the age group of 16-30 years of age. Comparing this share with respective figures in previous years indicated a downward trend. Moreover, 13.6 percent of household members were above 60 years old, indicating a rise of 1.0 percentage point compared with the year before. Over the coming years, the share of this age group in total population is expected to increase.

Reviewing the literacy rate among household members of 6+ years old in 2017/18 revealed that 10.9 percent of household members were illiterate, indicating a slight increase compared with the 10.8 percent of the previous year. The share of the university-educated members in total household members increased from 23.8 percent in 2016/17 to 23.9 percent in 2017/18.

Distribution of households' employed members based on expenditure deciles showed that of total households in the 1st decile, 41.6 percent had no employed members in 2017/18. In the 1st decile, about 1.4 percent of households were with three employed members and more. The mentioned share in the 2nd decile was 1.6 and in the 3rd decile, 2.3 percent. This is indicative of low earnings of the employed members in low-income deciles. Reviewing the characteristics of the high-income deciles revealed that 49.9 percent of the households in the 10th decile had one employed person. Moreover, 9.0 percent of total households with one employed person were in the 10th decile.

A study of the distribution of the employed household members based on the economic activity indicated that the highest share by 22.2 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 21.0 percent, "mining, manufacturing, and utilities" by 18.2 percent, and

"construction" by 14.1 percent. Comparing these shares with the corresponding figures of 2016/17 indicated that the share of the employed household members in "construction" increased while the shares of "wholesale, retail trade, restaurants, and hotels" and "other community, social, and personal services" groups decreased and that of "mining, manufacturing, and utilities" remained unchanged.

The share of households, who are homeowners residing in their owner-occupied dwellings, rose from 64.3 percent in 2016/17 to 64.8 percent in 2017/18. With regard to expenditure deciles, 7.5 percent of households residing in owner-occupied houses were in the 1st decile, 8.5 percent in the 2nd decile, 9.2 percent in the 3rd decile, and 12.2 percent (the highest) in the 10th decile. In this year, 25.9 percent of households were residing in rental houses, down by 0.3 percentage point compared with 2016/17. Of total households in the 1st decile, 34.1 percent were residing in rental houses, up by 1.7 percentage points. Approximately 11.8 percent of households that have access to free housing in exchange for services they render belong to the highest (10th) decile households.

A review of utilities used by urban households in 2017/18 indicated that 99.4 percent of households had access to piped water, 100.0 percent to electricity, 94.5 percent to piped natural gas, and 53.3 percent to sewage system. About 64.1 percent of households had access to internet, up by 13.6 percentage points. Moreover, 49.4 percent of households owned an automobile, 96.6 percent had cell phones, and 61.6 percent were members of social media.

Household Budget Survey

Annual household expenditure (gross)[1] in urban areas increased by 7.2 percent and

amounted to Rls. 421.3 million in 2017/18, at current prices (Rls. 35.1 million monthly). The annual average household expenditure (gross) in urban areas, at constant 2016/17 prices, was Rls. 384.7 million, down by 2.1 percent compared with 2016/17. Comparing the minimum nominal wage (Rls. 9,299 thousand per month) with the nominal monthly expenditure on "food and beverages" group at Rls. 8,261 thousand indicates that in case a household with a minimum wage opts for a consumption level equal to that of the sample urban household or the average society in terms of spending on "food and beverages", it will have to allocate about 88.8 percent of its wage to this group.

The annual average household expenditure in urban areas based on expenditure groups indicates that expenditures on "food and beverages", "restaurants and hotels" and "housing, water, electricity, gas and other fuels" increased by respectively 10.2, 7.5, and 7.1 percent at current prices in 2017/18, the highest compared with other groups. In this year, the share of "food and beverages" group in total household expenditure increased from 22.9 percent in the year before to 23.5 percent in 2017/18, indicating higher household spending on this group compared with 2016/17. As household expenditure on "food and beverages" increased by 10.2 percent at current prices and considering the 13.9 percent increase in the CPI of this group in 2017/18, household expenditure decreased by 3.3 percent in real terms.

