

In 1394, household final consumption expenditure fell by 3.5 percent (at constant 1390 prices) to Rls. 2,623.0 trillion, indicating a sharp decline when compared with the 2.0 percent growth of 1393. Given the great share of household final consumption expenditure in GDE, this negative performance (3.5 percent decrease) contributed to 1.3 percent decline in GDE at market prices.

### Socioeconomic Characteristics of Households in Urban Areas

Based on the Household Budget Survey, the average number of household members decreased by 1.7 percent from 3.44 in 1393 to 3.38 in 1394. This was owing to the fall in the share of four-member households from 30.1 percent in 1393 to 29.0 percent in 1394 and rise in that of two-member households from 18.2 percent in 1393 to 19.1 percent in 1394.

Households with four members had the highest share by 29.0 percent in 1394. This indicated 1.1 percentage points decrease compared with 1393.

Distribution of household members by age groups reveals that 26.5 percent of household members in 1394 were in the age group of 16-30 years of age, indicating a decrease compared with previous years. Moreover, 12.6 percent of the household members were above 60 years old, up by 1.5

percentage points compared with 1393. This upward trend is expected to continue over the coming years.

Reviewing the literacy rate among household members of 6+ years old revealed that 11.7 percent of household members were illiterate. Share of university-educated members in total household members increased from 22.5 percent in 1393 to 23.1 percent in 1394.

Distribution of households' employed members based on expenditure deciles shows that of total households in the 1<sup>st</sup> decile, 44.0 percent had no employed members in 1394. In the 1<sup>st</sup> decile, about 1.1 percent of households were with three employed members and more. The mentioned share in the 2<sup>nd</sup> decile was 1.4 and in the 3<sup>rd</sup> decile, 2.5 percent. Reviewing the characteristics of the high-income deciles reveals that 49.2 percent of the households in the 10<sup>th</sup> decile had one employed person. Moreover, 8.8 percent of total households with one employed person were in the 10<sup>th</sup> decile as in most other deciles.

A study of the distribution of the employed household members based on economic activity indicates that the highest share by 22.2 percent was related to those household members employed in "wholesale, retail trade, restaurants, and hotels" group, followed by "other community, social, and personal service activities" by 21.7 percent, "mining, manufacturing, and utilities" by 18.4 percent,

and "construction" by 13.8 percent. Comparing these shares with the corresponding figures of 1393 shows that the shares of the employed household members in "wholesale, retail trade, restaurants, and hotels" and "construction" sectors decreased while those of the two other groups increased. The relatively weak performance of the construction sector led to a fall in the number of the employed persons in this sector.

The share of households who are homeowners residing in their owner-occupied dwellings increased to 65.0 percent in 1394. It is to be noted that with regard to expenditure deciles, 7.6 percent of households residing in owner-occupied houses in 1394 were in the 1<sup>st</sup> decile, 8.2 percent in the 2<sup>nd</sup> decile, 8.9 percent in the 3<sup>rd</sup> decile, and 12.6 percent (the highest) in the 10<sup>th</sup> decile. In this year, 25.2 percent of households were residing in rental houses, down by about 0.4 percentage point compared with the year before. Of total households in the 1<sup>st</sup> decile, 34.3 percent were residing in rental houses, showing 2.0 percentage points increase compared with 1393.

A review of utilities used by urban households in 1394 indicates that 99.6 percent of households had access to piped water, 100.0 percent to electricity, 93.8 percent to piped natural gas, and 46.5 percent to sewage system. In this year, 37.9 percent of households had access to internet, indicating 9.5 percentage points increase compared with 1393. Moreover, 46.9 percent of households owned an automobile and 95.3 percent had cell phones.

