

Household consumption in urban areas declined by 5.8 percent in real terms in 1387. Data of national accounts indicate a 4.5 percent reduction in private consumption, at constant 1376 prices. Therefore, due to moderate decline of real term consumption of households, the Iranian families lost part of their consumption welfare. However, with the policy measures taken by the government to improve income opportunities for households, the income distribution indices like Gini coefficient improved slightly in the review year. Improvement in the Gini coefficient in urban areas was attributable to a host of factors, inter alia, channeling of banking facilities towards deprived regions; offering of RIs. 35 trillion Justice (Edalat) shares and the dividend payment to 9.6 million Justice shares beneficiaries; rise in the salary of pensioners and the number of those covered by Social Security Insurance, and 21.3 percent increase in the allowances of those covered by the Imam Khomeini Relief Foundation in the framework of Shahid Rajaei Project.

Socioeconomic Characteristics of Households in Urban Areas

Review of household expenditure and income data of 6,714 urban households reveals that the average number of members of households was 3.86 persons, indicating 2.3 percent decrease compared with the previous year. Households with 4 members had the highest share by 28.4 percent and those with

10 members and more accounted for the lowest share by 0.4 percent.

Distribution of household members by age groups reveals that in 1387, the highest share was related to the age group of 21-30 by 22.1 percent, followed by the age group of 31-40 by 14.2 percent. Approximately 33.9 percent of household members are below 21 years of age, showing 1.4 percentage points reduction compared with the previous year.

A comparison of the distribution of household members in the age group of 6+ years by the level of education indicates that about 69.3 percent were elementary, junior high, and high school graduates and 17.7 percent university graduates. The mentioned percentages were 71.9 and 18.5 percent for male and 66.5 and 17.0 percent for female household members. In this year, the highest number of university graduates by 47.3 percent was related to the age group of 21-30 years old.

In this year, 31.3 percent of the household members in the age group of 6+ years were employed. This share was 53.0 percent for men and 9.2 percent for women. Accordingly, 18.6 percent of households had no employed member, 56.7 percent one employed member, 19.5 percent two employed members, and 5.2 percent three employed members. Comparing these shares with the corresponding figures of the previous year indicates that households with no

employed member have increased and those with one and three employed persons have decreased.

Distribution of employed household members based on their activity sector reveals that the highest shares of employed members were related to "public, social, and personal services" by 23.0 percent, "wholesale, retail, hotel and restaurant" by 21.3 percent, "manufacturing and mining" by 18.2 percent, and "construction" by 15.0 percent.

In the review year, distribution of employed household members based on the level of education and the sector of activity indicates that the majority of illiterates and elementary school graduates were employed in the "construction" sector, and university graduates in "public, social, and personal services" sector. Meanwhile, 65.3 percent of households were dwelling in owner-occupied houses and 24.7 percent rented their houses. Besides, 1.2 percent were assigned the house in lieu of service, and 8.8 percent lived in a house free of charge.

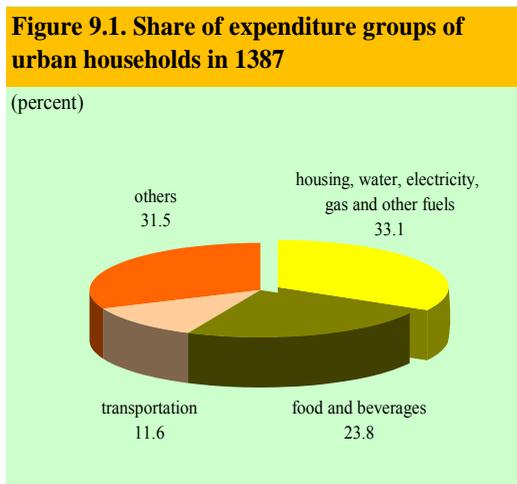
A review of utility facilities used by urban households indicates that 98.7 percent of households had access to piped water, 99.9 percent to electricity, 89.2 percent to piped gas, 29.1 percent to sewage system, and 91.8 percent to telephone. Moreover, 35.4 percent of households had personal cars.

