

In 1388, the policies aimed at improving distribution of income were continued; however, indices such as Gini coefficient rose to some extent. Therefore, shares of seven income deciles in total were lower than the year before and share of the 10th decile was higher. This is due to higher increase in price of expenditure groups which have a greater share in lower deciles.

Socioeconomic Characteristics of Households in Urban Areas

Review of household expenditure and income survey of 8,617 urban households reveals that the downward trend of the average number of household members continued in this year and reached 3.76 from 3.86 persons in 1387, indicating 2.6 percent decrease compared with the previous year. Given the fact that the marriage trend of the youth has rather been stable over the recent years, the main reason behind the decline in the number of members of households is the tendency of households in having fewer children. In the review year, share of households with one and two members increased from 19.1 percent in 1387 to 21.0 percent in 1388. Moreover, households with 4 members had the highest share by 27.8 percent and those with 10 members and more accounted for the lowest share by 0.4 percent.

In 1388, the lowest average of household members by 2.94 persons is in the first decile and the highest by 4.04 persons in the

sixth decile. In the 10th decile, the average number of household members is 3.92 persons. Considering the fact that income groups by deciles are calculated based on household expenditure rather than expenditure per person, most households with lower expenditures are in lower income deciles. These households mainly include new households or households whose members are senile; however, it is widely believed that most of the households in lower income deciles have more members compared with households in higher deciles.

Distribution of household members by age groups reveals that in 1388, the highest share was related to the age group of 21-30 years old by 22.5 percent, followed by the age group of 31-40 years old by 13.8 percent. Comparing these shares with corresponding figures of the previous year is indicative of a rise in the share of households with members in the age group of 21-30 and a fall in the share of households whose members are in the age group of 31-40. Approximately 31.6 percent of household members are below 21 years of age, showing 2.3 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 67.7 percent were elementary, junior high, and high school graduates and 18.3 percent university graduates. Comparing

these shares with corresponding figures of the previous year indicates that the level of households' higher education has improved, mainly attributable to the development of higher education and its nation-wide availability. Improvement of the level of education is an indicator of a rise in human capital, which plays a key role in the attainment of development objectives.

Distribution of household members by level of education based on gender indicates that the share of academically-educated male members was 19.5 percent while this share for female members of the households was 17.2 percent. In this year, the highest number of university graduates (48.0 percent) was related to the age group of 21-30 years old.

In this year, 21.9 percent of households had no employed member, 56.5 percent one employed member, 16.9 percent two employed members, and 4.7 percent three employed members and more. Comparing these shares with the corresponding figures of the previous year indicates that the share of households with no employed member has increased and those with one, two, and three employed persons and more have decreased. Implementation of prior to the contractual due date retirement plan was a factor behind the rise in the number of households with no employed member.

Distribution of households' employed members based on expenditure deciles shows that the highest percentage of members employed in the first decile constitutes households with one employed person (50.4 percent) and households with two employed members by 9.5 percent. This reveals that 9.5 percent of households in the first decile have a low level of expenditures despite having two employed members. In other words, they either do not have an adequate income or are partially employed. In the 10th decile, 22.9 percent of households have two

employed members, and 5.6 percent three employed members and more. Of total households with three employed members and more, the highest share (14.9 percent) relates to the 6th decile.

In the review year, 5.0 percent of households had one room in their residence, 31.0 percent two rooms, 42.9 percent three rooms, 15.7 percent four rooms, 3.7 percent five rooms, and 1.7 percent six rooms and more. This indicates that some residences are home to more than one household. Given the downward trend in households residing in residences with four rooms and more over the recent years, rise in the price of residential units as well as construction costs, especially in large cities, seems to have led to a surge in the number of households residing in 2 and 3-room residences in 1388.

A review of utility facilities used by urban households indicates that 98.5 percent of households had access to piped water, 99.6 percent to electricity, 90.4 percent to piped gas, 33.2 percent to sewage system, and 91.1 percent to telephone. Moreover, 36.6 percent of households had personal cars.

