

Among major developments in the area of social affairs in 1386, the relative reduction of unemployment rate, rise in the number of university students, and improvement in health and medical care are to be named. The unemployment rate was lowered in 1386 due to a host of factors; inter alia, easier allocation of bank facilities and OSF sources to private sector and the SMEs projects, rise in demand for labor force, increase in the number of university students and fall in population participation rate. Government initiatives for improving the health and medical care in this year include implementation of the family physician project, facilitation of the rural dwellers' social insurance project, rise in the allowances of the pensioners of support organizations, and increase in the allowances of civil pensioners.

Population and Labor Force

Iran's total population grew by 1.5 percent in 1386, indicating a fall of 0.1 percentage point compared with the corresponding figure of the previous year. Gender ratio (the number of male per 100 female) was 103. Therefore, 50.9 percent of the population were male and 49.1 percent were female.

Of total population, 69.3 percent dwelled in urban and 30.7 percent in rural areas. A review of migration trends reveals that during 1375-85, over 12 million people migrated. Distribution of migrant population based on

incentives for migration indicates that 18.9 percent of migrating population moved for employment reasons. During the contemporary period, the general trend of migration has followed village-to-city and small-to-large cities patterns, mostly targeting industrial regions.

Based on the data released by the National Organization for Civil Registration, total number of births recorded in the review year was 1,286.7 thousand, up by 2.6 percent compared with the year before. Of this figure, 51 percent were boys and the remaining girls. Meanwhile, 67.8 percent of total births were related to urban areas and 32.2 percent to rural areas. Gender ratio (the number of male per 100 female) was 104.7, indicating a reduction compared with the previous year. Growth in the number of births is due to the fact that young population is growing and reaching fertility age.

According to the Statistical Center of Iran (SCI), active population reached 23.6 million persons in 1386. The baby boom of 1360s affected the current labor market.

Number of Births and Deaths

(thousand persons)

	1384	1385	1386	Percentage change	
				1385	1386
Births	1,239.4	1,253.9	1,286.7	1.2	2.6
Deaths	363.7	408.6	412.7	12.3	1.0

Source: National Organization for Civil Registration

Labor Market

Labor market is a major area for government policy making as it encompasses supply and demand for labor force, which has a major impact on unemployment rate in the economy. Rise in the number of university graduates, gender imbalance in the labor market, increase in female participation rate, presence of senior citizens and adolescents in the labor market, inappropriate distribution of facilities in urban and rural areas, inefficiency of productive investment, and low productivity of the labor force and capital are among major challenges the labor market deals with. Therefore, lowering unemployment rate calls for adoption of efficient policies and implementation of structural reforms. In order to balance supply of and demand for labor force, certain initiatives such as increase in investment and production, stabilization in macroeconomic policy, revision of some rules and regulations governing the labor market, increase in the skill of the labor force, and creating new opportunities for women need to be taken.

According to the International Labor Organization (ILO), the population age group

of 10 years and over is regarded as labor force supply. Labor force supply is affected by this age group and labor force participation. In 1386, the population age group of 10 years and over grew by an annual average rate of 2.0 percent to 59,280 thousand. Participation rate fell by 1.5 percent to 39.8 percent. In this year, active population was 23,579 thousand, indicating 0.4 percent increase when compared with the respective figure of the previous year (23,484 thousand). Reduction in participation rate, in tandem with lower supply of labor force (0.4 percent supply against 1.2 percent demand for labor force), reduced the number of the unemployed. Thus, the total number of the unemployed decreased from 2,643 thousand in 1385 to 2,486 thousand in 1386, and unemployment rate trended downward from 11.3 percent in 1385 to 10.5 percent in 1386.

According to the SCI, unemployment rate was 10.5 percent in 1386, indicating 0.8 percentage point fall compared with the year before. This rate was 9.3 percent for male and 15.8 percent for female, showing 0.7 and 0.4 percentage point reduction, respectively, compared with the corresponding figures of the previous year.