Household Budget Expenditures

In the review year, gross annual expenditure of an urban household amounted to Rls. 115,445 thousand on average (Rls. 9,620 thousand monthly), up by 16.8 percent compared with the year before¹. Comparing the mentioned growth figure with the inflation

rate of 1387 (25.4 percent) is indicative of a reduction in total gross expenditures of households by 5.8 percent in real terms. Decline in the consumption of households in real terms ultimately leads to the negative growth in major consumption expenditures of household in domestic expenditure growth of the private sector.

Of total gross expenditure, the biggest share by 33.1 percent was related to "housing, water, electricity, gas, and other fuels", followed by "food and beverages" by 23.8 percent and "transportation" by 11.6 percent. Among household expenditures on food, "various types of meat" and "fresh fruit" accounted for the highest expenditures by 6.0 and 4.2 percent, respectively.



In this year, among the expenditure groups, "housing, water, electricity, gas, and other fuels", with 21.5 percent; "health and medical care", with 20.9 percent; "education", with 20.9 percent; and "food and beverages", with 18.7 percent accounted for the biggest change compared with the previous year.

¹ Includes the imputed rental value of owner-occupied housing and excludes household expenditures on tax and pension fee.

**Comparison of Changes and Share of Gross Expenditures
by Expenditure Groups in Urban Areas** (ten thousand rials-percent)

	1385	1386	1387	Percentage change		Share (percent)	
				1386	1387	1386	1387
Food and beverages	1,858.6	2,314.4	2,747.5	24.5	18.7	23.4	23.8
Tobacco	31.2	38.8	45.3	24.6	16.5	0.4	0.4
Clothing and footwear	403.7	498.8	535.9	23.6	7.4	5.0	4.6
Housing, water, electricity, gas and other fuels	2,269.0	3,146.2	3,821.1	38.7	21.5	31.8	33.1
Furniture, furnishings and household equipment and operation	405.4	533.0	581.2	31.5	9.0	5.4	5.0
Health and medical care	341.1	430.9	520.9	26.3	20.9	4.4	4.5
Transportation	1,132.6	1,216.6	1,336.5	7.4	9.9	12.3	11.6
Communication	163.6	258.7	298.3	58.1	15.3	2.6	2.6
Recreation and culture	216.7	254.6	282.4	17.5	10.9	2.6	2.4
Education	176.5	219.2	265.1	24.2	20.9	2.2	2.3
Restaurants and hotels	172.8	219.2	248.2	26.9	13.2	2.2	2.2
Miscellaneous goods and services	599.1	751.2	862.3	25.4	14.8	7.6	7.5
Total	7,770.4	9,881.7	11,544.5	27.2	16.8	100.0	100.0

A review of gross expenditures of households, in real terms, by various groups is indicative of growth in "communication", "education", and "recreation and culture" groups only. Despite a fall in the share of expenditures in "recreation and culture" at current prices, the consumption in real terms in this group increased, mainly due to the low growth of prices as compared with the average growth of the consumer price index (25.4 percent). In this year, households spent the highest on "housing", "food and beverages", and "health and medical care". The household consumption in real terms decreased in

"food and beverages" and "transportation" groups, mainly attributable to the higher increase in prices than allocated expenses.

An estimation of inflation in various expenditure groups indicates that, in 1387, the highest and lowest inflation rates were related to "food and beverages" by 30.2 percent and "communication" by -0.2 percent. The inflation rates of "food and beverages", "housing, water, electricity, gas, and other fuels", and "restaurants and hotels" were higher than the average inflation rate for this year (25.4 percent).