Household Budget Expenditures

In 1388, gross annual expenditure of an urban household amounted to Rls. 127.1 million on average (Rls. 10,595 thousand monthly), showing 10.1 percent increase compared with Rls. 115.4 million of the year before. Meanwhile, average gross expenditures of an urban household remained relatively unchanged at Rls. 64.4 million (at constant 1383 prices).

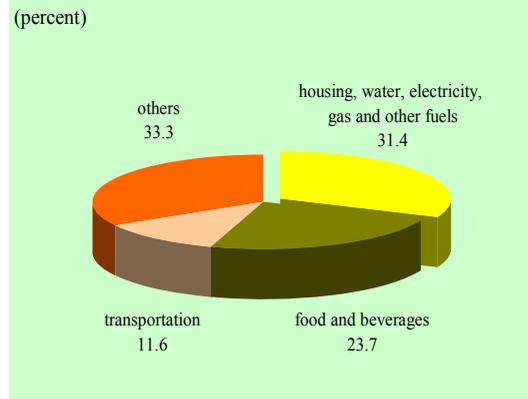
Of total gross expenditure, the biggest share by 31.4 percent was related to "housing, water, electricity, gas, and other fuels", followed by "food and beverages" by 23.7 percent and "transportation" by 11.6 percent. Comparing changes in the shares of

expenditure groups in 1388 with those of 1387 reveals that the highest increase in the share of expenditures is related to "health and medical care", "clothing and footwear", and "miscellaneous goods and services" by 0.6, 0.5, and 0.5 percentage point, respectively. Moreover, shares of "housing, water, electricity, gas, and other fuels", "communication", and "food and beverages" decreased by 1.7, 0.3, and 0.1 percentage points, respectively.

A review of annual average expenditures of an urban household (gross) by various expenditure groups indicates that the biggest rise in expenditures in 1388 is related to "health and medical care", "recreation and culture", and "clothing and footwear" by 23.9, 22.5, and 20.3 percent, respectively. Furthermore, "food and beverages" and "housing, water, electricity, gas, and other fuels" grew by 9.8 and 4.4 percent, respectively, which was lower than the inflation

rate (10.8 percent), while "communication" experienced a decline of 1.4 percent.

Figure 9.1. Share of expenditure groups of urban areas in 1388



A review of gross expenditures of households in real terms (at constant 1383 prices) by various groups is indicative of

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

| | 1386 | 1387 | 1388 | Percentage change | | Share (percent) | |
|--|----------------|-----------------|-----------------|-------------------|-------------|-----------------|--------------|
| | | | | 1387 | 1388 | 1387 | 1388 |
| Food and beverages | 2,314.4 | 2,747.5 | 3,016.8 | 18.7 | 9.8 | 23.8 | 23.7 |
| Tobacco | 38.8 | 45.3 | 51.9 | 16.5 | 14.6 | 0.4 | 0.4 |
| Clothing and footwear | 498.8 | 535.9 | 644.7 | 7.4 | 20.3 | 4.6 | 5.1 |
| Housing, water, electricity, gas and other fuels | 3,146.2 | 3,821.1 | 3,987.9 | 21.5 | 4.4 | 33.1 | 31.4 |
| Furniture, furnishings and household equipment and operation | 533.0 | 581.2 | 670.3 | 9.0 | 15.3 | 5.0 | 5.3 |
| Health and medical care | 430.9 | 520.9 | 645.5 | 20.9 | 23.9 | 4.5 | 5.1 |
| Transportation | 1,216.6 | 1,336.5 | 1,476.7 | 9.9 | 10.5 | 11.6 | 11.6 |
| Communication | 258.7 | 298.3 | 294.2 | 15.3 | -1.4 | 2.6 | 2.3 |
| Recreation and culture | 254.6 | 282.4 | 346.0 | 10.9 | 22.5 | 2.4 | 2.7 |
| Education | 219.2 | 265.1 | 285.4 | 20.9 | 7.7 | 2.3 | 2.2 |
| Restaurants and hotels | 219.2 | 248.2 | 284.6 | 13.2 | 14.7 | 2.2 | 2.2 |
| Miscellaneous goods and services | 751.2 | 862.3 | 1,009.9 | 14.8 | 17.1 | 7.5 | 7.9 |
| Total | 9,881.7 | 11,544.5 | 12,713.9 | 16.8 | 10.1 | 100.0 | 100.0 |