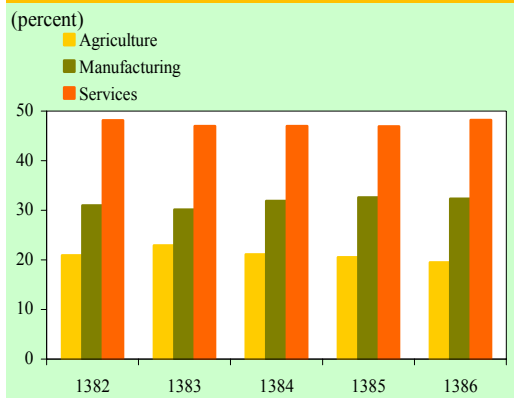
Population and Labor Market Developments
(thousand persons-percent)

	1384▲	1385▲	1386	Percentage change ⁽¹⁾ ○	
				1385	1386
Population 10 years & over (estimated)	56,813	58,129	59,280	2.3	2.0
Active population	23,293	23,484	23,579	0.8	0.4
Employed population	20,615	20,836	21,089	1.1	1.2
Unemployed population	2,675	2,643	2,486	-1.2	-5.9
Participation rate	41.0	40.4	39.8	-1.5	-1.5
Unemployment rate	11.5	11.3	10.5	-0.2	-0.8
Urban areas	13.8	13.4	12.5	-0.4	-0.9
Rural areas	7.1	7.1	6.6	0	-0.5
Male	10.0	10.0	9.3	0	-0.7
Female	17.1	16.2	15.8	-0.9	-0.4

Source: Statistical Center of Iran (SCI)

(1) Figures related to unemployment rate are in percentage point.

Figure 8.1. Share of employment in various economic sectors



Review of unemployment rate in urban and rural areas indicates that the unemployment rate in urban areas was 12.5 percent and in rural areas, 6.6 percent, down by respectively 0.9 and 0.5 percentage point compared with the preceding year.

According to the SCI, of total employed population, 22.8 percent were active in agriculture, 32.1 percent in manufacturing, and 45.1 percent in services sector. Shares of these sectors in total employed population were 23.2, 31.7, and 45.1 percent, respectively, showing a decrease in agriculture, an increase in manufacturing, and no significant change in the services sector. Increase in the share of the manufacturing sector and stability in the services sector are mainly attributable to the implementation of job creation projects through the SMEs.

Allocation of Facilities for Employment Creation

As of 1384, payment of facilities in the form of the Notes to the Budget laws for 1380 and 1381 (including administered funds and payment of subsidy on profit and commission) came to a halt. However, according to Note 2, Budget Law for 1384, job creation

facilities were paid out of this source. Moreover, with the approval of the SMEs project by the government in 1384, employment creation facilities were paid by banks to this project. In 1386, financial resources for employment creation out of the above-mentioned as well as the OSF indicated growth compared with the year before.

Facilities Extended by Banks to SMEs

Based on the executive bylaw for supporting the expansion of SMEs, by the end of 1386, Rls. 573,913.8 billion projects were referred to banks, of which Rls. 263,149 billion were approved. Of total Rls. 197,961.5 billion concluded contracts, 45.3 percent were related to enterprises with less than 10 employees and 54.7 percent to enterprises with 10 to 49 employees. Total facilities paid out of this source amounted to Rls. 168,819.9 billion by the end of 1386. Among various economic sectors, manufacturing and mining, with 49.2 percent, had the highest share in receiving these facilities. A comparison of the balance of the mentioned account and the outstanding debts in 1386 with end-1385 reveals that Rls. 94,556.6 billion facilities were extended which will create 693,364 job opportunities in case of operation of these projects.