**Comparison of Changes and Share of Gross Expenditure by Expenditure
Groups (in Real Terms) in Urban Areas** (ten thousand rials-percent)

	1385	1386	1387	Percentage change		Share (percent)	
				1386	1387	1386	1387
Food and beverages	1,479.8	1,514.7	1,381.4	2.4	-8.8	22.2	21.4
Tobacco	27.2	27.6	27.0	1.6	-2.3	0.4	0.4
Clothing and footwear	343.5	370.1	328.6	7.7	-11.2	5.4	5.1
Housing, water, electricity, gas and other fuels	1,792.3	2,051.0	1,947.6	14.4	-5.0	30.0	30.2
Furniture, furnishings and household equipment and operation	325.4	368.6	324.7	13.3	-11.9	5.4	5.0
Health and medical care	259.0	279.6	274.2	7.9	-2.0	4.1	4.3
Transportation	1,014.8	960.2	897.0	-5.4	-6.6	14.0	13.9
Communication	168.2	266.4	307.8	58.4	15.6	3.9	4.8
Recreation and culture	193.5	210.1	211.4	8.6	0.6	3.1	3.3
Education	123.1	134.1	141.4	8.9	5.4	2.0	2.2
Restaurants and hotels	138.9	150.6	131.3	8.4	-12.8	2.2	2.0
Miscellaneous goods and services	468.8	505.2	467.9	7.8	-7.4	7.4	7.3
Total ¹	6,334.5	6,838.0	6,440.0	7.9	-5.8	100.0	100.0

¹ Total is calculated by total real expenditures of expenditure groups. This is due to changes in the share of expenditure groups at 1383 prices.

**Comparison of Gross Expenditure Growth and Inflation
by Expenditure Groups in Urban Areas**

(percent)

	Gross expenditure growth	Inflation	Household gross expenditure growth in real terms
Food and beverages	18.7	30.2	-8.8
Tobacco	16.5	19.3	-2.3
Clothing and footwear	7.4	21.0	-11.2
Housing, water, electricity, gas and other fuels	21.5	27.9	-5.0
Furniture, furnishings and household equipment and operation	9.0	23.8	-11.9
Health and medical care	20.9	23.3	-2.0
Transportation	9.9	17.6	-6.6
Communication	15.3	-0.2	15.6
Recreation and culture	10.9	10.2	0.6
Education	20.9	14.7	5.4
Restaurants and hotels	13.2	29.8	-12.8
Miscellaneous goods and services	14.8	23.9	-7.4
Total	16.8	25.4	-5.8

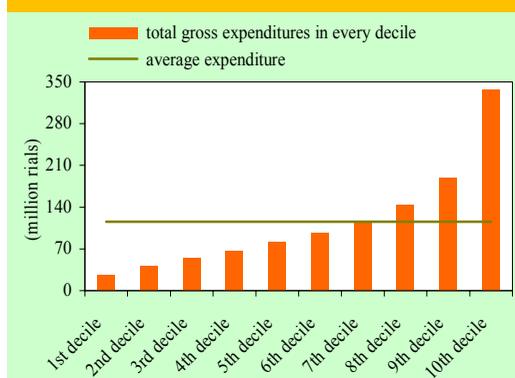
Household Expenditure by Household Deciles

A review of household expenditures by various deciles indicates that gross household expenditures in the 10th decile was 15.2 times compared with the 1st decile in 1386. This ratio declined in 1387 to 13.5 times. In this year, the share of the 40 percent of low-income households increased from 15.4 percent to 16.3 percent and that of 20 percent of high-income households decreased from 47.2 percent to 45.6 percent.

Comparing the gross household expenditures in various deciles with the average expenditures of a household reveals that in 1387, a household in the 10th decile spent about 2.9 times as much as the consumption expenditure of a representative average household. Similarly, for the 1st decile, the consumption expenditure was 0.2 times as high as the average consumption of households. Household expenditures up to the 7th decile are below the average of the society and the 7th decile household spends exactly the same as the average household. Although the ratio of the 10th decile expenditures to the average fell in 1387 compared with 1386 (3.1 times as much as the average household expenditures), approximately 60 percent of the households (1st to 6th deciles) consume

less than the average expenditures of a household. The vulnerability of these deciles of households indicates the urgency for more attention to be given to this group in social support programs.