growth in "recreation and culture", "furniture, furnishings and household equipment and operation", "clothing and footwear", "transportation", "health and medical care", and "miscellaneous goods and services" groups. Fall in the share of expenditures in "food and beverages" and "communication" groups, despite the lower growth of prices in these groups than the inflation rate (10.8 percent), is indicative of lower consumption of these items in the household expenditure basket.

An estimation of inflation in various expenditure groups indicates that, in 1388, the highest and lowest inflation rates were related to "tobacco" by 30.1 percent and "communication" by 0.4 percent. The inflation rates of "tobacco", "health and medical care", "education", "restaurants and hotels", "miscellaneous goods and services", and "housing, water, electricity, gas, and other fuels" were higher than the average inflation rate for this year (10.8 percent).

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

| | 1386 | 1387 | 1388 | Percentage change | | Share (percent) | |
|--|----------------|----------------|----------------|-------------------|----------|-----------------|--------------|
| | | | | 1387 | 1388 | 1387 | 1388 |
| Food and beverages | 1,514.7 | 1,381.4 | 1,380.1 | -8.8 | -0.1 | 21.4 | 21.4 |
| Tobacco | 27.6 | 27.0 | 23.8 | -2.3 | -11.9 | 0.4 | 0.4 |
| Clothing and footwear | 370.1 | 328.6 | 358.4 | -11.2 | 9.1 | 5.1 | 5.6 |
| Housing, water, electricity, gas and other fuels | 2,051.0 | 1,947.6 | 1,811.0 | -5.0 | -7.0 | 30.2 | 28.1 |
| Furniture, furnishings and household equipment and operation | 368.6 | 324.7 | 359.2 | -11.9 | 10.6 | 5.0 | 5.6 |
| Health and medical care | 279.6 | 274.2 | 285.6 | -2.0 | 4.2 | 4.3 | 4.4 |
| Transportation | 960.2 | 897.0 | 935.8 | -6.6 | 4.3 | 13.9 | 14.5 |
| Communication | 266.4 | 307.8 | 302.4 | 15.6 | -1.8 | 4.8 | 4.7 |
| Recreation and culture | 210.1 | 211.4 | 238.1 | 0.6 | 12.7 | 3.3 | 3.7 |
| Education | 134.1 | 141.4 | 131.3 | 5.4 | -7.1 | 2.2 | 2.0 |
| Restaurants and hotels | 150.6 | 131.3 | 130.4 | -12.8 | -0.7 | 2.0 | 2.0 |
| Miscellaneous goods and services | 505.2 | 467.9 | 486.5 | -7.4 | 4.0 | 7.3 | 7.6 |
| Total¹ | 6,838.0 | 6,440.0 | 6,442.5 | -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)

| | Growth in gross expenditure | Inflation | Growth of household gross expenditure in real terms |
|--|-----------------------------|-------------|---|
| Food and beverages | 9.8 | 9.9 | -0.1 |
| Tobacco | 14.6 | 30.1 | -11.9 |
| Clothing and footwear | 20.3 | 10.3 | 9.1 |
| Housing, water, electricity, gas and other fuels | 4.4 | 12.3 | -7.0 |
| Furniture, furnishings and household equipment and operation | 15.3 | 4.3 | 10.6 |
| Health and medical care | 23.9 | 18.9 | 4.2 |
| Transportation | 10.5 | 5.9 | 4.3 |
| Communication | -1.4 | 0.4 | -1.8 |
| Recreation and culture | 22.5 | 8.8 | 12.7 |
| Education | 7.7 | 15.9 | -7.1 |
| Restaurants and hotels | 14.7 | 15.5 | -0.7 |
| Miscellaneous goods and services | 17.1 | 12.7 | 4.0 |
| Total | 10.1 | 10.8 | * |