The total share of "food and beverages", "housing, water, electricity, gas, and other fuels", and "clothing and footwear" groups was 63.2 percent at current prices, compared with 62.7 percent total share of these groups in 2016/17. This indicates that households have allocated a higher share of their income to essential goods and services in 2017/18. The policies aimed at decreasing the share of households' basic needs in total household

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[1] Excludes expenditure on tax and retirement savings.

expenditures will have a major impact on improving households' welfare index.

(percent, current prices)

others
30.4

housing, water, electricity,
gas and other fuels
35.5

transportation
10.6

food and beverages
23.5
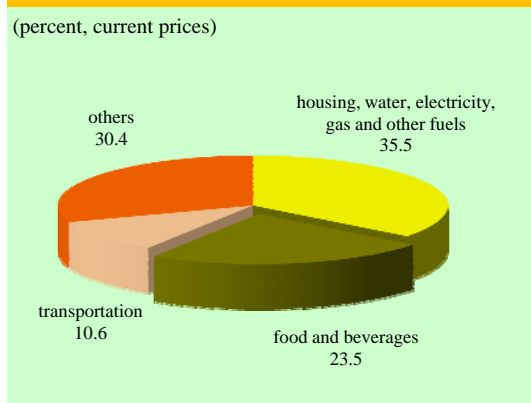
The results of annual household expenditure and income budget survey reveal that, except for tobacco and transportation groups, all other major groups of household expenditure declined in real terms in 2017/18. The highest decreases were related to education by 7.1 percent, health and medical care by 5.0 percent, and recreation and culture by 4.7 percent.

Comparing the inflation rate among various expenditure groups indicates that the highest inflation was related to "food and beverages", "education", and "restaurants and hotels" groups in 2017/18, leading to a decrease in the real expenditure on these groups.

Analysis of Household Expenditure by Deciles

The results of household expenditure survey by various deciles indicated that the ratio of the richest 10 percent of households was 14.0 times that of the poorest 10 percent in 2017/18. This ratio was lower than the respective figure for the year before, which is indicative of a relative improvement in distribution of income in 2017/18.

Table 9.1. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas (at current prices)   (ten thousand rials)

				Percentage change		Share (percent)	
	2015/16	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Food and beverages	8,327.6	8,997.6	9,913.0	8.0	10.2	22.9	23.5
Tobacco	111.8	133.4	138.9	19.3	4.1	0.3	0.3
Clothing and footwear	1,589.7	1,691.4	1,778.4	6.4	5.1	4.3	4.2
Housing, water, electricity, gas and other fuels	12,349.6	13,943.5	14,937.7	12.9	7.1	35.5	35.5
Furniture, furnishings, and household equipment and operation	1,453.6	1,577.7	1,688.7	8.5	7.0	4.0	4.0
Health and medical care	2,054.9	2,315.3	2,420.3	12.7	4.5	5.9	5.7
Transportation	3,603.4	4,185.1	4,464.1	16.1	6.7	10.6	10.6
Communication	748.9	832.2	867.5	11.1	4.2	2.1	2.1
Recreation and culture	694.0	764.9	803.4	10.2	5.0	1.9	1.9
Education	652.4	734.4	759.9	12.6	3.5	1.9	1.8
Restaurants and hotels	740.2	836.8	899.9	13.1	7.5	2.1	2.1
Miscellaneous goods and services	2,938.9	3,288.4	3,459.2	11.9	5.2	8.4	8.2
Total	**35,265.1**	**39,300.6**	**42,130.9**	**11.4**	**7.2**	**100.0**	**100.0**

The average household expenditure in the 10th decile was 3.1 times that of the average household expenditure in urban areas at current prices in 2017/18. On the contrary, the average household expenditure in the 1st decile was only 0.2 times that of the average household expenditure in urban areas in nominal terms. Average household expenditure in the 1st to the 7th deciles is lower than the average household expenditure in urban areas. Gross household expenditure in all deciles decreased in real terms compared with 2016/17. The highest decreases were related to the 10th, 5th, and 9th deciles, respectively.