Figure 9.2. Comparison of average household expenditures with the average expenditures of urban areas in various deciles in 1387



The large gap between the lower deciles of household expenditure and the average of society indicates that the average figures do not indicate appropriately the level of welfare of the average household. This shows a high level of dispersion and the unequal distribution of household expenditures among

different deciles. Hence, one can induce that the 5.8 percent decline of total household expenditure in real terms in 1387 compared with the previous year has largely been affected by the fall in real gross expenditures of households in higher income groups.

Household Income

In the review year, gross annual income of an urban household (monetary and non-monetary) amounted to Rls. 113,182 thousand on average (Rls. 9,432 thousand monthly), indicating a rise of 17.0 percent compared with the previous year. Of this amount, 70.4 percent was monetary and 29.6 percent non-monetary income.

In 1387, total monetary and non-monetary incomes of households decreased 6.7 percent

in real terms. Comparing decline in total monetary and non-monetary incomes of households in real terms with declines in expenditure indicates that household expenditures have not fallen as much as the household income. Household monetary and non-monetary incomes (real) declined by 7.8 and 4.0 percent, respectively, in 1387.

Measurement and Analysis of Income Distribution Inequality

In 1387, income distribution indices of urban areas improved. Therefore, the share of poorest 10 percent of households (1st decile) was 2.2 percent and that of the richest 10 percent of households (10th decile) 29.2 percent. Rise in the share of the 1st decile by 0.2 percentage point and fall in the share of the 10th decile by 1.4 percentage

Comparison of Average Household Gross Expenditures in Various Deciles with Inflation Rate in Urban Areas

	(ten thousand rials-percent)									
	1 st decile	2 nd decile	3 rd decile	4 th decile	5 th decile	6 th decile	7 th decile	8 th decile	9 th decile	10 th decile
1386	2,011	3,366	4,449	5,494	6,651	8,052	9,833	12,336	16,387	30,231
1387	2,527	4,171	5,464	6,732	8,120	9,713	11,686	14,388	18,918	33,733
Growth in expenditures (current)	25.6	23.9	22.8	22.5	22.1	20.6	18.8	16.6	15.4	11.6
Growth in real terms	0.5	-1.0	-2.1	-2.6	-3.3	-4.1	-5.7	-7.4	-8.2	-9.7

Annual Average Gross Income per Urban Household by Expenditures Groups

	(thousand rials)							
	1385	1386	1387	Percentage change		Share (percent)		
				1386	1387	1386	1387	
Gross monetary income	57,783.8	68,874.4	79,627.5	19.2	15.6	71.2	70.4	
Wage and salary-public sector	13,334.7	14,818.9	16,006.4	11.1	8.0	15.3	14.1	
Wage and salary-private sector	10,261.8	12,974.0	15,620.7	26.4	20.4	13.4	13.8	
Self-employed in agriculture sector	1,618.1	1,944.5	1,643.5	20.2	-15.5	2.0	1.5	
Self-employed in non-agricultural sector	18,359.6	22,039.8	24,154.2	20.0	9.6	22.8	21.3	
Miscellaneous	11,046.4	13,493.4	17,978.3	22.2	33.2	13.9	15.9	
Sale of second-hand goods	3,163.3	3,603.8	4,224.4	13.9	17.2	3.7	3.7	
Non-monetary income	19,769.9	27,890.1	33,554.6	41.1	20.3	28.8	29.6	
Imputed rental value of owner-occupied housing	15,514.7	..	..	0	0	..	..
Other ¹	4,255.2	..	..	0	0	..	..
Total	77,553.7	96,764.5	113,182.2	24.8	17.0	100.0	100.0	

