

In 1387, unemployment rate declined by 0.1 percentage point to 10.4 percent; however, the rise in youth unemployment was a major concern for government in this year. Banks' loans and facilities were restricted for SMEs as banks' overdue loans and doubtful assets increased. The combination of lower facilities to SMEs, lower investment growth, decline in foreign investment, in particular for oil and gas sector, and the drought were the major factors behind lower job creation in 1387.

Population and Human Resource

Iran's total population grew by 1.5 percent in 1387 to 72.6 million, remaining relatively unchanged compared with the corresponding figure of the previous year. Gender ratio (the number of male per 100 female) was 103. Therefore, 50.8 percent of the population were male and 49.2 percent were female.

The rate of urbanization rose from 69.3 percent in 1386 to 70.2 percent in the review year. The increase in urbanization rate was due to natural growth of city population, positive net migration to cities, change in city boundaries, and transformation of rural areas into urban. The high speed of urbanization in Iran is also due to improvements in economic and social performance and rapid industrialization.

Imbalanced concentration of population over the recent years is a result of a number

of factors, inter alia, establishment of industries in the suburbs, expansion of governmental organizations (both civil and military), development of the banking system, concentration of major investments in cities, especially Tehran, and lack of inclination for investment in other regions.

A review of migration trends reveals that during 1375-85, over 12 million people migrated, of whom 97 percent were internal migrants. Of the total internal population migration, 54 percent migrated from city to city, 20 percent village to city, 9 percent village to village, and 17 percent city to village. Approximately 41 percent of migration was interprovincial and 59 percent intra-provincial. During the review period, Tehran Province had the highest annual migration (net) by 5.2 percent. Distribution of migrant population based on incentives for migration indicates that 18.9 percent of migrating population moved for employment reasons. A major economic implication of migration is the wage differential among migrants and urban workers which creates a kind of dualism in the labor market.

Based on data released by the National Organization for Civil Registration, total number of births recorded in the review year was 1.3 million, up by 1.0 percent compared with the year before. Growth in the number of births is due to the fact that young population is growing and reaching fertility age. Of total number of births, 51 percent

were boys and the remaining girls. Meanwhile, 68.8 percent of total births were related to urban areas and 31.2 percent to rural areas.

Vital Statistics

(thousand persons)

	1385	1386	1387	Percentage change	
				1386	1387
Births	1,253.9	1,286.7	1,300.2	2.6	1.0
Deaths	408.6	412.7	417.8	1.0	1.2

Source: National Organization for Civil Registration

Labor Market

Labor market, as one of the four major marketplaces in the national economy¹, has an important impact on the attainment of general equilibrium in the economy through balancing the forces of supply and demand for labor force which raises employment and economic growth and lowers inflation. High rate of unemployment among the youth, gender imbalance in the labor market, large difference between the unemployment rate of women with that of men, and imbalance of the unemployment rate between provinces are among major challenges that 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 of prices, revision of some rules and regulations governing the labor market, increase in the skill of the labor force, and creation of new opportunities for women need to be taken.

¹The other three include money market, capital market, and goods and services market.

Labor Supply

Labor supply is the availability of human resources in a particular labor market with a determined wage rate, the amount of which is affected by population as well as economic and social variables. The population of 10 years and over indicates the potential labor force and the active population indicates the active labor force. In 1387, the population of 10 years and over was estimated at 60.3 million, up by 1.8 percent compared with the previous year. Studies show that the active population fell by 687 thousand compared with 1386. According to the population age structure, the active population is expected to rise in the coming years, as a large number of students who are currently among the inactive population graduate from school.

Another factor that affects the changes in labor force supply is the rate of participation. Rise in the rate of participation indicates increase in the active population and decrease in the inactive population. Increased willingness among the young population for higher education, housewives' willingness for housekeeping activities and the unwillingness of the unemployed to seek a job has led a large portion of the population to become inactive which in turn affects the changes in the rate of participation. The rate of participation was 38 percent in 1387, showing a fall of 1.8 percentage points compared with the year before.