### Household Budget Survey

According to the Economic Statistics Department of the Central Bank, in 1394,

total annual household expenditure (gross)<sup>1</sup> in urban areas increased by 7.3 percent compared with the year before and amounted to Rls. 352.7 million at current prices (Rls. 29.4 million monthly). In this year, the average annual household expenditure (gross) in urban areas, at constant 1390 prices, fell by 3.5 percent compared with 1393 and reached Rls. 162.2 million. Comparing the minimum nominal wage in 1394 (Rls. 7,124 thousand per month) with the nominal monthly expenditure on "food and beverages" group at Rls. 6,940 thousand indicates that the minimum wage paid to workers entirely covers the expenditures on this group. The ratio of minimum nominal wage to expenditures on food and beverages was 102.7 percent in 1394 which, compared to 90.4 percent in 1393, is indicative of better conditions for low-income groups and a narrower income-expenditure gap. This relative improvement in household budget condition is attributable to adoption of inflation containment and price stabilization policies.

Reviewing the gross household expenditure based on expenditure groups indicates that expenditures on "restaurants and hotels" increased by 13.0 percent at current prices and expenditures on "housing, water, electricity, gas and other fuels" and "health and medical care" rose by 12.4 and 8.0 percent, respectively. Share of "food and beverages" group in total household expenditure fell from 24.6 percent in the year before to 23.6 percent in 1394, indicating lower household spending on this group compared with 1393. Household expenditure on this group increased by 3.1 percent in 1394, lower than the 8.1 percent growth of 1393. Considering 10.4 percent increase in the CPI of this group in 1394, household expenditure on this group decreased by 6.6 percent in real terms.

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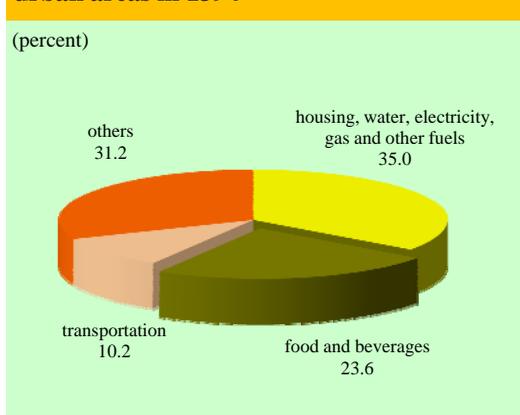
<sup>1</sup>Excludes expenditure on tax and retirement savings.

Total share of "food and beverages", "housing, water, electricity, gas, and other fuels", and "clothing and footwear" groups was 63.1 percent at current prices, compared with 62.6 percent total share of these groups in 1393. This indicates that households have allocated a higher share of their income to essential goods and services in 1394.

Reviewing annual household expenditure (gross) at constant 1390 prices indicates positive growth in expenditures on "communication", "furniture, furnishings, and household equipment and operation", and "housing, water, electricity, gas, and other fuels" while other groups experienced negative growth in real terms. The highest decreases were related to "recreation and culture", "health and medical care", and "education" by 21.8, 12.8, and 9.2 percent, respectively.

Comparing the inflation rate among various expenditure groups indicates that the highest inflation was related to "health and medical care", "education", and "restaurants and hotels" while the CPI for "tobacco" group decreased by 3.1 percent in 1394.

**Figure 9.1. Share of expenditure groups in urban areas in 1394**



### Analysis of Household Expenditure by Deciles

A review of household expenditure by various deciles indicates that the 10<sup>th</sup> to the 1<sup>st</sup> decile ratio (ratio of richest 10 percent to poorest 10 percent) was 13.8 in 1394, i.e. the richest 10 percent had an average expenditure of 13.8 times that of the poorest 10 percent in nominal terms, which was lower than the year before. This was indicative