Table 9.2. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas (at constant 2016/17 prices)   (ten thousand rials)

	2015/16	2016/17	2017/18	Percentage change		Share in growth (percent)	
				2016/17	2017/18	2016/17	2017/18
Food and beverages	9,009.3	8,997.6	8,704.5	-0.1	-3.3	*	-0.7
Tobacco	123.0	133.4	134.7	8.4	1.0	*	*
Clothing and footwear	1,694.8	1,691.4	1,686.9	-0.2	-0.3	*	*
Housing, water, electricity, gas and other fuels	13,522.7	13,943.5	13,817.3	3.1	-0.9	1.1	-0.3
Furniture, furnishings, and household equipment and operation	1,528.5	1,577.7	1,561.6	3.2	-1.0	0.1	*
Health and medical care	2,398.8	2,315.3	2,198.9	-3.5	-5.0	-0.2	-0.3
Transportation	3,858.0	4,185.1	4,190.3	8.5	0.1	0.9	*
Communication	775.1	832.2	818.9	7.4	-1.6	0.1	*
Recreation and culture	753.9	764.9	729.1	1.5	-4.7	*	-0.1
Education	756.8	734.4	682.6	-3.0	-7.1	-0.1	-0.1
Restaurants and hotels	810.1	836.8	808.6	3.3	-3.4	0.1	-0.1
Miscellaneous goods and services	3,224.3	3,288.4	3,140.5	2.0	-4.5	0.2	-0.4
Total [1]	**38,455.3**	**39,300.6**	**38,474.0**	**2.2**	**-2.1**	**2.2**	**-2.1**

[1] Total is calculated based on total real expenditures of expenditure groups. This is due to changes in the share of expenditure groups at constant 2016/17 prices.

Table 9.3. Comparison of Growth in Household Gross Expenditure in Urban Areas with Inflation for Different Expenditure Groups in 2017/18   (percent)

	Growth in household gross expenditure at current prices	Inflation	Growth in household gross expenditure in real terms
Food and beverages	10.2	13.9	-3.3
Tobacco	4.1	3.1	1.0
Clothing and footwear	5.1	5.4	-0.3
Housing, water, electricity, gas and other fuels	7.1	8.1	-0.9
Furniture, furnishings, and household equipment and operation	7.0	8.1	-1.0
Health and medical care	4.5	10.1	-5.0
Transportation	6.7	6.5	0.1
Communication	4.2	5.9	-1.6
Recreation and culture	5.0	10.2	-4.7
Education	3.5	11.3	-7.1
Restaurants and hotels	7.5	11.3	-3.4
Miscellaneous goods and services	5.2	10.2	-4.5
Total	**7.2**	**9.6**	**-2.1**

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 1st and 2nd deciles, the collective shares of these two groups were respectively 77.8 and 71.9 percent in total household expenditure. Given the higher rate of rental houses for lower deciles compared to other deciles, 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 Tehran Province accounted for the highest expenditure in 2017/18 while Lorestan Province accounted for the lowest expenditure at both current and constant 2016/17 prices. The average expenditure of a household in Tehran was 2.9 times that of a household in Lorestan at both current and constant 2016/17 prices. This is indicative of

higher income inequality among different provinces compared to the corresponding figure of the year before (2.8 times).

In 2017/18, the highest number of household members (4.1 persons) belonged to Sistan and Baluchestan Province and the lowest by 2.9 persons, to Gilan. Considering the household size, the highest expenditure per capita, at current and constant prices, belonged to Tehran and the lowest was related to Hormozgan Province.