Labor Demand

Labor demand is the willingness of employers and entrepreneurs to attract and employ labor force and workers at a certain level of nominal wage. The employers'

expected profit at current level of market prices and the production capacity proportionate to technological advancements of companies and firms, have got a lot to do with employers' willingness to absorb new labor force.

A review of employment by economic sectors reveals that 20.5 million persons were active in manufacturing, agriculture, and services sectors in 1387, down by 2.8 percent compared with the previous year. This shows that the number of newcomers in the market does not match the number of the retired or disabled labor force. Implementing "prior to the contractual due date retirement bill" has contributed to the lowering of unemployment. In order to attain the targets envisaged in the 4th Plan and given the fact that 700 to 800 thousand newcomers enter the labor market annually, investments should be made for creating new employment opportunities.

Population and Labor Market Developments
(thousand persons-percent)

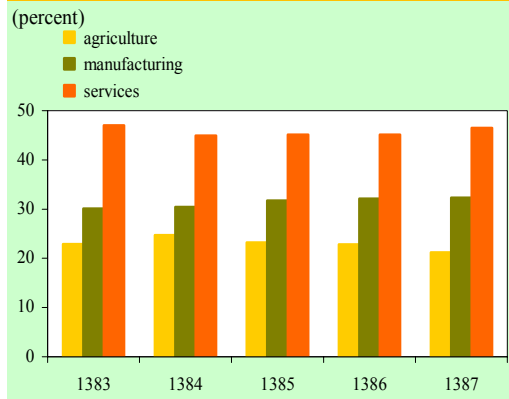
	1385▲	1386▲	1387	Percentage change ¹	
				1386	1387
Population 10 years & over (estimated)	58,142	59,254	60,300	1.9	1.8
Active population	23,484	23,579	22,892	0.4	-2.9
Employed population	20,841	21,093	20,500	1.2	-2.8
Unemployed population	2,643	2,486	2,392	-5.9	-3.8
Participation rate	40.4	39.8	38.0	-0.6	-1.8
Unemployment rate	11.3	10.5	10.4	-0.8	-0.1
Urban areas	13.4	12.5	12.0	-0.9	-0.5
Rural areas	7.1	6.6	7.2	-0.5	0.6
Male	10.0	9.3	9.1	-0.7	-0.2
Female	16.2	15.8	16.7	-0.4	0.9
Youth (15-24 years)	23.5	22.3	23.0	-1.2	0.7
Urban	29.2	27.6	27.4	-1.6	-0.2
Rural	14.0	13.3	15.3	-0.7	2.0
Youth (15-29 years)	20.8	20.0	20.4	-0.8	0.4
Urban	24.9	23.8	23.4	-1.1	-0.4
Rural	13.0	12.5	14.1	-0.5	1.6

Source: Statistical Center of Iran (SCI)

¹ Figures related to participation rate and unemployment rate are in percentage point.

In 1387, of total employed population, 21.2 percent were active in agriculture, 32.2 percent in manufacturing, and 46.5 percent in services sector. Compared with the previous year, share of the agriculture sector, mainly due to the drought of 1386, decreased and shares of manufacturing and services sectors, because of the implementation of employment creation projects through the SMEs, slightly increased.

Figure 8.1. Share of employment in various economic sectors



Unemployment

According to the Statistical Center of Iran (SCI), unemployment rate was 10.4 percent in 1387, indicating 0.1 percentage point fall compared with the year before. This rate was 9.1 percent for male and 16.7 percent for female, showing 0.2 percentage point reduction for male and 0.9 percentage point rise for female, compared with the corresponding figures of the previous year. This indicates that unemployment is more serious for women than men. Given the large number of university graduates at high levels of education and the entering of the 1355-65 baby boom generation into the labor market, it is expected that the unemployment rate of this group will further increase.

Review of unemployment rate in urban and rural areas indicates that the unemployment rate in urban areas was 12.0 percent and in rural areas, 7.2 percent, indicating 0.5 percentage point fall in urban and 0.6 percentage point rise in rural areas, compared with the preceding year.