**Table 9.1. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas** (ten thousand rials)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Food and beverages	7,472.4	8,080.7	8,327.6	8.1	3.1	24.6	23.6
Tobacco	117.6	115.9	111.8	-1.4	-3.6	0.4	0.3
Clothing and footwear	1,314.9	1,524.3	1,589.7	15.9	4.3	4.6	4.5
Housing, water, electricity, gas and other fuels	9,707.4	10,990.2	12,349.6	13.2	12.4	33.4	35.0
Furniture, furnishings, and household equipment and operation	1,192.3	1,360.0	1,453.6	14.1	6.9	4.1	4.1
Health and medical care	1,602.1	1,903.1	2,054.9	18.8	8.0	5.8	5.8
Transportation	2,429.9	3,404.3	3,603.4	40.1	5.8	10.4	10.2
Communication	573.0	703.0	748.9	22.7	6.5	2.1	2.1
Recreation and culture	654.9	772.7	694.0	18.0	-10.2	2.4	2.0
Education	499.0	617.0	652.4	23.6	5.7	1.9	1.9
Restaurants and hotels	585.7	655.3	740.2	11.9	13.0	2.0	2.1
Miscellaneous goods and services	2,297.0	2,749.4	2,938.9	19.7	6.9	8.4	8.3
<b>Total</b>	<b>28,446.2</b>	<b>32,876.0</b>	<b>35,265.1</b>	<b>15.6</b>	<b>7.3</b>	<b>100.0</b>	<b>100.0</b>

## Chapter 9 SOCIAL AFFAIRS AND HOUSEHOLD WELFARE

of an improvement in income distribution metrics. In 1394, the average household expenditure in the 10<sup>th</sup> decile was 3.1 times that of the average household expenditure in urban areas at current prices. On the contrary, the average household expenditure

in the 1<sup>st</sup> decile constituted only 22.2 percent of the average household expenditure in urban areas in nominal terms. Average household expenditure in the 1<sup>st</sup> to 7<sup>th</sup> deciles is lower than the average household expenditure in urban areas.

**Table 9.2. Comparison of Changes and Share of Expenditure Groups in Gross Household Expenditure in Urban Areas (in real terms)** (ten thousand rials)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Food and beverages	3,647.7	3,617.1	3,378.0	-0.8	-6.6	21.5	20.8
Tobacco	43.9	46.1	45.9	5.0	-0.4	0.3	0.3
Clothing and footwear	599.3	586.1	553.4	-2.2	-5.6	3.5	3.4
Housing, water, electricity, gas and other fuels	7,155.8	6,941.5	6,948.4	-3.0	0.1	41.3	42.8
Furniture, furnishings, and household equipment and operation	516.8	533.0	538.9	3.1	1.1	3.2	3.3
Health and medical care	928.1	837.2	730.2	-9.8	-12.8	5.0	4.5
Transportation	1,397.4	1,578.5	1,504.3	13.0	-4.7	9.4	9.3
Communication	497.5	550.7	566.4	10.7	2.8	3.3	3.5
Recreation and culture	343.9	332.6	259.9	-3.3	-21.8	2.0	1.6
Education	388.5	425.9	386.8	9.6	-9.2	2.5	2.4
Restaurants and hotels	303.2	285.5	277.6	-5.9	-2.8	1.7	1.7
Miscellaneous goods and services	1,040.5	1,074.8	1,034.0	3.3	-3.8	6.4	6.4
<b>Total<sup>1</sup></b>	<b>16,862.6</b>	<b>16,809.1</b>	<b>16,223.9</b>	<b>-0.3</b>	<b>-3.5</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Total is calculated based on total real expenditures of expenditure groups. This is due to changes in the share of expenditure groups at constant 1390 prices.