Figure 9.2. Comparison of average household expenditure in urban areas with different deciles of urban households in 2017/18

(million rials)

■ gross expenditure in deciles (current prices)
— average expenditure of urban areas
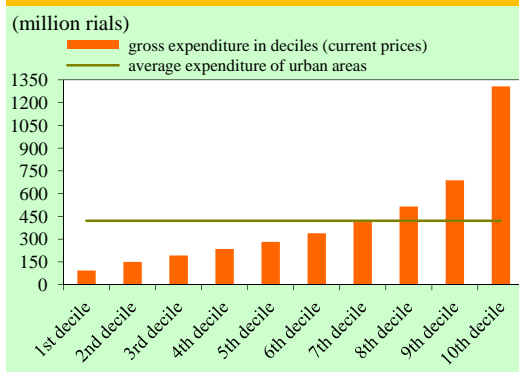
Table 9.4. Household Gross Expenditure by Income Deciles in Urban Areas
(at current and constant 2016/17 prices)   (ten thousand rials)

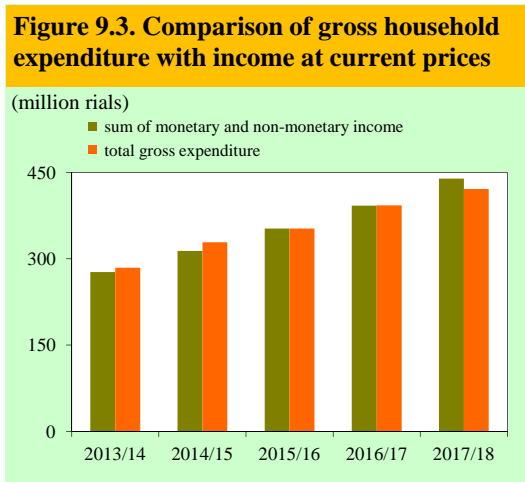|	1st decile	2nd decile	3rd decile	4th decile	5th decile	6th decile	7th decile	8th decile	9th decile	10th decile
Gross expenditure (current prices)										
2016/17	8,598	13,864	17,765	21,790	26,266	31,305	38,014	47,760	64,019	123,633
2017/18	9,292	15,020	19,242	23,532	28,209	33,857	41,252	51,438	68,807	130,666
Growth in gross expenditure (current prices) (percent)	8.1	8.3	8.3	8.0	7.4	8.2	8.5	7.7	7.5	5.7
Growth in real terms (percent)[1]	-1.4	-1.2	-1.2	-1.4	-2.0	-1.3	-0.9	-1.8	-1.9	-3.5

[1] Calculated based on inflation by expenditure deciles and not comparable with the average household expenditure.

Household Income

In 2017/18, gross average household income (monetary and non-monetary income) rose by 12.0 percent compared with the year before and amounted to Rls. 439.3 million (Rls. 36.6 million monthly). Out of the mentioned amount, 70.6 percent was monetary and 29.4 percent non-monetary income. The major portion of the non-monetary income was related to the "imputed rental value of owner-occupied dwellings" in 2017/18, affected by the fluctuations of the housing market without necessarily bringing cash income to households.

The comparison of average income and expenditure of a representative household at respectively Rls. 439.3 million and Rls. 421.3 million in 2017/18 (at current prices) indicates

that the representative households had positive nominal savings in this year.

Figure 9.3. Comparison of gross household expenditure with income at current prices

(million rials)
- ■ sum of monetary and non-monetary income
- ■ total gross expenditure