Performance of Facilities Subject of Executive Bylaw of Note 2, Budget Law for 1384

(billion rials)

	Year-end		Change	Percentage change
	1385	1386	1386	1386
Credit ceiling for contracts concluded out of banks' domestic resources	7,795.9	7,929.3	133.4	1.7
Funds disbursed to banks' accounts	926.0	1,181.3	255.3	27.6
Amount of contracts concluded out of banks' domestic resources	2,076.0	2,899.1	823.1	39.6

Facilities Extended to the SMEs (billion rials)

	Year-end balance		Change in outstanding	Percentage change
	1385	1386	1386	1386
Quota dispatched by the CBI	247,680	397,680	150,000	60.6
Approved projects	134,741.6	263,149.0	128,407	95.3
Concluded contracts	87,560.0	197,961.5	110,402	126.1
Projected job opportunities (person)	765,405	1,458,769	693,364	90.6
Extended facilities	74,263.3	168,819.9	94,556.6	127.3

Utilization of Oil Stabilization Fund (OSF)

Over the past couple of years, OSF facilities were excessively utilized for government job creation programs. Based on the data related to the performance of facilities extended by banks, in 1386, banks approved \$3,586 million projects to be financed out of the OSF and concluded \$3,710 million contracts, indicating 57.1 and 249.7 percent increase, respectively. This was mainly due to the spike in oil prices and foreign exchange revenues.

OSF Performance (million dollars)

	1384	1385	1386	Percentage change	
				1385	1386
Approved projects	2,458	2,282	3,586	-7.2	57.1
Concluded contracts	1,677	1,061	3,710	-36.7	249.7

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from Unemployment Insurance Fund was 148,914 persons in 1386, indicating 0.8 percent fall compared with the previous year. In this year, 116,898 members were added to the pensioners of this Fund that, including ceased benefits, brought the total number of pensioners to 267,081 persons.

The performance of this Fund also reveals that 86.5 percent of beneficiaries were male and the remainder female. Meanwhile, 84 percent of beneficiaries were married and 16 percent single.

Distribution of Unemployment Benefit Program in 1386

	Total ceased benefits	Reaching the maximum term	Reemployment	Other
Person	118,167	76,809	34,268	7,090
Share (percent)	100.0	65.0	29.0	6.0

Source: Social Security Organization (SSO)

Performance of the Unemployment Insurance Fund

			Percentage change
	1385	1386	1386
Beneficiaries	150,183	148,914	-0.8
New pensioners	127,204	116,898	-8.0
Ceased benefits	103,199	118,167	5.0

Source: Social Security Organization (SSO)

Salary and Wage

A minimum nominal wage policy is usually adopted by the governments to protect low-skilled labor force and social justice programs in the economy. Accordingly, the Iranian government sets the minimum wage for the workers and the salary coefficient for

the civil servants annually. Based on Article 41 of the Labor Act approved in 1369, the High Council of Employment is the body in charge of setting the minimum wage for workers. In 1386, the minimum nominal monthly wage was determined at Rls. 1,830,000, up by 22 percent compared with the previous year. Considering the 18.4 percent inflation rate for 1386, the minimum real monthly wage rose by 3.1 percent. Meanwhile, based on the Cabinet approval, the salary coefficient of civil servants increased from 430 in 1385 to 454 in the review year, pointing to 3 to 5 percent annual increase and 8.6 to 10.6 percent increase in total salary of civil servants.

Income Distribution

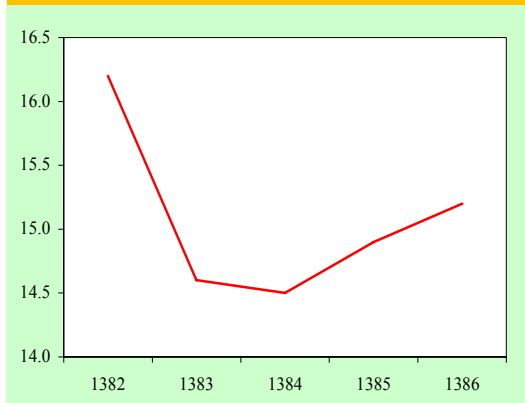
In 1386, income distribution indices indicated intensified inequalities in a way that the income share of the poorest 10 percent of households and richest 10 percent constituted 2 and 30.6 percent of national income, respectively. The share of the poorest 10 percent of households remained relatively unchanged and that of the richest 10 percent increased by 1.7 percent, pointing to distribution of wealth in favor of wealthy groups. Gini coefficient advanced 1.0 percent to 0.4045. Moreover, the share of the richest 10 percent to poorest 10 percent of households increased from 14.9 times in 1385 to 15.2 times in 1386, up by 0.3 percentage point compared with the previous year. In spite of adoption of policies conducive to better income equalities, price increase disproportionalities intensified inequalities, mostly favoring wealthy groups.