Analysis of Household Expenditure by Deciles

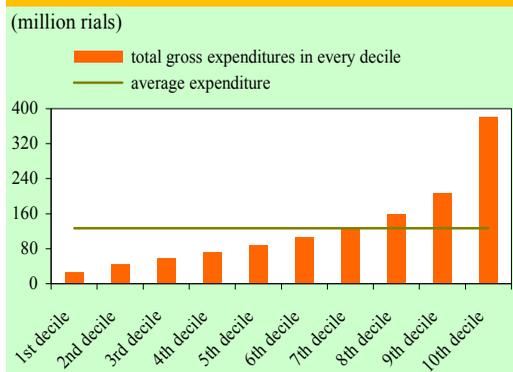
A review of household expenditures by various deciles indicates that gross household expenditure in the 10th decile was 14.1 times compared with the 1st decile. This ratio increased in 1388, compared with the 1387 figure (13.5 percent), indicative of worse conditions in terms of income distribution. Moreover, the share of the 40 percent of low-income households decreased from 16.3 percent in 1387 to 16.0 percent in 1388 while that of 20 percent of high-income households increased from 45.6 percent to 46.3 percent.

In this year, the highest and lowest growth in gross expenditure was related to 10th and 4th deciles by 13.0 and 7.1 percent, respectively. On the other hand, the lowest and highest inflation rates belonged to the 10th and 1st deciles. The impact of inflation on higher income deciles is relatively smaller than lower deciles. This can be explained by the fact that goods with a high share in inflation have a relatively lower share in 10th decile expenditures while other goods with a high share in the consumption basket of high income deciles have a negligible share in low income groups. In 1388, growth in household real gross expenditures was negative in all deciles, except for the 10th decile. It is of note that the mentioned negative growth was higher in lower deciles.

Comparing the gross household expenditures in various deciles with the average expenditures of a household reveals that in 1388, a household in the 10th decile spent about 3.0 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 6th decile

are below the average of the society and the 7th decile household spends almost the same as the average household expenditures. Therefore, approximately 60 percent of the households 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 1388



The large gap between the 1st to 6th deciles of household expenditure and the average of society indicates that the average figures do not indicate appropriately the level of household welfare. This shows a high level of dispersion and the unequal distribution of household expenditures among different deciles.

Household Expenditure by Provinces

A review of annual gross expenditures of households in various provinces indicates that in 1388, Tehran Province accounted for the highest share while Sistan and Baluchestan had the lowest share of expenditures. The

Comparison of Average Household Gross Expenditures in Various Deciles in Urban Areas (at constant and current prices)

(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 |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| 1387 | 2,527 | 4,171 | 5,464 | 6,732 | 8,120 | 9,713 | 11,686 | 14,388 | 18,918 | 33,733 |
| 1388 | 2,720 | 4,528 | 5,880 | 7,210 | 8,714 | 10,581 | 12,764 | 15,863 | 20,753 | 38,121 |
| Growth in gross expenditures | 7.6 | 8.6 | 7.6 | 7.1 | 7.3 | 8.9 | 9.2 | 10.3 | 9.7 | 13.0 |
| Growth in real terms | -3.6 | -2.1 | -3.1 | -3.4 | -3.3 | -1.8 | -1.6 | -0.8 | -1.2 | 2.8 |

highest growth in gross expenditures of urban households was related to Qom, Gilan, Zanjan, and Kordestan provinces by 38.0, 27.0, 16.5, and 16.1 percent, respectively.

Comparing household gross expenditures in various provinces with the inflation rate indicates that among 30 provinces, real gross expenditures in 13 provinces surged while in other provinces, it faced a decline. In this year, the highest growth in household real gross expenditures was related to Qom Province by 21.0 percent, and the highest decrease to Sistan and Baluchestan Province by 18.8 percent.