**Table 9.3. Comparison of Growth in Household Gross Expenditure in Urban Areas with Inflation for Different Expenditure Groups in 1394** (percent)

	Growth in household gross expenditure in nominal terms	Inflation	Growth in household gross expenditure in real terms
Food and beverages	3.1	10.4	-6.6
Tobacco	-3.6	-3.1	-0.4
Clothing and footwear	4.3	10.4	-5.6
Housing, water, electricity, gas and other fuels	12.4	12.3	0.1
Furniture, furnishings, and household equipment and operation	6.9	5.7	1.1
Health and medical care	8.0	23.8	-12.8
Transportation	5.8	11.1	-4.7
Communication	6.5	3.6	2.8
Recreation and culture	-10.2	14.9	-21.8
Education	5.7	16.4	-9.2
Restaurants and hotels	13.0	16.2	-2.8
Miscellaneous goods and services	6.9	11.1	-3.8
<b>Total</b>	<b>7.3</b>	<b>11.9</b>	<b>-3.5</b>

In 1394, growth in gross household expenditure in all deciles was negative in real terms. The highest decrease in the welfare level was related to the 10<sup>th</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> deciles.

Reviewing the share of deciles in various expenditure groups shows that "housing, water, electricity, gas, and other fuels" and "food and beverages" groups had the highest shares in the household budget in all deciles. In the 1<sup>st</sup> decile, these two groups had a total share of 78.6 percent in total household expenditure. Given the higher rate of rental houses for lower deciles compared to higher deciles of households, the higher share of "housing, water, electricity, gas, and other fuels" group in total household expenditure indicates that this group is affected by the developments of the "housing rental index".

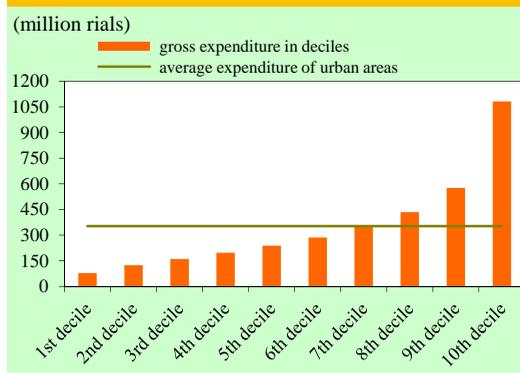
### Household Expenditure by Provinces

A review of annual household expenditure (gross) in urban areas of various provinces indicates that Tehran Province accounted for the highest expenditure in 1394 while Lorestan Province accounted for the lowest expenditure both at current and constant 1390

prices. Average expenditure of a household in Tehran was 2.4 times that of a household in Lorestan at current prices and 2.6 times at constant prices. This is indicative of lower income inequality among different provinces compared to corresponding figures of the year before (2.5 and 2.7 times).

In 1394, the highest number of household members (4.4 persons) belonged to Sistan and Baluchestan Province and the lowest number (3.0 persons) was related to Gilan Province.

**Figure 9.2. Average household expenditure in urban areas compared to average expenditure of different deciles of urban households in 1394**



**Table 9.4. Comparison of Average Household Gross Expenditure in Various Deciles in Urban Areas (at current and constant prices)**

	(ten thousand rials)									
	1 <sup>st</sup> decile	2 <sup>nd</sup> decile	3 <sup>rd</sup> decile	4 <sup>th</sup> decile	5 <sup>th</sup> decile	6 <sup>th</sup> decile	7 <sup>th</sup> decile	8 <sup>th</sup> decile	9 <sup>th</sup> decile	10 <sup>th</sup> decile
1393	7,138	11,589	15,042	18,310	21,903	26,421	32,039	39,546	52,473	104,292
1394	7,841	12,435	16,083	19,729	23,859	28,652	34,792	43,415	57,611	108,228
Growth in gross expenditure (current prices) (percent)	9.8	7.3	6.9	7.7	8.9	8.4	8.6	9.8	9.8	3.8
Growth in real terms (percent) <sup>1</sup>	-1.9	-3.9	-4.5	-4.0	-2.6	-3.4	-3.2	-1.9	-1.8	-7.0

<sup>1</sup> Calculated based on inflation by expenditure deciles and not comparable with the average household expenditure.