Table 9.5. Decomposition of Expenditure Groups by Deciles in Urban Areas in 2017/18   (percent)
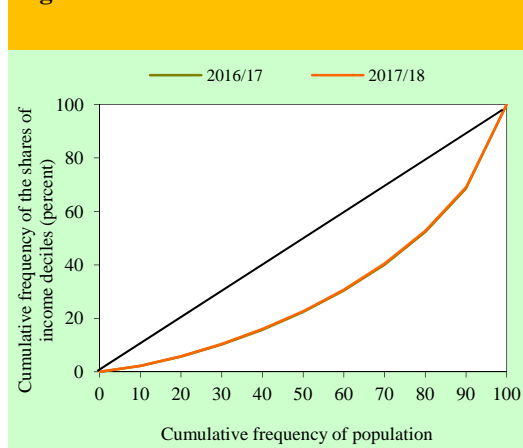
	1st decile	2nd decile	3rd decile	4th decile	5th decile	6th decile	7th decile	8th decile	9th decile	10th decile	Average share
Food and beverages	27.8	28.3	28.6	28.4	28.8	27.6	27.4	25.7	23.6	16.7	23.5
Tobacco	1.2	0.7	0.7	0.5	0.5	0.4	0.3	0.3	0.2	0.1	0.3
Clothing and footwear	1.5	2.3	2.6	3.2	3.2	3.9	4.4	4.5	4.5	5.0	4.2
Housing, water, electricity, gas and other fuels	50.0	43.6	40.7	39.3	36.7	34.8	32.8	32.5	32.1	35.7	35.5
Furniture, furnishings and household equipment and operation	1.7	2.2	2.5	2.8	2.8	3.7	4.0	4.3	4.3	4.9	4.0
Health and medical care	3.9	4.8	4.9	4.6	5.2	5.7	5.8	5.6	5.8	6.5	5.7
Transportation	4.1	5.4	5.7	6.6	7.4	7.4	8.4	9.2	11.9	15.1	10.6
Communication	2.8	2.7	2.7	2.6	2.5	2.5	2.4	2.1	2.0	1.5	2.1
Recreation and culture	0.7	1.1	1.3	1.3	1.3	1.5	1.8	1.9	2.2	2.4	1.9
Education	0.5	1.0	1.3	1.3	1.4	1.5	1.8	1.9	2.1	2.1	1.8
Restaurants and hotels	0.7	0.8	1.1	1.3	1.4	1.8	1.9	2.6	2.5	2.6	2.1
Miscellaneous goods and services	5.2	7.1	8.0	8.1	8.9	9.1	9.0	9.3	8.7	7.3	8.2

Measurement and Analysis of Income Inequality

Gini coefficient decreased by 0.9 percent and reached 0.4008 in 2017/18. The ratio of the income of the richest 10 percent of households decreased from 14.4 times that of the poorest 10 percent in 2016/17 to 14.0 times in 2017/18. The share of the 20 percent of high-income households decreased by 0.4 percentage point from 47.8 percent in 2016/17 to 47.4 percent in 2017/18. A review of the shares of income deciles in total income indicates that the shares of the 2nd, 3rd, 4th, and 7th deciles increased, the share of the 10th decile decreased, and shares of the remaining deciles remained unchanged. Therefore, income distribution in 2017/18 was in favor of the low- and middle-income, but not the high-income groups.

Table 9.6. Income Inequality Metrics in Urban Areas

	2016/17	2017/18
Gini coefficient	0.4046	0.4008
Share of 40 percent of low-income households (percent)	15.8	15.9
Share of 40 percent of middle-income households (percent)	36.5	36.7
Share of 20 percent of high-income households (percent)	47.8	47.4
Ratio of richest 10 percent to poorest 10 percent of households (times)	14.4	14.0

Source: CBI.

Social Security

Non-contributory Coverage

In 2017/18, the number of people covered by Imam Khomeini Relief Foundation totaled 2,795 thousand, down by 6.8 percent (204 thousand persons) compared with the year before. The foundation's new approach focusing on empowerment rather than mere financial support played a pivotal role in this

reduction. The provided grants decreased by 15.4 percent compared with 2016/17, at constant 2016/17 prices.

Figure 9.4. Lorenz Curve

Contributory Coverage

Social Security Organization, Iran Health Insurance Organization[1], as well as some independent Funds are responsible for the provision of contributory insurance in Iran. In 2017/18, total number of people covered by Social Security Organization and Iran Health Insurance Organization increased by 4.8 percent to about 83.5 million persons. This indicates that some citizens are under the insurance coverage of several organizations with the aim of benefitting from more than one retirement funds. The design of special

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[1] Based on Article 38 of the 5th FYDP Law, Iran Health Insurance Organization, taking over all the duties of the Medical Services Insurance Organization, was established in 2012/13 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.

electronic systems and issuance of insurance policies based on national codes are expected to solve the mentioned statistical errors.