Household Budget in Urban Areas

In 1386, the household budget survey was conducted on 6,700 urban households. The average number of people per household was 3.95, indicating a slight decrease compared with the previous year. Households with 4 members had the highest share by 28.6 percent and those with 10 members and more accounted for the lowest share by 0.5 percent.

In the review year, annual average gross expenditure of an urban household was Rls. 101,298 thousand (Rls. 8,442 thousand monthly), up by 27.1 percent compared with the previous year. This includes the rental equivalence of owner-occupied houses, taxes, and retirement benefits. Of the mentioned amount, the highest share by 31.1 percent belonged to "housing, water, electricity, gas, and other fuels", followed by "food and beverages" and "transportation", with 22.8 and 12.0 percent shares, respectively.

Figure 8.2. Ratio of the share of 10th to 1st decile expenditures



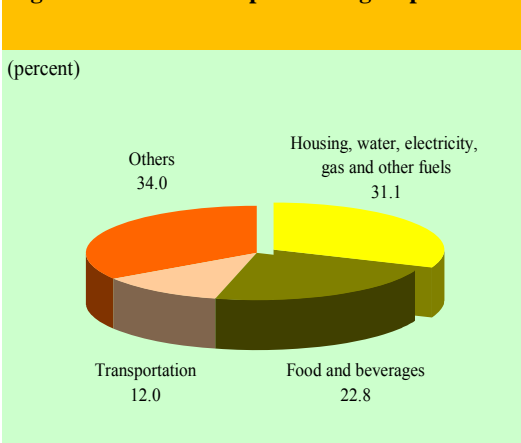
Income Distribution Inequality Indices in Urban Areas

	1384	1385	1386
Gini coefficient	0.4023	0.4004	0.4045
Share of 40 percent of low-income households (percent)	15.8	15.6	15.4
Share of 40 percent of medium-income households (percent)	36.9	37.5	37.4
Share of 20 percent of high-income households (percent)	47.4	46.8	47.2
Ratio of richest 10 percent to poorest 10 percent of households	14.5	14.9	15.2

A review of utility facilities used by urban households indicates that 98.9 percent of households had access to piped water, 99.8 percent to electricity, 88.5 percent to piped gas, 28.4 percent to sewage system, and 92.2 percent to telephone.

In the review year, gross income of an urban household (monetary and non-monetary) amounted to Rls. 96,764 thousand (Rls. 8,064 thousand monthly), indicating a rise of 24.8 percent compared with the previous year. Of this amount, 71.2 percent was cash income and 28.8 percent income in-kind.

Figure 8.3. Share of expenditure groups in 1386



Education

In 1386/87 academic year, total number of students in high schools and pre-university centers, including non-regular (night-time) curriculum adult students, amounted to 4.4 million. Of this figure, 4 million were taking the regular (daytime) curriculum. Shares of female students in high schools and pre-university centers (daytime curriculum) were 48.5 and 62.9 percent, respectively. In the mentioned academic year, despite a reduction in the total number of students (public and private schools), the share of private school students in total students increased by 6.8 percent.

Total number of students ⁽¹⁾, in conformance with the downward trend of population, has been decreasing in recent years and reached 14.4 million in 1386/87 academic year. This indicates 3.3 percent fall compared with the preceding year. Accordingly, the number of students in elementary schools declined by 1.8 percent, in junior high schools 5.9 percent, and in high schools 3.4 percent.

