

The decline in fertility rate in recent years reduced population growth. Changes in population structure during the past three decades brought about additional demand for education, health and, the most important of all, employment of the youth. Social affairs merited special attention during the past years. This was observed in improvement of educational, health and income distribution indices. Rapidly growing supply of labor force called for taking certain measures by the government such as utilization of administered funds, extending facilities through the OSF and extending facilities to the SMEs. These initiatives led to increasing demand for labor force and reduction in the rate of unemployment.

Population and Labor Force

Total population grew by 1.4 percent to reach 68.6 million persons, down by 0.1 percentage point compared with the previous year. Gender ratio of population (the number of male per 100 female) remained relatively unchanged at 103 during the course of 1379-1384. Therefore, 50.7 percent were male and 49.3 percent female. Of total population, 67 percent dwelled in urban and 33 percent in rural areas. This shows 2.2 percent rise in urban and 0.3 percent decrease in rural population. One of the reasons for rapid urban growth was migration from rural to urban areas in search of better jobs and higher incomes.

Population under 15 years of age reached 18.9 million persons. Youth coefficient (the ratio of population under 15 years to total population) was 27.6 percent. However, although this figure indicated a sharp fall as compared with 33.3 percent in 1379, the first year of the 3rd FYDP, in general it shows the youth population boom.

With the large baby boom cohorts of the 1360s reaching their youth period (over 15 years of age), the share of population age group of 15-29 rose. The most important consequence of these developments was increased social requirements of this age group in terms of education and employment. Moreover, increase in the number of this age group raises the fertility rate, thus resulting in population growth in the coming years. This population age pyramid is mostly affected by the baby boom of the first decade in the post-revolutionary era and reduction of the mortality rate.

Active population grew by 3.5 percent to 22.3 million persons. The baby boom of the 1360s affected current labor market.

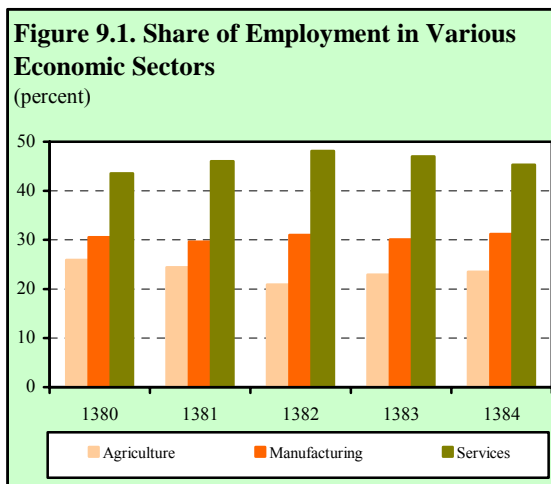
POPULATION AGE STRUCTURE

| | (percent) | | |
|-----------------------------|--------------|--------------|--------------|
| Age groups | 1382 | 1383 | 1384 |
| Young population (under 15) | 29.7 | 28.6 | 27.6 |
| Population (15-64) | 65.6 | 66.7 | 67.7 |
| Old population (over 64) | 4.7 | 4.7 | 4.7 |
| Total | 100.0 | 100.0 | 100.0 |

Source: Management and Planning Organization

Labor Market

Data released by the Statistical Center of Iran (SCI) points to the 10.9⁽¹⁾ percent rate of unemployment in the month of Aban 1384, up by 0.6 percentage point compared with the previous year. This rate was 11.9 percent for the month of Ordibehesht 1384, which declined to 10.9 percent in summer and autumn and again increased by 1.2 percentage points to 12.1 percent in winter. Moreover, unemployment rate among male population grew from 9.0 percent in Aban 1383 to 9.4 percent in Aban 1384 and, among female population, decreased to 16.7 percent in Aban 1384, against 17.8 percent in Aban 1383, showing a fall of 1.1 percentage points. The high unemployment rate among female population during the recent years was mainly attributable to the rise in potentially-active population and rate of women's participation in socioeconomic activities on the one hand and the incongruity between the huge number of job seekers and the availability of jobs on the other. Unemployment rates in urban and rural areas reached 14.6 and 7.2 percent, respectively, in the month of Ordibehesht 1384.



According to the SCI, of total employed population, 23.5 percent were employed in agriculture, 31.2 percent in manufacturing, and 45.3 percent in services sectors. Shares of these sectors in total employed population were 22.9, 30.1, and 47.0 percent, respectively, in 1384, showing a rise in agriculture and manufacturing and a fall in services sectors.