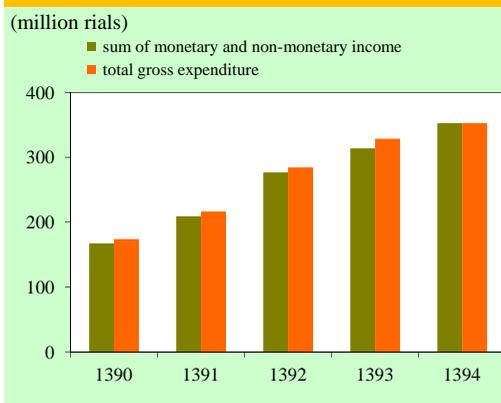
### Household Income

In 1394, gross average household income (monetary and non-monetary income) rose 12.4 percent compared with 1393 and amounted to Rls. 352.6 million (Rls. 29,382 thousand monthly). Out of the mentioned Rls. 352.6 million, 69.7 percent was monetary and 30.3 percent non-monetary income. The major share of the non-monetary income is related to the "imputed rental value of owner-occupied dwellings" which is affected by the fluctuations of the housing market and does not necessarily bring cash income to households.

Comparing the average amount of household income at Rls. 352.6 million in this year with the average household expenditure at Rls. 352.7 million at current prices

is well indicative of a balanced household budget.

**Figure 9.3. Comparison of gross household expenditure with income at current prices**



**Table 9.5. Share of Various Expenditure Groups in Deciles in Urban Areas in 1394** (percent)

	1 <sup>st</sup> decile	2 <sup>nd</sup> decile	3 <sup>rd</sup> decile	4 <sup>th</sup> decile	5 <sup>th</sup> decile	6 <sup>th</sup> decile	7 <sup>th</sup> decile	8 <sup>th</sup> decile	9 <sup>th</sup> decile	10 <sup>th</sup> decile	Average share
Food and beverages	26.1	27.0	27.4	28.5	28.1	26.9	27.3	26.0	23.2	17.8	23.6
Tobacco	0.7	0.8	0.7	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.3
Clothing and footwear	1.4	2.3	2.9	3.6	3.8	4.3	4.6	4.9	5.2	5.1	4.5
Housing, water, electricity, gas and other fuels	52.5	45.5	41.8	38.5	36.2	34.8	32.9	31.0	32.0	34.6	35.0
Furniture, furnishings and household equipment and operation	1.7	2.2	2.7	2.9	3.1	3.7	4.0	4.3	4.6	5.0	4.1
Health and medical care	4.2	4.6	4.9	5.2	5.5	5.6	5.5	5.9	5.7	6.6	5.8
Transportation	3.9	4.9	5.7	6.0	6.5	7.7	8.0	9.9	11.6	14.3	10.2
Communication	2.7	2.7	2.7	2.7	2.6	2.4	2.3	2.2	2.0	1.6	2.1
Recreation and culture	0.5	0.9	1.1	1.5	1.6	1.8	2.0	2.1	2.1	2.4	2.0
Education	0.5	1.1	1.4	1.4	1.6	2.0	1.9	2.1	2.0	2.0	1.9
Restaurants and hotels	0.5	0.8	1.0	1.2	1.6	1.7	1.7	2.1	2.6	2.8	2.1
Miscellaneous goods and services	5.4	7.2	7.7	8.0	9.0	8.8	9.4	9.2	8.6	7.7	8.3

## Measurement and Analysis of Income Inequality

Gini coefficient decreased by 0.3 percent and reached 0.3988 in 1394. Moreover, the ratio of the income of the richest 10 percent of households to the poorest 10 percent fell by 0.5 points from 14.3 times in 1393 to 13.8 times in 1394. Share of the 20 percent of high-income households fell from 47.2 percent in 1393 to 47.0 percent in 1394. A review of the shares of various income deciles in total income shows that the share of the 10<sup>th</sup> decile decreased, shares of the 1<sup>st</sup> to 4<sup>th</sup> as well as the 6<sup>th</sup> deciles remained unchanged, and shares of the 5<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, and 9<sup>th</sup> deciles increased compared with the year before. Therefore, income distribution in 1394 was in favor of the middle-income groups but not the high-income groups.

