

The decline in fertility rate in recent years reduced population growth. Changes in population structure during the past three decades brought about additional demand for education, health, and the most important of all employment of the youth. Social affairs merited special attention during the past years. This was observed in improvement of educational, health, and income distribution indices. Rapidly growing supply of labor force called for taking certain measures by the government such as utilization of administered funds, extending facilities through the OSF and extending facilities to the SMEs. These initiatives led to increasing demand for labor force and reducing the rate of unemployment.

Population and Labor Force

Based on the Population and Housing Census conducted by the Statistical Center of Iran (SCI) in Aban 1385, Iran's total population was 70,473 thousand persons, of whom 34,616 thousand were female and 35,857 thousand were male. With the continued implementation of population control policies, population growth followed a downward trend during 1375-85 and the annual average growth of female and male reached 1.6 and 2.7 percent, respectively. Meanwhile, 25.1 percent of the population were under 15 years of age, 69.7 percent comprised the active population of 15-64 and 5.2 percent were over 65 years old.

POPULATION AGE STRUCTURE

(percent)

Age groups	1383	1384	1385 ⁽¹⁾
Young population (under 15)	28.6	27.6	25.1
Population (15-64)	66.7	67.7	69.7
Old population (over 65)	4.7	4.7	5.2
Total	100.0	100.0	100.0

Source: President Deputy for Strategic Planning and Control

(1) Figures for 1385 are based on the census conducted by the SCI.

In 1385, total population grew by 1.6 percent, up by 0.1 percentage point compared with 1384. Gender ratio (the number of male per 100 female) was 104. Therefore, 50.9 percent of the population were male and 49.1 percent were female. Of total population, 68.5 percent dwelled in urban and 31.5 percent in rural areas. This shows 0.6 percentage point increase in urban and the same amount decrease in rural population. As long as the average level of services and job opportunities is better in urban areas than in rural areas, rural-urban migration could not be stopped. This may put further pressure on government to cope with expanding demands of growing urban population who are in search of better jobs and higher income. Furthermore, these migrants create a great challenge for urban environmental sustainability.

Based on the Census for 1385, Tehran Province had the highest share of total population by 19 percent (13.4 million persons).

Active population reached 23.5 million persons in 1385. The baby boom of 1360s affected the current labor market.

Labor Market

Against the backdrop of socioeconomic condition, according to the Statistical Center of Iran (SCI), the population age group of 10 years and over is regarded as labor force supply. Labor force supply is affected by this age group and also labor force participation. The population age group of 10 years and over grew by an annual average rate of 2.7 percent during 1375-85 to reach 59,507 thousand in 1385. Participation rate was 39.4 percent in 1385. Therefore, active population reached 23,466 thousand, up by 3.9 percent compared with 16,027 thousand in 1375. Higher participation rate in tandem with lower demand for labor force (3.4 percent demand against 3.9 percent supply of labor force), added to the number of unemployed. Thus, the unemployed numbered 2,991 thousand, against 1,455 thousand in 1375, and unemployment rate trended upward from 9.1 percent in 1375 to 12.1 percent in 1385.

POPULATION AND LABOR MARKET DEVELOPMENTS BASED ON CENSUSES OF 1375 AND 1385
(thousand persons-percent)

	Year		Annual average growth rate	
	1375	1385	1365-75	1375-85
Population (10 years and over)	45,401	59,507	3.3	2.7
Active population	16,027	23,466	2.3	3.9
Employed population	14,572	20,474	2.9	3.4
Unemployed population	1,455	2,991	-2.0	7.5
Participation rate	35.3	39.4	-1.0	1.1
Unemployment rate	9.1	12.1	-4.4	2.9

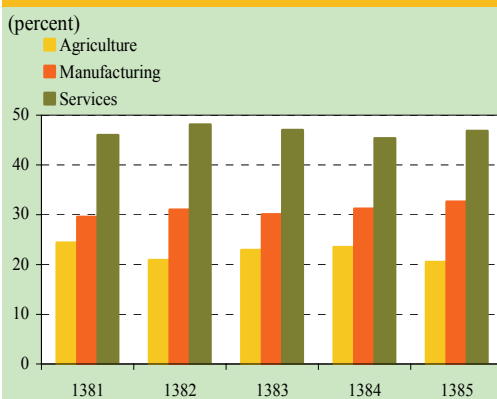
Source: Population and Housing Census for 1375 and preliminary results of Population and Housing Census for 1385 – Statistical Center of Iran (SCI)

According to the SCI, unemployment rate remained virtually unchanged at 12.1 percent in the 4th quarter of 1385, compared with the same period previous year. This rate was 11 percent for male and 16.7 percent for female. The unemployment rate for female indicates 0.4 percentage point decline. The high unemployment rate among female population during the recent years was mainly attributable to the rise in potentially-active population and rate of women's participation in socioeconomic activities on the one hand and the imbalance between the huge number of job seekers and the availability of jobs on the other.