Comparing the unemployment rates of age groups of 15-24 and 15-29 years in urban and rural areas shows that the unemployment rate of urban areas is higher than that of rural areas. This is attributable to the migration of young people from villages to cities.

Allocation of Facilities for Employment Creation

In 1387, financial resources for employment creation out of the Budget Law for 1384 and SMEs project, as well as the OSF, registered minimal growth. Government adoption of stabilization policies aimed at curbing inflation, in tandem with reduction of foreign exchange revenues in the aftermath of the fall in international oil prices in the second half of the year, led to the low performance of facilities extended for employment creation.

Facilities Extended by Banks to SMEs

Based on the executive by-law for supporting the expansion of SMEs, by the

end of 1387, Rls. 602.8 trillion projects were referred to banks, of which Rls. 281.7 trillion were approved. Of total Rls. 235.3 trillion concluded contracts, 42.7 percent were related to enterprises with less than 10 employees and 57.3 percent to enterprises with 10 to 49 employees. In case of implementation of projects, total projected job opportunities based on concluded contracts is 1,627.2 thousand persons. Moreover, outstanding facilities extended by banks amounted to Rls. 207.5 trillion by end-1387, with each employment opportunity enjoying Rls. 127.5 million. Among various economic sectors, manufacturing and mining, with 51.3 percent, had the highest share in receiving these facilities.

A review of the performance of facilities extended to SMEs reveals that the value of referred, approved, and concluded contracts indicated lower growth in Esfand 1387 compared with the respective month of the previous year; therefore, change in the outstanding facilities paid at end-1387 fell by more than 50 percent compared with the same period previous year. Insufficiency of banking system resources, banks' large indebtedness to the Central Bank, and the postponement of the extension of part of facilities have led to a reduction in the paid facilities. Moreover, by end-1387, Rls. 6,678.6 billion facilities were overdue and Rls. 5,328.6 billion non-performing.

Performance of Facilities Extended to SMEs by end-1387 (billion rials)

	Share allocated by the CBI	Projects referred to banks	Approved projects	Concluded contracts	Projected job opportunities based on concluded contracts (person)	Outstanding facilities	Financing of concluded contracts (percent)
Commercial banks	387,146.0	522,589.8	240,275.5	199,182.3	1,236,334.2	174,734.3	87.7
Specialized banks	80,534.0	80,236.1	41,397.8	36,077.2	390,844.0	32,794.0	90.9
Total	467,680.0	602,825.9	281,673.3	235,259.5	1,627,178.2	207,528.3	88.2

Facilities Extended to SMEs

(billion rials)

	Year-end balance			Change in outstanding		Percentage change	
	1385	1386	1387	1386	1387	1386	1387
Share allocated by the CBI	247,680.0	397,680.0	467,680.0	150,000.0	70,000.0	60.6	17.6
Projects referred to banks	326,025.0	573,913.8	602,825.9	247,888.8	28,912.1	76.0	5.0
Approved projects	134,741.6	263,149.0	281,673.3	128,407.4	18,524.3	95.3	7.0
Concluded contracts	87,560.6	197,961.5	235,259.5	110,400.9	37,298.0	126.1	18.8
Projected job opportunities based on concluded contracts (person)	765,405.0	1,458,769.0	1,627,178.2	693,364.0	168,409.2	90.6	11.5
Extended facilities	74,264.4	168,819.9	207,528.3	94,555.5	38,708.4	127.3	22.9
Overdue debts	46.4	1,911.3	6,678.6	1,874.9	4,767.4	▣	249.4
Non-performing loans	6.2	264.5	5,328.6	258.3	5,064.2	▣	▣

Utilization of Oil Stabilization Fund (OSF)

Following reduction in foreign exchange revenues, facilities extended from the OSF were reduced. Therefore, \$3,590 million facilities were approved to be financed from the OSF, based on which \$966 million contracts were concluded, showing respectively 0.1 percent increase and 74.0 percent decrease compared with the previous year. Decline in the amount of facilities extended from the OSF was mainly due to the government withdrawals from the OSF for settlement of accounts with Iran Power Generation, Transmission, and Distribution Management Company (TAVANIR) and National Iranian Gas Company (NIGC) as well as compensation for the losses incurred from drought. Outstanding facilities extended by banks and the Credit Institution for Development, out of the OSF, were \$8,630 million, down by 12.2 percent compared with the previous year.