Major Job Creation Policies

Allocation of Directed Credits

Review of directed credits (approved and actual) extended in 1384 reveals that Rls. 1,202 billion out of the total Rls. 2.4 trillion credits were earmarked to be extended as job creation facilities, of which Rls. 227 billion (18.9 percent) was approved. Agent banks extended Rls. 212 billion to the approved projects.

Allocation of Administered Funds

The credits extended to productive sectors in the form of administered funds were envisaged in the Budget Law for 1384 as of the beginning of the 3rd FYDP. These credits are mainly utilized to finance job creation projects, or to invest in economic, social, and cultural activities in various parts of private and cooperative sectors.

In accordance with the Budget Law for 1384, a sum of Rls. 4.5 trillion as administered funds was allocated to be extended in the form of banking facilities to investment projects for creating jobs in productive, services, and private sectors as well as self-employment projects

(1) Since the SCI conducted the "Household Employment and Unemployment Characteristics Survey" only in Q1 and Q3, 1383, the unemployment rate was based on the comparison of the findings resulted from the survey conducted in the month of Aban (the 2nd month of Q3) 1383 and 1384.

giving priority to women as the heads of the households. Out of total administered funds for job creation projects, Rls. 1,138.2 billion was deposited by the Management and Planning Organization to banks. Banks approved Rls. 267.6 billion and extended Rls. 921.8 billion facilities for implementation of the mentioned projects which led to creation of about 4 thousand new jobs.

Approval of the By-Law for Expansion of SMEs

In line with one of its major initiatives to reduce unemployment, the government approved a by-law for supporting expansion of Small and Medium Enterprises (SMEs) to achieve the following objectives:

- Just distribution of resources, especially in the deprived regions;
- Just distribution of resources among different groups of society, especially the deprived;
- Increasing output and non-oil exports;
- Strengthening economic activities;
- Increasing efficiency of banking facilities;
- Enhancing entrepreneurship and job creation.

According to Article 3 of this by-law, the Central Bank takes necessary measures to channel banking facilities according to the following shares to the SMEs during 1384-88, as shown in table below:

| SHARE OF SMEs IN THE FACILITIES EXTENDED BY BANKS | | | | | |
|--|------|------|------|------|------|
| Year | 1384 | 1385 | 1386 | 1387 | 1388 |
| Percent | 20 | 35 | 50 | 50 | 50 |

Utilization of Oil Stabilization Fund (OSF)

The Oil Stabilization Fund (OSF) was utilized to support productive activities aiming at creating new job opportunities. On the basis of the performance of banks in extending facilities by the end of 1384, the total value of approved projects benefiting from these facilities amounted to \$12,715 million, and value of contracts concluded totaled \$8,551 million.

Support Fund for Job Opportunities

According to the Budget Law for 1384, Rls. 300 billion was added to the Support Fund for Creation of Job Opportunities to be extended to SMEs and self-employed projects. In this year, Rls. 425 billion was paid as facilities to 11,189 persons.

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from Unemployment Insurance Fund, with 5.5 percent reduction compared with the preceding year, reached 126,178 persons by 1384 year-end.

Salary and Wage

In order to preserve purchasing power, welfare and job security, the High Council of Employment, as the body in charge of setting the minimum monthly wage, determined the minimum nominal monthly wage at Rls. 1,266,784, up by 18.8 percent as compared with 1383.

Considering the 12.1 percent inflation rate in 1384, the minimum real monthly wage indicated 6 percent rise. The salary coefficient of government employees increased from 350 in 1383 to 380 in 1384 as well, which, with considering 3-5 percent annual rise, pointed to 11.6-14.6 percent increase in total salary of government employees.

Income Distribution

The income share of poorest 10 percent and richest 10 percent of households in urban areas constituted 2.1 and 30.8 percent of total national income, respectively in 1384. In this year, the share of the first decile remained relatively unchanged, while that of the tenth decile grew by 1.7 percent compared with the preceding year.

Therefore, the share of richest 10 percent to poorest 10 percent reached 14.7 times, showing 2.1 percent growth compared with 14.4 times in the previous year. This, together with increase in Gini coefficient by 0.4 percent to 0.4010, indicates deterioration in income distribution in urban areas during the review period.