Review of unemployment rate in urban and rural areas indicates that the unemployment rate in urban areas was 13.8 percent in the fourth quarter of 1385. In rural areas, this rate was 8.8 percent.

According to the SCI, of total employed population, 20.5 percent were active in agriculture, 32.6 percent in manufacturing, and 46.9 percent in services sectors. Shares of these sectors in total employed population were 21.1, 31.9, and 47 percent, respectively, showing an increase in manufacturing and a decrease in agriculture and services sectors.

Figure 8.1. Share of employment in various economic sectors



Major Job Creation Policies

Allocation of Directed Credits

Based on the Budget Law for 1385, the share of public sector out of Rls. 1,800 billion increase in the outstanding directed banking facilities is 25 percent and that of cooperative and private sectors is 75 percent.

Review of approved and actual directed credits shows that out of Rls. 1,800 billion credits, Rls. 1,140 billion was earmarked to be extended as job creation facilities in 1385. Of this amount, 35.9 percent i.e., Rls. 409 billion was approved and paid by banks.

Allocation of Administered Funds

The credits extended for job creation in the form of administered funds were envisaged in the budget laws. Out of total administered funds for job creation projects, Rls. 1,151.1 billion was deposited by the Management and Planning Organization to banks. Banks approved Rls. 202 billion and extended Rls. 409.2 billion facilities for implementation of mentioned projects which led to creation of 3 thousand new jobs. Moreover, in 1385, Rls. 36.5 billion in the form of administered funds for the provision of subsidy on profit and commission was deposited by the Management and Planning Organization to banks. Banks approved Rls. 287.1 billion and paid Rls. 56.6 billion. This led to the creation of 4,183 thousand job opportunities in this year.

Facilities Extended By Banks to SMEs

Based on Article 3 of the executive by-law for supporting the expansion of Small and Medium Enterprises (SMEs), the banking system was required to pay up to 35 percent of its credits to SMEs, with the share of agent banks at Rls. 180 trillion. By the end of 1385, Rls. 326,025 billion projects were referred to banks, of which Rls. 134,742 billion were approved. Of total Rls. 87,561

billion concluded contracts, 48.8 percent were related to enterprises with less than 10 employees and 51.2 percent to enterprises with 10 to 49 employees. The number of job opportunities created out of concluded contracts amounted to 765,405 persons.

Utilization of Oil Stabilization Fund (OSF)

To support productive activities aimed at creating job opportunities, the OSF was utilized to a great extent. This was reflected in \$14,997 million earmarked for the implementation of approved projects and \$9,612 million for the contracts concluded.

Support Fund for Job Opportunities

According to the Budget Law for 1385, Rls. 550 billion was added to the Support Fund for Job Opportunities. This was to be extended to qualified applicants in accordance with the approvals of the High Council of Employment.

Performance of Unemployment Insurance Fund

The number of pensioners benefiting from Unemployment Insurance Fund was 150,183 persons in 1385, indicating 19 percent growth compared with the previous year.

Salary and Wage

Of the socioeconomic key objectives of government is to preserve purchasing power, welfare, and job security. Determining salary coefficient for civil servants and workers is among these supports. To this end, the High Council of Employment, as the body in charge of setting the minimum monthly wage, determined the minimum nominal monthly wage at Rls. 1,500,000 for 1385, up by 18.4 percent compared with the

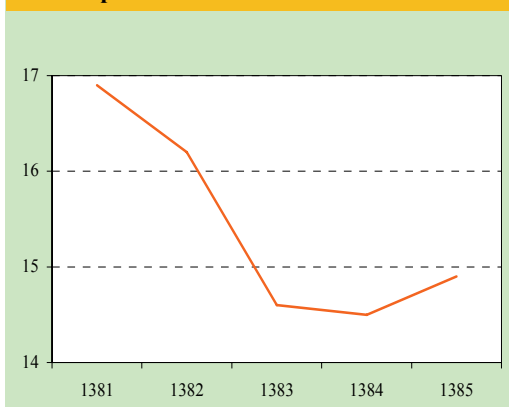
previous year. Considering the 13.6 percent inflation rate for 1385, the minimum real monthly wage rose by 4.2 percent. Meanwhile, the salary coefficient of civil servants increased from 380 in 1384 to 430 in 1385, pointing to 3 to 5 percent annual increase and 16.2 to 18.2 percent increase in total salary of civil servants.