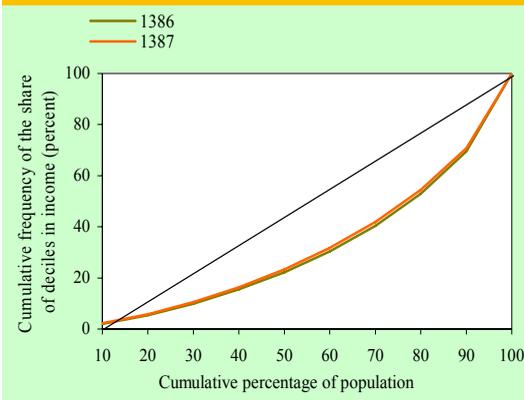
¹ Includes estimates of rental value of housing in lieu of service and rent free, goods and services in lieu of wage and salary and free of charge (not from another household) and production out of agricultural and non-agricultural proceeds to be used at home.

points indicated that wealth distribution was in favor of the poor households. In this year, Gini coefficient reached 0.3859, down by 4.6 percent compared with the year before. Moreover, the ratio of the richest 10 percent of households to the poorest 10 percent decreased 1.7 percentage points from 15.2 times in 1386 to 13.5 times. It is noteworthy that the shares of 1st to 7th income deciles increased and the shares of 9th and 10th deciles decreased. The highest increase in shares by 0.3 percentage point was related to the 5th decile

Income Distribution Inequality Indices in Urban Areas

	1386	1387
Gini coefficient	0.4045	0.3859
Share of 40 percent of low-income households (percent)	15.4	16.3
Share of 40 percent of medium-income households (percent)	37.4	38.1
Share of 20 percent of high-income households (percent)	47.2	45.6
Ratio of richest 10 percent to poorest 10 percent of households	15.2	13.5

Figure 9.3. Comparison of Lorenz Curves in 1386 and 1387



Distribution of Justice (Edalat) shares contributes to lowering the Gini coefficient. According to the Iranian Privatization Organization, Rls. 35 trillion Justice (Edalat)

shares were offered in 1387. Total shares offered to various groups as of the beginning of 1385 till end-1387 amounted to Rls. 217.6 trillion. Share dividend payment of Justice Plan per capita in 1387 was Rls. 800 thousand which on average was paid to 9,637 thousand persons covered by the Plan. It is noteworthy that Gini coefficient is estimated through household expenditure surveys. As a high proportion of lower deciles' household expenditures is allocated to foodstuff and this group of consumption goods attracts a high proportion of government subsidies to households, hence with higher household income, the consumption of these lower deciles would increase, leading to a decline of Gini coefficient.

Amartya Sen Index

Amartya Sen Index is used to compare welfare levels during a specific period. To calculate this index, Gini coefficient in urban and rural areas, released by the Statistical Center of Iran (SCI), is used. Due to the unavailability of data on household per capita income in urban and rural areas, household per capita expenditure in urban and rural areas has been used as the substitute index.

Amartya Sen Index

	Urban areas	Rural areas
1383	100.0	100.0
1384	109.1	104.1
1385	112.6	100.0
1386	118.7	106.1
1387	115.4	99.7

A higher Amartya Sen Index is an indicator of improvement in social welfare. Social welfare in urban areas followed an upward trend from 1383 to 1386 and then started to fall in 1387. In this year, welfare level in rural areas declined too. In fact, despite improvement of income distribution, social welfare in urban and rural areas has decreased.

The estimation of correlation coefficient between the social welfare index, per capita expenditure, and Gini coefficient in urban and rural areas shows that social welfare index is highly dependent on per capita expenditure. In fact, the correlation coefficient between social welfare index and per capita expenditure is 0.9 and the one between social welfare index and Gini coefficient 0.1. Therefore, changes in Amartya Sen Index are mostly affected by changes in per capita expenditure (income).