The Social Security Organization (SSO) insures workers and employees, who are subject to the Labor Law, through obligatory partnership plans. This organization insures the self-employed parties through contracts. In 2017/18, the number of the main insured parties reached 14.0 million persons, showing 1.5 percent increase compared with 2016/17.

The total number of the main and dependent insured parties as well as pensioners under the coverage of the Social Security Organization rose 2.3 percent to 42.4 million in 2017/18, of whom 6.1 million were pensioners and the remaining received insurance services. The number of the retired people under the coverage of this organization increased by 8.4 percent to reach 1,767.2 thousand.

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 2017/18, the number of those insured by this organization came to 41.1 million persons, of whom 19.3 million were under the coverage of Rural Dwellers' Fund, 14.6 million were insured under the Public Health Insurance Law, 5.5 million were covered by the Staff Fund, and the remaining were under the coverage of Iranian Insurance Project and "Others"[1].

Rural Dwellers' Social Insurance

According to the Structural Rules of the Comprehensive System of Welfare and Social Security, Rural Dwellers' Social 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 1,880 in 2017/18, indicating 46.3 percent decrease compared with the respective figure of the year before (3,500). In 2017/18, the amount approved to be contributed by the government to Rural Dwellers' Social Insurance Fund increased by 12.0 percent to Rls. 4,590 billion, 75.3 percent of which was actually allocated.

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

	2016/17	2017/18	Percentage change
Main insured (thousand)	1,509.0	1,636.4	8.4
Brokerage firms	3,500	1,880	-46.3

Source: Rural Dwellers' Social Insurance Fund.

Human Development Indices[2]

Human Development Index (HDI) in Iran

Based on the 2018 Human Development Report (HDR) published for the United Nations Development Program (UNDP), Iran, with an HDI value of 0.798, ranked 60 among 189 countries in 2017. As of the beginning of United Nations Development Program and HDR publication in 1990, most countries have registered significant human development. The average HDI in 59 countries enjoying very high human development was 0.894 in 2017, indicating an improvement compared with 0.892 in 2016. Average world HDI was 0.728 in 2017, up by 0.002 points compared with 2016. 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

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[1] Due to revisions in reporting structures, data for 2017/18 are not comparable with the year before.

[2] Based on the 2018 Human Development Report (HDR).

HDI values between 0.700 and 0.800 are the countries with high human development. Norway had the highest HDI value of 0.953 and Iran was ranked among countries with high human development in 2017.

Selected Human Development Indices

Based on the 2018 Report, life expectancy at birth was 77.3 years for women and 75.1 years for men in 2017, which is higher than the average figure for the countries under study (74.4 and 70.1 years, respectively).

Gender Inequality Index (GII) contains three dimensions of reproductive health, em-powerment, 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 experience unequal distribution of human development. This measure ranges

from 0, which indicates that there is the least extent of gender inequality between men and women, to 1 which is indicative of the highest gender inequality. Based on HDR of 2018, the Gender Inequality Index (GII) of 2017 was 0.461 which, in comparison with the same index in the year before (0.459), indicates the worsening of gender inequality dimensions in the said year. Iran ranked 109 in 2017 in GII among 160 countries whose data were available. Switzerland and Denmark ranked respectively 1st and 2nd in 2017 in GII. This indicates that these two countries had the lowest gender inequality in 2017. Another index referred to in the 2018 Human Development Report is the percentage of women holding seats in the national parliament. In 2017, the share of parliamentary seats held by Iranian women remained unchanged at 5.9 percent. This index was 14.6, 25.3, 27.4, 19.7, 19.9, and 31.5 percent in Turkey, Iraq, Afghanistan, the USA, Saudi Arabia, and Germany, respectively, in 2017.

Table 9.8. Iran's HDI Value

	2000	2010	2015	2016	2017	Annual average growth rate (percent)	
						2000-2010	2010-2017
HDI	0.670	0.755	0.789	0.796	0.798	1.20	0.79

Source: The 2018 Human Development Report.