In 1386, literacy rate among the age group of 6 years and over rose by 0.5 percentage point to 85.6 percent. Among the age group of 6-29 years, this rate was 95.5 percent, down by 0.3 percentage point compared with the previous year. Enrollment rate in the age group of 6-14 years remained virtually unchanged at 95.3 percent.

In the academic year of 1386/87, educational indices of "student to school" and "student to teacher" fell, largely owing to the reduction in the number of students. "Student to classroom" index remained relatively unchanged.

Enrollment and Literacy Rates

	(percent)	
	1385 ▲	1386
Enrollment rate (6-14 years)		
Urban areas	99.5	100.3
Rural areas	87.8	86.4
Total	95.3	95.3
Literacy rate (6-29 years)		
Urban areas	97.3	96.8
Rural areas	92.7	92.9
Total	95.8	95.5

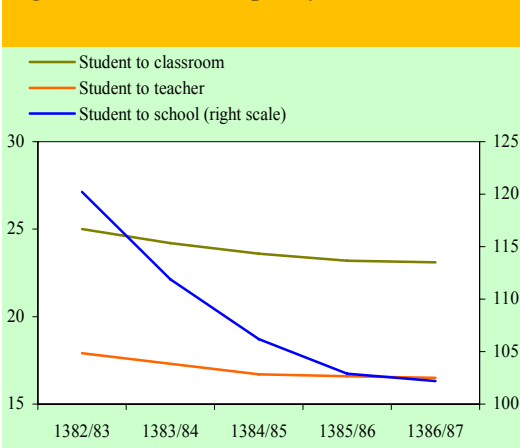
Source: President Deputy for Strategic Planning and Control

Literacy Rate in the Population Aged Six Years and Over

	(percent)		
	Total	Urban areas	Rural areas
1385 ▲	85.1	89.4	75.6
1386	85.6	89.9	77.2

Source: President Deputy for Strategic Planning and Control

(1) Includes students of preschool centers, elementary schools, junior high schools, high schools, pre-university centers, teacher training centers, and adult students. Of this figure, 462 thousand students are adults, down by 3.7 percent compared with the previous year.

Figure 8.4. Education quality indices in Iran

Higher Education

The total number of students (public universities and Islamic Azad University) increased from 2,828.5 thousand to 4,694.4 thousand persons. The number of students at public universities and Payame Noor University surged by 120.4 percent to 3,391.8 thousand and the number of students at Islamic Azad University edged up by 1.0 percent to 1,302.6 thousand. Meanwhile, the number of male and female students increased by 98.3 and 36.6 percent, respectively, to 2,670 and 2,024 thousand persons.

Health and Medical Care

According to the data drawn by the Medical Council, in 1386, the number of

physicians, dentists, and pharmacists rose by 5.5, 9.9, and 5.1 percent to 95,000, 19,500, and 13,500 persons, respectively. The ratio of population to physician reached 753, dentist 3,668, and pharmacist 5,299 persons.

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.

In 1386, the number of main insured rose by 12.4 percent to 8,442.5 thousand persons, of whom 88.2 percent were insured through obligatory partnership and 1.7 percent were optionally insured. Drivers and self-employed, unemployed, and special insured accounted for 10.1 percent of total insured, mainly attributable to the increase in the number of optionally-insured and drivers. Media programs and public awareness communication policies have increased the tendency of households to benefit from the services of the Social Security Organization.

In the review year, the number of people insured by the Social Security Organization edged up by 0.2 percent to 27.8 million. Of this figure, 3.4 million were pensioners and the remaining were employed.

Number of University Students

(person)

	Academic year		Percentage change		Share (percent)	
	1385/86	1386/87	1385/86	1386/87	1385/86	1386/87
Public universities and higher education institutes⁽¹⁾	1,538,874	3,391,852	29.2	120.4	54.4	72.3
Male	650,075	1,935,633	21.7	197.8	23.0	41.3
Female	888,799	1,456,219	35.3	63.8	31.4	31.0
Islamic Azad University	1,289,637	1,302,569	7.7	1.0	45.6	27.7
Male	696,199	734,619	11.8	5.5	24.6	15.6
Female	593,438	567,950	3.2	-4.3	21.0	12.1
Total	2,828,511	4,694,421	18.4	66.0	100.0	100.0

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

(1) Includes students at Payame Noor University.