Household Income

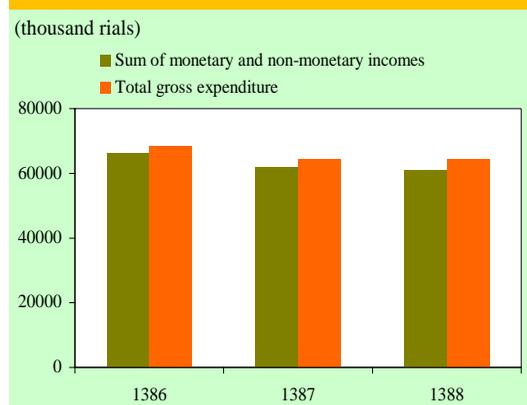
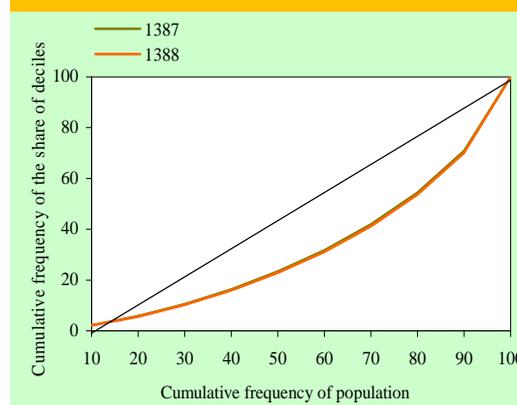
In the review year, gross annual income of an urban household (monetary and non-monetary) amounted to Rls. 123,949 thousand on average (Rls. 10,329 thousand monthly), up by 9.5 percent compared with the previous year. Of this amount, 71.8 percent was monetary and 28.2 percent non-monetary income.

During 1386-1388, the income share of public sector's wages and salary followed a downward trend. Among monetary income items of households, miscellaneous income experienced a higher growth of 36.4 percent compared with the year before. This was attributable to the rise in the retirement

pension, financial income from participation papers, and the distributed profit accrued to Justice (Edalat) shares. Non-monetary income of households, mainly arising from the growth in the imputed rental income of owner-occupied dwellings or other resources, increased by 4.3 percent in 1388, albeit lower than the growth figure of the preceding year.

Comparing household expenditure and income at current prices reveals that during 1386-1388, total gross expenditure as well as sum of monetary and non-monetary incomes of households had an upward trend. Meanwhile, total gross expenditure of households was higher than sum of monetary and non-monetary incomes. Household expenditure and income grew by 10.1 and 9.5 percent, respectively, compared with 16.8 and 17.0 percent in the previous year.

Review of household expenditure and income at constant 1383 prices shows that during 1386-1388, sum of monetary and non-monetary incomes declined and total gross expenditure was higher than sum of monetary and non-monetary incomes of households. Despite a lower negative growth in real income of households in 1388 compared with 1387, the declining trends of real income of households indicate the worsening of household welfare level over the said period.

Figure 9.3. Comparison of households' gross expenditure and income at constant 1383 prices**Figure 9.4. Comparison of Lorenz Curves**

Measurement and Analysis of Income Inequality

In 1388, income distribution indices of urban areas deteriorated. Therefore, the share of poorest 10 percent of households (1st decile) was 2.1 percent and that of the richest 10 percent of households (10th decile) 29.9 percent. Fall in the shares of the 1st to 7th deciles by 0.1 percentage point each and 0.7 percentage point rise in the 10th decile indicated that wealth distribution was in favor of the rich households. In this year, Gini coefficient reached 0.3939, representing 2.1 percent growth compared with the year before. Moreover, the ratio of the richest 10 percent of households to the poorest 10 percent increased by 0.6 percentage point from 13.5 times in 1387 to 14.1 times in 1388.

Income Inequality Indices in Urban Areas

| | 1387 | 1388 |
|---|--------|--------|
| Gini coefficient | 0.3859 | 0.3939 |
| Share of 40 percent of low-income households (percent) | 16.3 | 16.0 |
| Share of 40 percent of medium-income households (percent) | 38.1 | 37.8 |
| Share of 20 percent of high-income households (percent) | 45.6 | 46.3 |
| Ratio of richest 10 percent to poorest 10 percent of households | 13.5 | 14.1 |

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.