Social Security

Non-contributory Coverage

The total number of people covered by the Imam Khomeini Relief Foundation increased by 3.8 percent to 8,354 thousand persons. Of this figure, 3,181 thousand were ad hoc recipients. The grants provided by this foundation increased by 17.7 percent to Rls. 28,031.0 billion. The average amount of grants paid to each recipient was Rls. 279.6 thousand, up by 13.4 percent compared with the previous year.

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 1387, the number of main insured rose by 8.4 percent to 9,152.2 thousand persons, of whom 14.3 percent were female and 85.7 percent male.

In the review year, the number of people insured by the Social Security Organization increased by 4.3 percent to 29.0 million. Of this figure, 3.7 million were pensioners and the remaining were employed. Meanwhile, 9.2 million were main insured and 16.2 million, dependents. The ratio of dependents to main insured among the employed was 1.8. Accordingly, every main insured individual covers about two members.

The number of retired people under the coverage of the Social Security Organization amounted to 826.6 thousand, up by 8.8 percent compared with the previous year. This trend will be intensified after the ratification and implementation of the prior to the 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 1.5 percent to 39,965 thousand persons, mainly attributable to 4.3 percent rise in the number of those covered by the Rural Dwellers' Fund. Of total people covered by this organization, 16.3 percent were civil servants and their dependents, 0.5 percent self-employed, 4.9 percent other groups, 19.3 percent self-employed hospitalized persons, and 57.9 percent rural dwellers. With the implementation of the Public Medical Service Insurance Coverage Act in rural areas since 1377, all rural dwellers were covered by medical services insurance.

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

	1385	1386▲	1387	Percentage change	
				1386	1387
Total number of people (thousand persons)	7,109	8,051	8,354	13.3	3.8
Amount of grants (billion rials)	18,388.2	23,814	28,031.0	29.5	17.7

Source: Imam Khomeini Relief Foundation

Rural Dwellers' Social Insurance

Rural Dwellers Social Insurance Project was put into operation as of the beginning of the 4th FYDP. Rural Insurance Fund, which has been established based on the Structural Rules of the Comprehensive System of Welfare and Social Security, insures farmers and other villagers on an optional basis. Therefore, its activities are expanded through brokerage firms. In 1387, the number of brokerage firms was raised by 362 to 3,403. Fars Province accounted for the most number of brokerage firms by 299, Mazandaran Province by 242, and Khuzestan Province by 212. The total number of the main and dependent insured by this Fund increased by 10.4 and 9.8 percent to 711 thousand and 1,666 thousand persons, respectively.

Number of Brokerage Firms and the Insured by Rural Insurance Fund

	1386	1387	Percentage change
Main insured	644,084	710,991	10.4
Dependents	1,516,543	1,665,874	9.8
Brokerage firms	3,041	3,403	11.9

Source: Rural Insurance Fund

In this year, a sum of Rls. 1,600 billion was approved as government contribution to this Fund, of which 95 percent was paid.

Health and Medical Care

According to data drawn by the Medical Council, in 1387, the number of physicians and dentists rose by 4.9 and 5.9 percent to 99,678 and 20,659 and the number of pharmacists fell by 2.0 percent to 13,233 persons. The ratio of population to physician reached 728, dentist 3,513, and pharmacist 5,485 persons; therefore, 1.4 physicians, 0.3 dentists, and 0.2 pharmacists are available for every 1,000 persons.

Based on the executive by-law on Articles 90 and 91 of the 4th FYDP, the expansion of the family physician project continued in 1387. This project is one of the most effective methods of increasing the accessibility to health and medical care services as well as raising health indices.

Human Development and Poverty Indices

Human Development Index (HDI)

As some social scientists have referred to GDP and per capita income as being deficient in reflecting social welfare, there are inclinations in design and estimation of welfare indices that take into account not only economic variables but also social ones. Each year since 1990, United Nations Development Program has published the Human Development Index (HDI) as the main measure of a country's level of development. HDI is a comparative measure of education, life expectancy, and GDP per capita for countries worldwide.