INCOME DISTRIBUTION INEQUALITY INDEX IN URBAN AREAS

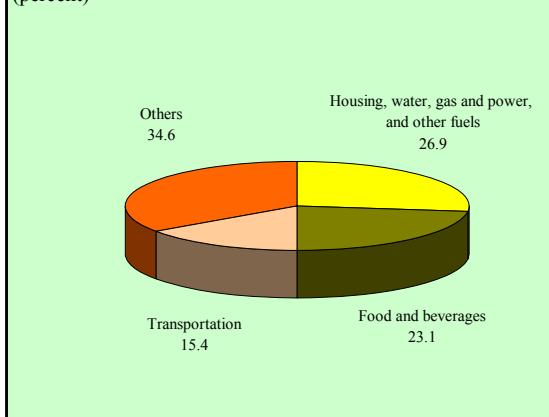
| | 1382 | 1383 | 1384 |
|---|--------|--------|--------|
| Gini coefficient | 0.4156 | 0.3996 | 0.4010 |
| Share of 40 percent of low-income households (percent) | 15.05 | 15.83 | 15.76 |
| Share of 40 percent of medium-income households (percent) | 36.54 | 37.07 | 36.86 |
| Share of 20 percent of high-income households (percent) | 48.42 | 47.10 | 47.38 |
| Ratio of richest 10 percent to poorest 10 percent of households | 16.0 | 14.4 | 14.7 |

Household Budget in Urban Areas

In 1384, the household budget survey was conducted in 75 cities and on 6,677 sample households. The upshot is as follows:

The gross expenditures of each urban household went up by 13.9 percent per annum to Rls. 68,735 thousand (Rls. 5,728 thousand monthly). Given the inflation rate of 12.1 percent, real gross expenditures per capita rose by 1.8 percent on average per annum. Of total gross expenditures, 26.9 percent was related to "housing, water, gas and power, and other fuels", 23.1 percent to "food and beverages", and 15.4 percent to "transportation" groups indicating 14.6, 6.2, and 16.6 percent growth, respectively, as compared with the previous year.

Figure 9.2. Share of Expenditure Groups in 1384 (percent)



Review of the average gross expenditures of each urban household on annual basis shows that Tehran Province, with Rls. 89,699 thousand (Rls. 7,475 thousand monthly), had the highest and Hormozgan Province, with Rls. 47,112 thousand (Rls. 3,926 thousand monthly), the lowest share in total expenditures.

Chapter 9 SOCIAL AFFAIRS

The income of an urban household (comprising monetary and non-monetary) amounted to Rls. 66,517 thousand (gross) or Rls. 5,543 thousand monthly, up by 19.5 percent. Cash income as well as the income in-kind constituted 76.4 and 23.6 percent of this amount, respectively, showing 21.9 and 12.3 percent rise, compared with the preceding year. Furthermore, roughly 18.4 percent of total income belonged to the rental value of owner-occupied houses.

Education

Literacy rate among the age group of 6 years and over rose by 0.6 percentage point to 87.1 percent in 1384. This ratio among the age group of 6-29 years stood at 97 percent, up by 0.5 percentage point. In the review year, enrollment rate among the age group of 6-14 years in various areas edged up to 96.5 percent.

The downward trend of population growth led to a decrease in the total number of students at various educational levels to 15.4 million persons in the academic year of 1384/85, indicating a fall of 2.5 percent as compared with 1383. Review of the total number of students at various educational levels points to a reduction in the number of students at primary schools, junior high schools and high schools by 3.2, 5.2 and 0.7 percent, respectively, when compared with the year before.

Educational indices of “student to school”, “student to classroom”, and “student to teacher” improved in this year, owing largely to reduction in the number of students and increase in the number of teachers.

EDUCATION QUALITY INDICES

| | Academic year | |
|----------------------|---------------|---------|
| | 1383/84 | 1384/85 |
| Student to school | 111.9 | 106.2 |
| Student to classroom | 24.2 | 23.6 |
| Student to teacher | 17.3 | 16.7 |

Source: Ministry of Education

Higher Education

The total number of students (public universities and Islamic Azad University) fell from 2,452.8 thousand to 2,388.6 thousand

LITERACY RATE IN THE POPULATION AGED SIX YEARS AND OVER

| | (percent) | | |
|-------|-----------|-------------|-----------------|
| | Total | Urban areas | Rural areas (1) |
| 1383▲ | 86.5 | 89.0 | 82.0 |
| 1384 | 87.1 | 92.8 | 78.0 |