Income Distribution

During 1385, the income share of the poorest 10 percent of households to richest 10 percent in urban areas constituted 2 and 30.1 percent of national income, respectively. The share of the first and tenth deciles fell by 4.8 and 2 percent, respectively. Therefore, the share of the richest 10 percent to poorest 10 percent increased from 14.5 times in 1384 to 14.9 times in 1385, indicating 0.4 percentage point rise. Gini

coefficient decreased by 0.5 percent to 0.4004, which is a sign of improvement in income distribution in urban areas during the review year.

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



INCOME DISTRIBUTION INEQUALITY INDICES IN URBAN AREAS

	1383	1384	1385
Gini coefficient	0.3996	0.4023	0.4004
Share of 40 percent of low-income households (percent)	15.83	15.76	15.63
Share of 40 percent of medium-income households (percent)	37.07	36.87	37.53
Share of 20 percent of high-income households (percent)	47.10	47.36	46.84
Ratio of richest 10 percent to poorest 10 percent of households	14.6	14.5	14.9

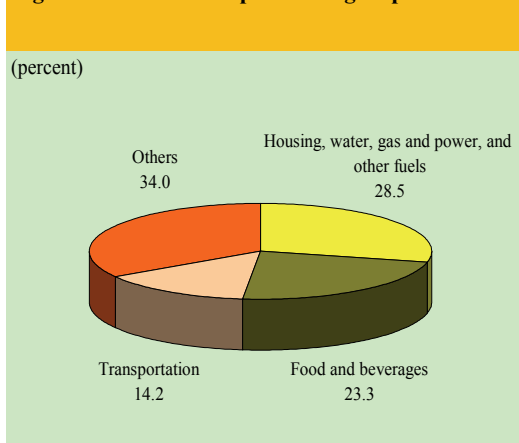
Household Budget in Urban Areas

In 1385, the household budget survey was conducted in 75 cities and on 6,687 households. Based on this survey, annual average gross expenditure of an urban household was Rls. 79,695 thousand (Rls. 6,641 thousand monthly), up by 15.9 percent compared with the previous year. Given the inflation rate of 13.6 percent, real gross expenditure increased by 2.3 percent on average per annum.

Review of the annual average gross expenditure of each urban household reveals that Tehran Province, with roughly Rls. 104,311 thousand (Rls. 8,693 thousand monthly), had the highest and Sistan and Baluchestan Province, with Rls. 52,543

thousand (Rls. 4,379 thousand monthly), the lowest share in total expenditures.

Figure 8.3. Share of expenditure groups in 1385



In the review year, gross income of an urban household (monetary and non-monetary) increased by 16.6 percent to Rls. 77,554 thousand (Rls. 6,463 thousand monthly). Of this amount, 74.5 percent was cash income and 25.5 percent income in-kind.

Education

In 1385, literacy rate among the age group of 6 years and over fell by 2.5 percentage points to 84.6 percent, mainly attributable to the reduction of this ratio in the age group of 29 years and over. Among the age group of 6-29 years, this ratio was 97.2 percent, up by 0.2 percentage point compared with the previous year. Enrollment rate in the age group of 6-14 years edged up to 96.9 percent from 96.5 percent in 1384.

LITERACY RATE IN THE POPULATION AGED SIX YEARS AND OVER (percent)

	Total	Urban areas	Rural areas ⁽¹⁾
1384	87.1	92.8	78.0
1385	84.6	88.9	75.1

Source: Management and Planning Organization
(1) Includes unsettled population.

The downward trend of population growth led to a decrease in the total number of students at various educational levels to 14.9 million persons ⁽¹⁾ in the academic year of 1385-86, registering a fall of 2.8 percent compared with the year before. The number of students in primary schools, junior high schools and high schools decreased by 3, 5, and 1.2 percent, respectively, when compared with the previous year.