**Table 9.6. Income Inequality Metrics in Urban Areas**

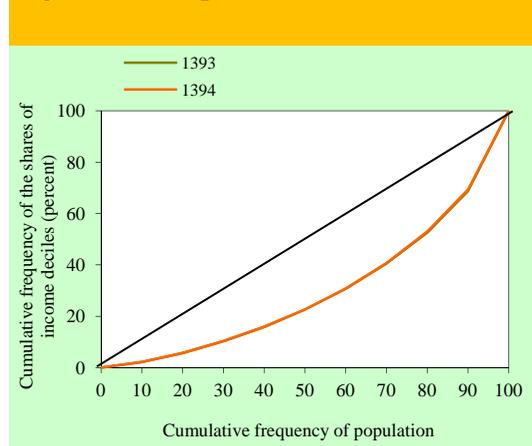
	1393	1394
Gini coefficient	0.3999	0.3988
Share of 40 percent of low-income households (percent)	16.0	15.9
Share of 40 percent of middle-income households (percent)	36.9	37.1
Share of 20 percent of high-income households (percent)	47.2	47.0
Ratio of richest 10 percent to poorest 10 percent of households	14.3	13.8

## Social Security

### Non-contributory Coverage

In 1394, the number of people covered by Imam Khomeini Relief Foundation decreased by 3.2 percent (119 thousand persons) to 3,545 thousand persons. The grants provided by this Foundation increased by 23.7 percent compared with 1393, to reach Rls. 52.8 trillion.

**Figure 9.4. Comparison of Lorenz Curves**



### Contributory Coverage

Social Security Organization, Iran Health Insurance Organization<sup>1</sup>, as well as some independent Funds are responsible for the provision of contributory insurance in Iran. In 1394, total number of people covered by Social Security Organization and Iran Health Insurance Organization decreased by 0.8 percent to about 79.9 million persons, which is higher than total country's population (78.8 million persons). This indicates that some citizens are under the insurance coverage of several organizations.

The Social Security Organization (SSO) insures workers and employees, who are subject to the Labor Law, through obligatory partnership plans. This organization insures

<sup>1</sup> Based on Article 38 of the 5<sup>th</sup> FYDP Law, Iran Health Insurance Organization, taking over all the duties of the Medical Services Insurance Organization, was established in 1391 with the aim of mobilization of financial resources in the health sector, elimination of overlapping health insurance programs, better social justice in the health and medical care sector, provision of medical insurance for all the uncovered Iranians, harmonization of health insurance policies and executive measures, organization of the insured parties' affairs, formation of health files, activation of the family physician project, and reduction of the share of the insured parties in health costs to 30 percent.

the self-employed parties through contracts. In 1394, the number of the main insured reached 13.7 million persons, showing 2.8 percent increase compared with 1393.

In this year, total number of people insured by the Social Security Organization increased by 2.7 percent to 41.4 million, of whom 5.4 million were pensioners and the remaining received insurance services. The number of the retired people under the coverage of Social Security Organization reached 1,508.1 thousand, registering 8.1 percent rise compared with the previous year.

Iran Health Insurance Organization, affiliated to the Ministry of Cooperatives, Labor, and Social Welfare, extends health insurance coverage to civil servants and their dependents, rural dwellers, and the self-employed people. In 1394, the number of those insured by this organization decreased by 4.3 percent to 38,476 thousand persons, mainly due to the implementation of a new policy which was aimed at avoiding the double counting of those who had registered more than once in the insurance fund. In 1394, a total of 9,099 thousand persons were covered by the Public Medical Service Insurance Plan, up by 0.3 percent compared with 9,073 thousand persons in 1393.