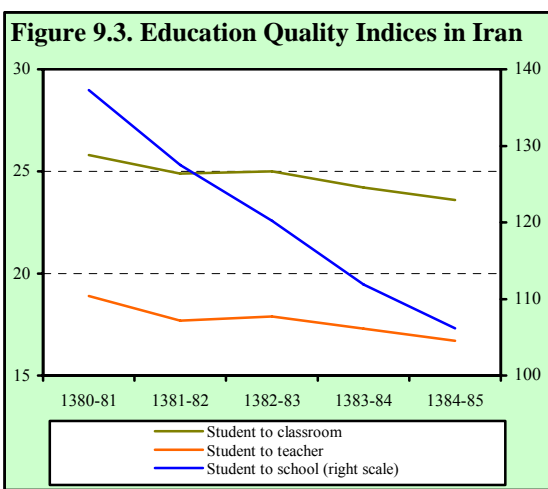
Source: Management and Planning Organization

(1) Includes unsettled population.

ENROLLMENT AND LITERACY RATES

| | (percent) | |
|-------------------------------------|-------------|-------------|
| | 1383▲ | 1384 |
| Enrollment rate (6-14 years) | | |
| Urban areas | 98.6 | 98.7 |
| Rural areas | 91.2 | 91.5 |
| Total | 96.3 | 96.5 |
| Literacy rate (6-29 years) | | |
| Urban areas | 98.1 | 98.5 |
| Rural areas | 93.0 | 93.8 |
| Total | 96.5 | 97.0 |

Source: Management and Planning Organization



persons. The number of public university and Payam-e-Noor students, with 12 percent decrease, reached 1,191 thousand and the number of students at Islamic Azad University reached 1,198 thousand persons, up by 9 percent. The total number of male students rose by 1.1 percent to 1,157.0 thousand and the total number of female students fell by 5.9 percent to 1,232.0 thousand persons.

| | NUMBER OF UNIVERSITY STUDENTS | | | | | | (person) |
|--|-------------------------------|------------------|-------------------|--------------|-----------------|--------------|----------|
| | Academic year | | Percentage change | | Share (percent) | | |
| | 1383/84 | 1384/85 | 1383/84 | 1384/85 | 1383/84 | 1384/85 | |
| Public universities and higher education institutes | 1,354,279 | 1,191,048 | 46.6 | -12.0 | 55.2 | 49.9 | |
| Female | 778,643 | 656,847 | 57.8 | -15.6 | 31.7 | 27.5 | |
| Male | 575,636 | 534,201 | 33.7 | -7.2 | 23.5 | 22.4 | |
| Islamic Azad University | 1,098,491 | 1,197,521 | 13.5 | 9.0 | 44.8 | 50.1 | |
| Female | 529,993 | 574,815 | 10.1 | 8.5 | 21.6 | 24.1 | |
| Male | 568,498 | 622,706 | 16.8 | 9.5 | 23.2 | 26.0 | |
| Total | 2,452,770 | 2,388,569 | 29.6 | -2.6 | 100.0 | 100.0 | |

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

Health and Medical Care

According to the data published by the Medical Council, the number of physicians, dentists, and pharmacists went up by 6.3, 8.1, and 4.5 percent to 90,538, 18,088, and 12,584 persons, respectively, in the review year. The ratio of population to physician, dentist, and pharmacist reached 758, 3,792, and 5,450 persons, respectively, signifying the improvement of health indices.

Social Security

Contributory Coverage

The Social Security Organization (SSO) insures workers and employees subject to the Labor Act through obligatory partnership plans and the self-employed through contracts. The number of main insured grew by 3.9 percent to 7,437.8 thousand persons in 1384. Of this figure, 85.6 percent were active in manufacturing establishments and roughly 1.7 percent, or 127 thousand persons, were unemployed and benefited from unemployment insurance, 6,528 persons less than last year. The remaining 12.7 percent were optionally insured, self-employed, truck drivers, and employees in the insurance sector.

In the review year, of total number of main insured, 11.9 percent were related to public and 88.1 percent to non-public sector and 8.8 percent were female and 91.2 percent male. The number of retired main pensioners grew by 12.8 percent to 629.6 thousand and disabled main pensioners reached 75.8 thousand persons, up by 3.8 percent.

Medical Services Insurance Organization, affiliated to the Ministry of Health and Medical Education, extends health insurance coverage to the government employees and their dependents, villagers and self-employees.

The total number of insured by the Medical Services Insurance Organization decreased by 4.6 percent to 37,176 thousand persons in 1384, comprising 54.2 percent of total population.