A higher Amartya Sen Index is an indicator of improvement in social welfare. Social welfare followed an upward trend from 1384 to 1386 and then fell during 1387 and 1388. In 1387, welfare level in rural areas declined compared with 1386; however, with the rise in Amartya Sen Index, the level of social welfare rose as well in 1388. Therefore in this year, social welfare level in urban areas decreased while in rural areas, it experienced a rise.

Amartya Sen Index

| | Urban areas | Rural areas |
|------|-------------|-------------|
| 1384 | 109.1 | 104.1 |
| 1385 | 112.6 | 100.0 |
| 1386 | 118.7 | 106.1 |
| 1387 | 115.4 | 99.7 |
| 1388 | 111.0 | 100.7 |

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 decreased by 4.2 percent to 8,001 thousand persons. Of this figure, 2,810 thousand were ad hoc recipients. Fall in the number of ad hoc recipients was one factor behind the decrease in total number of people covered by this foundation.

The grants provided by this foundation increased by 9.5 percent to Rls. 30,707.2 billion. The average amount of grants paid to each recipient was Rls. 319.8 thousand monthly, up by 14.4 percent compared with the previous year.

Contributory Coverage

The Social Security Organization (SSO) insures workers and employees subject to the Labor Law through obligatory partnership plans and the self-employed through contracts.

In 1388, the number of main insured rose by 8.4 percent to 9,917.5 thousand persons, of whom 85.6 percent were male and 14.4 percent, female.

In the review year, the number of people insured by the Social Security Organization increased by 5.6 percent to 30.7 million. Of this figure, 3.9 million were pensioners. Meanwhile, 9.9 million were main insured and 16.9 million, dependents. The ratio of dependents to main insured among the insured was 1.7. Every main insured individual covers about two 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 reached 916.1 thousand, registering 10.8 percent rise compared with the previous year. After the ratification and implementation of the prior to the contractual due date retirement bill, the number of the retired experienced a higher growth compared with the previous year's figure (8.8 percent).

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

| | 1386 | 1387 | 1388 | Percentage change | |
|--|-----------------|-----------------|-----------------|-------------------|-------------|
| | | | | 1387 | 1388 |
| Total number of covered people (thousand persons) | 8,051 | 8,354 | 8,001 | 3.8 | -4.2 |
| Amount of grants (billion rials) | 23,814.0 | 28,031.0 | 30,707.2 | 17.7 | 9.5 |

Source: Imam Khomeini Relief Foundation

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 declined by 15.7 percent to 33,675 thousand persons, mainly attributable to the fall in the number of the self-employed, rural dwellers, civil servants, and other groups as well as the fact that the number of people under the coverage of Self-employed Insurance Fund for Urban Inpatients reached zero. Of total people covered by this organization, 19.3 percent were civil servants and their dependents, 0.1 percent self-employed, 5.7 percent other groups, 7.1 percent insured under Iranians Insurance Project and 67.9 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.

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 a voluntary basis.

Since the system designed for the operation of the Rural Insurance Fund is on a voluntary basis, its activities are expanded through brokerage firms. In 1388, the number of brokerage firms was raised by 41 to 3,444. 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 rose 9.1 and 8.7 percent to 776 thousand and 1,811 thousand persons, respectively.

In this year, a sum of Rls. 1,588 billion was approved as government contribution to this Fund, of which 87.9 percent was paid.

Number of Brokerage Firms and the Insured by Rural Insurance Fund

| | 1387 | 1388 | Percentage change |
|-----------------|-----------|-----------|-------------------|
| Main insured | 710,991 | 775,725 | 9.1 |
| Dependents | 1,665,874 | 1,811,146 | 8.7 |
| Brokerage firms | 3,403 | 3,444 | 1.2 |

Source: Rural Insurance Fund

Health and Medical Care

According to data drawn by the Medical Council, in 1388, the number of physicians, dentists, and pharmacists rose by 5.7, 9.6, and 13.4 percent to 105.4, 22.6, and 15 thousand persons, respectively. The ratio of population to physician reached 699, population to dentist 3,253, and population to pharmacist 4,910 persons.