OSF Performance

(million dollars)

	1385	1386	1387	Percentage change	
				1386	1387
Approved projects	2,282	3,586	3,590	57.2	0.1
Concluded contracts	1,061	3,710	966	249.7	-74.0
Outstanding foreign exchange facilities	..	9,826	8,630	0	-12.2

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from Unemployment Insurance Fund was 153,350 persons in 1387, indicating 3.0 percent growth compared with the previous year. In this year, 127,919 members were added to the pensioners of this Fund, indicating 9.0 percent increase compared with the previous year.

The performance of Unemployment Insurance Fund indicates that 83 percent of fund beneficiaries were male and 17 percent were female. Meanwhile, 86 percent of unemployment insurance recipients were married at the time of insurance receipt. According to Labor Act, payment of unemployment benefit ranges from a minimum of 6 months to a maximum of 50 months after the first day of unemployment.

Distribution of Unemployment Benefit Program

		Total ceased benefits	Reaching maximum term	Reemployment	Other
		1386	Person	118,167	76,809
	Share (percent)	100.0	65.0	29.0	6.0
1387	Person	115,640	69,384	38,161	8,095
	Share (percent)	100.0	60.0	33.0	7.0

Source: Social Security Organization (SSO)

**Performance of
Unemployment Insurance Fund**

	1386	1387	Percentage change
Beneficiaries	148,914	153,350	3.0
New pensioners	116,898	127,919	9.0
Ceased benefits	118,167	115,640	-2.1

Source: Social Security Organization (SSO)

Wages and Salary

A minimum nominal wage policy is usually adopted by governments to protect low-skilled labor force and develop 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 1387, the minimum nominal monthly wage was determined at RIs. 2,196 thousand, up by 20.0 percent compared with the previous year. Considering the 25.4 percent inflation rate for 1387, the minimum real monthly wage declined by 4.3 percent. To improve financial strength of working households at low income cohorts, social security and compensatory policy schemes should be accompanied by minimum wage raises. For sure, the rise in minimum wages of workers has different impacts on different sectors of the economy; therefore, the minimum wage setting should be carried out with due consideration of certain important factors mostly, household subsistence expenditure, general wage level, employment, unemployment rate, and the capacity of productive sectors.

Based on the Cabinet approval, the salary coefficient of civil servants increased from 454 in 1386 to 490 in the review year

which, considering 3 to 5 percent annual increase, points to 10.9 to 12.9 percent increase in total salary of civil servants.

Education

The total number of school age students¹ has been declining in the recent decade, due to demographic changes and downward trend of population growth. The number of students reached 14.0 million in 1387/88 academic year, indicating 3.2 percent fall compared with the preceding year. Accordingly, the number of students in elementary schools declined by 1.2 percent, in junior high schools 6.2 percent, and in high schools 1.8 percent.

In 1387/88 academic year, total number of students in pre-university centers (public and private) amounted to 447.2 thousand, up by 2.0 percent compared with the previous year. Students' gender composition indicates the higher share of female students by 61.5 percent. As students at pre-university level potentially comprise the anticipated educated labor supply, it is important that preparation be made to attract this population into the labor market.

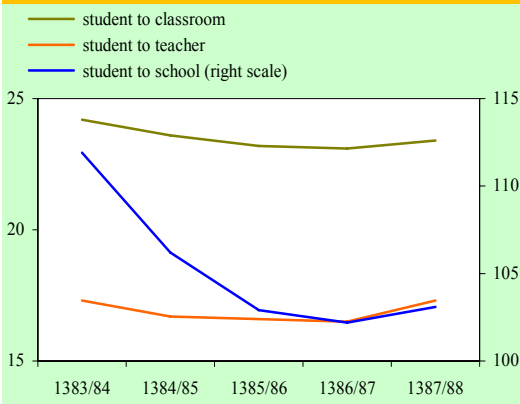
In 1387/88 academic year, despite a reduction in the number of students in private schools, the share of these students increased, compared with the previous year.