**Rural Dwellers' Social Insurance**

Rural Dwellers' Social Insurance Project was put into operation as of the beginning of the 4<sup>th</sup> FYDP. Based on the Structural Rules of the Comprehensive System of Welfare and Social Security, Rural Insurance Fund insures farmers and other villagers on a voluntary basis. As a result, the activities of this Fund are expanded through brokerage firms. The number of brokerage firms reached 3,579 in 1394, remaining relatively unchanged compared to the respective figure of the year before (3,580).

**Table 9.7. Number of Brokerage Firms and People Insured by Rural Insurance Fund**

	1393	1394	Percentage change
Main insured	1,322,451	1,426,900	7.9
Brokerage firms	3,580	3,579	0.0

Source: Rural Dwellers' Social Insurance Fund.

In 1394, the amount approved by the government as contribution to Rural Dwellers' Social Insurance Fund increased by 9.1 percent to Rls. 3,600.0 billion, 95.0 percent of which was actually allocated.

**Human Development Indices<sup>1</sup>**

**Human Development Index (HDI) in Iran**

The 2016 Human Development Report (HDR) published for the United Nations Development Programme (UNDP), titled "Human Development for Everyone", focuses on human development issues. Based on the mentioned report, as of the beginning of United Nations Development Programme and HDR publication in 1990, most countries have registered significant human development. Human Development Report 2016 ranks Iran 69 in HDI among 188 countries in 2015. HDI value for Iran was 0.774 in 2015. The average HDI in countries with very high human development was 0.892 in 2015, indicating an improvement compared with 0.890 in 2014. Average world HDI was 0.717 in 2015, up by 0.002 points compared to 2014. This report considers four Human Development Index groups including very high human development, high human development, medium human development, and low human development. Countries with HDI values between 0.700 and 0.800 are the countries with high human development. Accordingly, Norway had the highest HDI value of 0.949 and Iran was ranked among countries with high human development in 2015.

<sup>1</sup>Based on the 2016 Human Development Report (HDR).

### *Selected Human Development Indices*

Among indices referred to in the 2016 Human Development Report is overall life satisfaction which varies from 0 (lowest life satisfaction) to 10 (highest life satisfaction). Life Satisfaction Index (LSI) for the global population was 5.2 during 2014-2015. LSI for Iran was estimated at 4.7, lower than the world average. The highest LSI by 7.6 was related to Switzerland and Norway.

Based on the 2016 Report, maternal mortality ratio for Iran was 13.4 per 1,000 live births in 2015. Life expectancy at birth was 74.5 years for men and 76.7 years for women in 2015, which is higher than the world average (69.6 and 73.8 years, respectively).

Gender Inequality Index (GII) contains three dimensions of reproductive health, empowerment, and labor market participation, indicating that countries with unequal distribution of human development also experience high inequality between men and women, and countries with high gender

inequality also experience unequal distribution of human development. This measure ranges from 0, which indicates that men and women fare equally, to 1 which is indicative of the highest gender inequality.

According to the 2016 Human Development Report, Iran ranked 118 in 2015 in GII among 159 countries whose data were available. Switzerland and Denmark ranked respectively 1<sup>st</sup> and 2<sup>nd</sup> in 2015 in GII. This indicates that the lowest gender inequality is found in these two countries.

Another index referred to in the 2016 Human Development Report is the percentage of women holding seats in the national parliament. In 2015, the share of parliamentary seats held by Iranian women was 3.1 percent. This index was 15.5 percent for Arab States, 19.0 percent in Europe and Central Asia, 22.3 percent in less developed countries, 19.5 percent in the United States, and 22.5 percent for the world (average).

**Table 9.8. Iran's HDI Value**

	2000	2010	2012	2013	2014	2015	Change in rank	Annual average growth rate (percent)	
							2010-2015	2000-2010	2010-2015
HDI	0.666	0.745	0.769	0.770	0.774	0.774	3	1.12	0.78

Source: The 2016 Human Development Report.