Human Development and Poverty Indices

Human Development Index (HDI)

United Nations Development Program, in its 2010 Human Development Report, calculated the Human Development Index (HDI) for 1980, 1985, 1990, 1995, 2000 and 2005-2009 as well as 2010 based on the new method of HDI calculation for countries which had access to relevant statistics. On this basis, human development values for Iran have improved from an average HDI level of 0.536 in 1990 to 0.702 in 2010, showing an annual average growth of 1.35 percent. During 2005-2010, Iran's ranking among 169 countries rose by 10 levels to 70¹. In 2010, Norway and Zimbabwe ranked first and last with HDI values of 0.938 and 0.140, respectively.

¹ Due to lack of data, the rankings of several countries for years prior to 2005 cannot be calculated.

By the new method of calculation, the HDI combines three dimensions of life quality including a long and healthy life (life expectancy at birth), education index (mean years of schooling and expected years of schooling), and a decent standard of living (GNI per capita in purchasing power parity in terms of US dollar). The HDI is the geometric mean of these three normalized indices. Before 2010, the HDI was calculated using the mean of the following dimensions: life expectancy at birth, knowledge and education as measured by the adult literacy rate (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrollment ratio (with one-third weighting), and standard of living, as indicated by the natural logarithm of gross domestic product per capita at purchasing power parity.

Gender Inequality Index (GII)

In the 2010 Human Development Report, another alternative to the Gender-related Development Index (GDI), namely, the Gender Inequality Index (GII) was proposed in order to address some of the shortcomings of the GDI. This new experimental measure which contains three dimensions of reproductive health, empowerment, and labor market participation, indicates that countries with unequal distribution of human development also experience high inequality between women and men, and countries with high gender inequality also experience unequal distribution of human development. This measure ranges from 0, which indicates that women and men fare equally, to 1 which is indicative of perfect gender inequality.

According to Human Development Report 2010, Iran ranked 98 among 169 countries, with a GII value of 0.674 in 2008. Holland and Denmark ranked first and second in GII by 0.174 and 0.209, respectively. In fact, these two countries have the least gender inequality.

Ratio of seats held by women in the Parliament was 2.8 percent in 2008. The ratio of the population of 25 years and over with at least a junior high school certificate in 2008 was 57.2 percent for men and 39.0 percent for women. These two indices are used for the calculation of GII.

Human Development Indices

Among indices referred to in 2010 Human Development Report is overall life satisfaction which varies from 0 (lowest life satisfaction) to 10 (highest life satisfaction). During 2006-2009, LSI for both men and women was 5.6 percent, and for women 5.8 percent. In Norway, LSI for both men and women was 8.1 percent and for women, 8.2 percent. This country ranks first in terms of LSI.

Based on Human Development Report, purposeful life, respectful life, and social support networks constitute the elements of happiness. Percentage of people saying "yes" to having the three mentioned elements in Iran was 87, 81, and 62 percent, respectively, during 2006-2009. In Norway, this rate was 85, 90, and 93 percent during the same period.

Iran's HDI Value during 1990-2010

| | 1990▲ | 1995▲ | 2000▲ | 2005▲ | 2009 | 2010 | Change in rank | | Annual average growth rate (percent) | |
|-------|-------|-------|-------|-------|-------|-------|----------------|-----------|--------------------------------------|-----------|
| | | | | | | | 2005-2010 | 2009-2010 | 1990-2010 | 2000-2010 |
| Index | 0.536 | 0.576 | 0.619 | 0.660 | 0.697 | 0.702 | 10 | 2 | 1.35 | 1.27 |

Source: UNDP, Human Development Report, 2010

Satisfaction with measures of well-being includes health care quality, educational system and schooling, air quality, and water quality. During 2006-2009, respectively 60, 51, 67, and 58 percent of Iranians expressed their satisfaction with improved quality of the four mentioned indices. The figures for satisfaction with the status of the mentioned indices in Norway are 80, 75, 89, and 95 percent, respectively.