Non-contributory Coverage

The total number of people covered by the Imam Khomeini Relief Committee declined by 1.2 percent to 5,905 thousand persons. Of this figure 1,768 thousand were ad hoc recipients.

**NUMBER OF PEOPLE COVERED BY IMAM KHOMEINI RELIEF COMMITTEE
AND GRANTS PROVIDED**

| | 1382 | 1383 | 1384 | Percentage change | |
|---|---------|----------|----------|-------------------|------|
| | | | | 1383 | 1384 |
| Total number of people (thousand persons) | 6,030 | 5,976 | 5,905 | -0.9 | -1.2 |
| Amount of grants (billion rials) | 6,082.4 | 10,100.1 | 12,597.6 | 66.1 | 24.7 |

Source: Imam Khomeini Relief Committee

Human Development and Poverty Indices

Human Development Index (HDI)

The Human Development Index is a summary measure of human development that is published by the United Nations Development Program (UNDP). This index ranks nations according to their citizens' quality of life. The criteria for calculating rankings include life expectancy, education and GDP per capita. It is used to distinguish whether the country is a developed, a developing, or a less-developed country. Human Development Report has been published since 1990 by the UNDP.

IRAN'S HDI VALUE DURING 1975-2004

| Year | 1975 | 1980 | 1985 | 1990 | 1995 | 2000 | 2003 | 2004 | Annual average growth rate (percent) |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------------------------|
| Index | 0.567 | 0.571 | 0.612 | 0.651 | 0.695 | 0.723 | 0.736 | 0.746 | 0.95 |

Source: Human Development Report, 2006

The above table indicates the changes in Iran's HDI value during 1975-2004 with an average annual growth of 0.95 percent. This indicates an improvement in human development values from relatively low HDI to a relatively better performance on HDI during three decades.

Iran is ranked 99th in the 2006 Human Development Report among 177 countries, with an HDI score value of 0.736 in 2003. It was improved to 96 in 2004, with an HDI score value of 0.746. This shows 1.4 percent growth. In 2004, Norway and Niger ranked first and last, with HDI score values of 0.965 and 0.311, respectively.

COMPARISON OF IRAN'S HDI WITH OTHER COUNTRIES

| Average in countries with an HDI level of | | | Average of HDI level in | |
|---|--------|-------|-------------------------|-------|
| High | Medium | Low | World | Iran |
| 0.923 | 0.701 | 0.427 | 0.741 | 0.746 |

Source: UNDP, Human Development Report, 2006

The HDI composite index indicates that the adjusted GDP per capita (in Purchasing Power Parity terms in US\$) trended upward from 0.70 in 2002 to 0.71 and 0.72 in 2003 and 2004. It is worth mentioning that according to Human Development Report, 2006, GDP per capita (PPP in US\$) equaled \$7,525, of which \$4,122 was registered for female and \$10,830 for male.

The education index measures a country's relative achievement regarding adult literacy and combined gross enrollment in primary, secondary and tertiary education. This index was 0.74 for

2002 and 2003 and moved up to 0.75 in 2004. Adult literacy rate and combined gross enrollment in primary, secondary and tertiary education were 0.77 and 0.72, respectively in 2004.

The life expectancy index stood at 0.75 in 2002 which was improved to 0.76 in 2003 and 2004. With this index being relatively unchanged during the course of 2003 and 2004, increase in HDI in 2004 as compared to 2003 could be attributable to the rise in GDP index (PPP US\$) and the education index.

COMPONENTS OF IRAN'S HDI DURING RECENT YEARS

| Year | GDP per capita | Education | Life Expectancy |
|------|----------------|-----------|-----------------|
| 2002 | 0.70 | 0.74 | 0.75 |
| 2003 | 0.71 | 0.74 | 0.76 |
| 2004 | 0.72 | 0.75 | 0.76 |

Source: UNDP, Human Development Report, 2006

Human Poverty Index

The Human Poverty Index (HPI), as the Human Development Index (HDI), provides a composite measure of three dimensions of human development: living a long and healthy life, having access to education, and a decent standard of living. The HPI measures severe deprivation in health by the proportion of people who are not expected to survive age 40. Education is measured by the adult literacy rate. A decent standard of living is measured by the unweighted average of people without access to an improved water source and the proportion of children under age 5 who are underweight for their age. The HPI value for Iran, 16.4, ranks 35th among 102 developing countries for which the index has been calculated. Among the developing countries, Uruguay and Mali, with HPI scores of respectively 3.3 and 60.2, ranked first and last.