A review of the trend of the human development index during 1980-2007 indicates an improvement in human development values in Iran from a relatively low HDI to a relatively better performance on HDI during three decades.

Based on 2009 Human Development Report, Iran's HDI score value was 0.782 in 2007, indicating 0.6 percent growth compared with 2006. Based on this index, Iran's ranking was 87 among 188 countries in 2006, which edged down to 88 in 2007.

Comparison of Iran's HDI with Other Countries in 2007

Average in countries with an HDI level of			Average of HDI level in	
High	Medium	Low	World	Iran
0.833	0.686	0.423	0.753	0.782

Source: UNDP, Human Development Report, 2009

Iran's HDI Value during 1980-2007

	1980	1985	1990	1995	2000	2005	2006	2007	Percentage change	
									2006	2007
Index	0.561	0.620	0.672	0.712	0.738	0.773	0.777	0.782	0.5	0.6

Source: Human Development Report, 2009

A review of the components of Human Development Index indicates that GDP per capita (in purchasing power parity terms in US\$) trended upward from 0.769 in 2006 to 0.784 in 2007. According to 2009 Human Development Report, GDP per capita (PPP in US\$) equaled \$10,955 in 2007.

The education index decreased from 0.804 in 2006 to 0.793 in 2007. This was mainly attributable to the reduction of enrollment in elementary, junior high, and high schools.

The life expectancy index reached 0.769 in 2007, higher than the corresponding figure for the year 2006, mainly due to the implementation of health projects in rural and deprived regions.

Given the decline in the education index in 2007, it can be inferred that the slight rise in HDI of the same year is mainly due to GDP growth and higher life expectancy in 2007.

Components of Iran's HDI during Recent Years

	GDP	Education	Life Expectancy
2005	0.731	0.792	0.754
2006	0.769	0.804	0.759
2007	0.784	0.793	0.769

Source: UNDP, Human Development Report, 2009

Human Poverty Index (HPI)

The Human Poverty Index is an indication of population deprivation from decent living standards and basic human needs as have

been conceptualized and defined. The human poverty index of Human Development Report is constructed with reference to population deprivation and poverty indicators such as percentage of population with unsustainable access to healthy and improved water sources, underweight children of age five and lower, probability at birth of not surviving beyond the age 40, and the percentage of illiterate population of age 10 and higher. According to Human Development Report 2009, the HPI value for Iran was 12.8 for 2007, showing 0.8 percentage point increase compared with the figure of the previous year (12.0 percent).

Gender-related Development Index (GDI)

The Gender Development Index is an indicator of the improvements in life condition of women as developed by UN Development Program for inclusion in HDR. GDI is a unit-free index number varying between 0 and 1 and is estimated for different genders of country population for assessing improvements of life condition for women. The GDI is constructed based on social and population indicators for different genders such as life expectancy, education (the adult literacy rate and the combined primary to tertiary gross enrollment ratio), and estimated earned income (at purchasing power parity terms in US\$). The higher the GDI, the more the rate of female participation in social activities.

According to Human Development Report 2009, Iran ranked 76 among 155 countries with a GDI value of 0.770. Australia and Norway ranked first and second in GDI.

Migration

According to Human Development Report 2009, millions of people cross national or international borders for better and improved living standards every year. Most migrants, internal and international, reap gains in the form of higher incomes, better access to education and health, and improved prospects for their children.

A review of migration patterns indicates that 56.4 percent of migrations from countries with a high HDI is towards countries with a very high HDI, with the aim of attaining

welfare and facilities. Countries with medium and low HDI levels account for 42.6 and 15.0 percent of migrations, respectively. About 12 percent of migrations were from countries with a very high HDI value to countries with a high HDI and about 20 percent from countries with a high HDI to countries with medium and low HDI levels.

A review of migration patterns in Iran reveals that approximately 82.8 percent of migrations are towards countries with a very high HDI value.