Other indices considered in 2010 UN Human Development Report are crime and safety indices. In Iran, the homicide rate per 100,000 population was 2.9 during 2003-2008, well above Norway's rate at 0.6. Dependency ratio¹ per 100 people (ages 15-64) was 92.9 persons in 1990, which decreased to 40.2 persons in 2010. This could be attributable to population increase and demographic transition of 1360s.

4th Five-Year Development Plan

According to the 20-Year Vision Plan, Iran is projected to be a developed country in 1404, enjoying social justice, food safety, equal opportunities for all, with a balanced income distribution, and eradication of poverty. The 4th Five-Year Development Plan, as the first plan in the course of the 20-Year Vision Plan, sets quantitative targets for the realization of the Plan objectives. This Plan emphasizes social justice, equal opportunities, higher per capita income, and smaller gap between lower and higher income deciles.

Based on the quantitative targets of the 4th FYDP, ratio of expenditures of the richest 10 percent of households to the poorest 10 percent in 1388 (the final year) is set to be reduced to 14. According to the Economic Statistics Department of the Central Bank,

¹ It is the ratio of the population ages 0-14 and ages 65 and older to the working-age population (ages 15-64), expressed as dependants per 100 persons ages 15-64.

this share is currently at 14.1 in urban areas, pointing to relative realization of the Plan target in urban areas. It is of special note that the Plan objective is related to the whole country, whereas, data released by the Economic Statistics Department only cover the urban areas. Therefore, in order to calculate this ratio in rural areas, the population share of both urban and rural areas must be taken into account.

The target set for the ratio of expenditures of the richest 20 percent of households to the poorest 20 percent is 5.5 for the final year of the 4th FYDP. Based on the Economic Statistics Department data, this ratio reached 8.3 in urban areas in 1388. This ratio followed an upward trend from 1384 until 1386. However, as of 1387, the mentioned ratio fell by 10 percent, showing an improvement in income distribution among urban households.

Gini coefficient, a conventional index of income inequality, was targeted at 0.38 for 1388 in the 4th FYDP. Based on Central Bank data, this coefficient reached 0.3939 in 1388 in urban areas. Based on the 4th FYDP, Gini coefficient was expected to fall by 1.5 percent which was not realized, as this coefficient declined by 0.3 percent annually on average.

The 4th FYDP target for people living below poverty line in 1388 is set at 7 percent. According to this Plan, poverty line is a relative concept which is defined based on average households' expenditure distribution. According to the Statistics Department of the Central Bank, approximately 16.9 percent of the urban population were living below poverty line in 1388. Considering the 1383 definition of poverty line and after adjustment with inflation, the share of people living below poverty line in 1388 is estimated at 14.4 percent, which is far above the target set in the 4th FYDP.

Chapter 9 SOCIAL AFFAIRS AND HOUSEHOLD WELFARE

The target set for human development index was 1.7 percent for the years of the 4th FYDP. Based on United Nations Development Program, this index experienced an annual average growth of 1.4 percent during 2005-2009. Iran ranked 70 among 169 countries in 2010, in terms of human development index.

Data on life expectancy index are not released by domestic sources; therefore, data prepared by the Human Development Report are used as the standard. Rise in life expectancy at birth is indicative of the increase in welfare level, health, nutrition, and hope

for better social and political conditions. In the 4th FYDP, this index was set at 73 years for the final year. According to Human Development Report, this index reached 71.9 years for 2010.

Overall, targets set in the 4th FYDP for social welfare have been relatively realized. Comparing the average growth of total households' gross expenditure and income at 16.6 and 17.4 percent, respectively, with the annual average growth in CPI (15.2 percent) indicates a rise in the general level of households' real welfare.