Meanwhile, 8.4 million were main insured and 16 million, dependents. The ratio of dependents to main insured among the employed was 1.9. In fact, every main insured individual covers about two other members; therefore, the average number of insured people per household was 3 persons.

The number of retired people under the coverage of the Social Security Organization amounted to 759.9 thousand, up by 10.8 percent compared with the previous year. This trend will be intensified after the ratification and implementation of the prior to contractual due date retirement bill.

Medical Services Insurance Organization, affiliated to the Ministry of Welfare and Social Security, extends health insurance coverage to civil servants and their dependents, rural dwellers, and the self-employed. In the review year, the number of the insured by this organization grew by 5.8 percent to 39,392 thousand persons, constituting 55.1 percent of total population.

Non-contributory Coverage

The total number of people covered by the Imam Khomeini Relief Foundation increased by 8.5 percent to 7,711 thousand persons. Of this figure, 2,965 thousand were ad hoc recipients. The grants provided by this foundation increased by 29.5 percent and

Number of People Covered by Imam Khomeini Relief Foundation and Grants Provided

				Percentage change	
	1384	1385	1386	1385	1386
Total number of people (thousand persons)	5,905	7,109	7,711	20.4	8.5
Amount of grants (billion rials)	12,597.6	18,388.2	23,814	46.0	29.5

Source: Imam Khomeini Relief Foundation

amounted to Rls. 23,814 billion. The average amount of grants paid to each recipient was Rls. 257.4 thousand, up by 19.4 percent compared with the previous year. Of particular note is that, the minimum pension for the recipients of support organizations in 1386 was set at Rls. 250 thousand and the maximum at Rls. 500 thousand per month.

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.

A review of the trend of the human development index during 1980-2006 indicates an improvement in human development values in Iran from relatively low HDI to a relatively better performance on HDI during three decades.

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
0.901	0.690	0.444	0.747	0.777

Source: UNDP, Human Development Report, 2008

Based on 2008 Human Development Report, Iran's HDI score value was 0.777 in 2006, indicating 1.0 percent growth compared with 2005. Based on this index, Iran's

Iran's HDI Value during 1980-2006

Year	1980	1985	1990	1995	2000	2003	2004	2005	2006	Percentage change	
										2005	2006
Index	0.559	0.618	0.671	0.711	0.735	0.746	0.754	0.770	0.777	2.1	1.0

Source: Human Development Report, 2008

ranking was 94 among 177 countries in 2005, which was improved to 84 among 179 countries in 2006.

A review of the components of Human Development Index indicates that GDP per capita (in Purchasing Power Parity terms in US\$) trended upward from 0.72 in 2004 to 0.73 and 0.77 in 2005 and 2006, respectively. According to 2008 Human Development Report, GDP per capita (PPP in US\$) equaled \$10,031 in 2006.

The education index reached 0.80 in 2006, indicating a negligible growth compared with the previous year. This was mainly attributable to a reduction in the number of students in elementary, junior high, and high

schools in spite of an increase in literacy rate and the number of university students.

The life expectancy index rose to 0.76 in 2006, mainly due to the implementation of health projects in rural and deprived regions.

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 literacy rate for the age of 15 and over. A decent standard of living is measured by the unweighted average of people without access to an improved water source and health and medical care services and the proportion of children under age 5 who are underweight for their age. According to 2008 Human Development Report, the HPI value for Iran was 12.0 for 2006, showing a relative improvement compared with the previous year.

Components of Iran's HDI during Recent Years

Year	GDP per capita	Education	Life Expectancy
2004	0.72	0.75	0.76
2005	0.73	0.79	0.75
2006	0.77	0.80	0.76

Source: UNDP, Human Development Report, 2008