In 1387, literacy rate among the age group of 6+ years rose by 1.3 percentage points to 86.9 percent. Among the age group of 6-29 years, this rate was 95.6 percent, up by 0.1 percentage point compared with the previous year. Enrollment rate in the age group of 6-14 years decreased compared with the previous year to 92.9 percent.

¹Includes students of preschool centers, elementary schools, junior high schools, high schools, pre-university centers, teacher training centers, and adult students. Of this figure, 412 thousand students are adults, down by 10.8 percent compared with the previous year.

In the academic year of 1387/88, educational indices of "student to school" and "student to teacher" increased, despite the reduction in the number of students which was in turn due to the fall in the teaching staff and the number of schools and classrooms. It should be noted that the number of schools, classrooms, and teaching staff declined by 4.1, 4.3, and 7.6 percent, respectively.

Figure 8.2. Education quality indices in Iran



Literacy Rate in the Population Aged Six Years and Over (percent)

	Total	Urban areas	Rural areas
1386	85.6	89.9	77.2
1387	86.9	90.6	78.7

Source: President Deputy for Strategic Planning and Control

In the academic year of 1387/88, the number of the illiterate and low-literate population under the coverage of the Literacy Movement Organization (LMO) amounted to 1,251 thousand persons, down by 15.1 percent compared with the previous year. Of total students under the literacy movement program, 52.8 percent were primary level students and 47.2 percent were educated at

supplementary, final, and 5th grade of elementary school levels.

Enrollment and Literacy Rates

	(percent)	
	1386	1387
Enrollment rate (6-14 years)		
Urban areas	100.3 ¹	95.1
Rural areas	86.4	88.9
Total	95.3	92.9
Literacy rate (6-29 years)		
Urban areas	96.8	96.5
Rural areas	92.9	93.9
Total	95.5	95.6

Source: President Deputy for Strategic Planning and Control
¹ Since some students in rural areas attend schools in neighboring urban areas, this figure is larger than 100 percent.

Higher Education

The total number of students (public universities, higher education institutes, and Islamic Azad University) decreased by 1.2 percent from 3,391.9 thousand to 3,349.7 thousand persons. The number of students at public universities and higher education institutes, excluding Islamic Azad University, plummeted by 6.3 percent to 1,957.9 thousand and the number of students at Islamic Azad University rose by 6.9 percent to 1,391.9 thousand.

In 1387/88 academic year, 1.2 percent decline in the number of students at public universities, higher education institutes, and Islamic Azad University, in tandem with the admittance of one million university students, indicates the entering of more than one million university graduates in the labor market. Of special note is that the number of male students in public universities and higher education institutes decreased in this year. In case this trend continues, the rate of

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female participation will increase and given the current capacity of the economy in terms of attracting the educated people, the rate of unemployment will rise. In this year, of total

3.3 million students at public universities, higher education institutes, and Islamic Azad University, 69.3 percent were under-graduate and 5.5 percent graduate students.

Number of University Students (person)

	Academic year		Percentage change		Share (percent)	
	1386/87 ▲	1387/88	1386/87	1387/88	1386/87	1387/88
Public universities and higher education institutes¹	2,089,283	1,957,867	35.8	-6.3	61.6	58.4
Female	888,269	1,136,024	-0.1	27.9	26.2	33.9
Male	1,201,014	821,843	84.8	-31.6	35.4	24.5
Islamic Azad University	1,302,569	1,391,874	1.0	6.9	38.4	41.6
Female	567,950	572,529	-4.3	0.8	16.7	17.1
Male	734,619	819,345	5.5	11.5	21.7	24.5
Total	3,391,852	3,349,741	19.9	-1.2	100.0	100.0

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

¹ Includes students at Payame Noor University and other higher education institutes.