Educational indices of “student to school”, “student to classroom”, and “student to teacher” fell in 1385-86 academic year, largely owing to the reduction in the number of students.

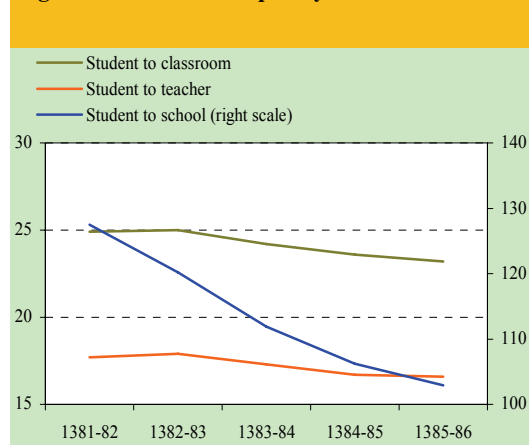
(1) Of this figure, 480 thousand persons were adult students, which remained unchanged compared with the previous year.

ENROLLMENT AND LITERACY RATES

	(percent)	
	1384	1385
Enrollment rate (6-14 years)		
Urban areas	98.7	98.8
Rural areas	91.5	92.8
Total	96.5	96.9
Literacy rate (6-29 years)		
Urban areas	98.5	98.6
Rural areas	93.8	94.2
Total	97.0	97.2

Source: Management and Planning Organization

Figure 8.4. Education quality indices in Iran



Higher Education

The total number of students (public universities and Islamic Azad University) increased from 2,388.6 thousand to 2,828.5 thousand persons. Meanwhile, the number of students at public universities and Payam-e-Noor University grew by 29.2 percent to 1,538.9 thousand and the number of students at Islamic Azad University reached 1,289.6 thousand persons, up by 7.7 percent. Moreover, the number of male and female students increased by 16.4 and 20.3 percent, respectively, to 1,346 and 1,482 thousand persons.

NUMBER OF UNIVERSITY STUDENTS (person)

	Academic year		Percentage change		Share (percent)	
	1384-85	1385-86	1384-85	1385-86	1384-85	1385-86
Public universities and higher education institutes ⁽¹⁾	1,191,048	1,538,874	16.9	29.2	49.9	54.4
Female	656,847	888,799	19.5	35.3	27.5	31.4
Male	534,201	650,075	13.8	21.7	22.4	23.0
Islamic Azad University	1,197,521	1,289,637	9.0	7.7	50.1	45.6
Female	574,815	593,438	8.5	3.2	24.1	21.0
Male	622,706	696,199	9.5	11.8	26.0	24.6
Total	2,388,569	2,828,511	12.8	18.4	100.0	100.0

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

(1) Includes students at Payam-e-Noor University.

Health and Medical Care

According to the data drawn by the Medical Council, the number of physicians and dentists decreased by 0.6 and 1.9 percent to 90,012 and 17,741 persons, respectively, in 1385, however, the number of pharmacists reached 12,848 persons, indicating 2.1 percent increase. The ratio of population to physician, dentist, and pharmacist reached 782, 3,972, and 5,485 persons, respectively.

Social Security

Contributory Coverage

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

In 1385, the number of main insured increased by one percent to 7,512 thousand persons, of whom 87.9 percent were active in manufacturing establishments and 1.2 percent (150.2 thousand persons) were unemployed and benefited from unemployment insurance, 23,160 persons more than last year. The remaining 10.9 percent were optionally insured, self-employed, truck drivers, and employees in the insurance sector.

In the review year, of total number of main insured, 10.6 percent were insured by the public and 89.4 percent by the non-

public sector and 11.8 percent were female and 88.2 percent were male. The number of retired and disabled main pensioners reached 685.7 and 80.8 thousand persons, up by 8.9 and 6.7 percent, respectively.

Medical Services Insurance Organization, affiliated to the Ministry of Health and Medical Education, 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 0.1 percent to 37,232 thousand persons, constituting 52.8 percent of total population.

Non-contributory Coverage

The total number of people covered by the Imam Khomeini Relief Committee increased by 20.4 percent to roughly 7,109 thousand persons. Of this figure, 2,908 thousand were ad hoc recipients.

NUMBER OF PEOPLE COVERED BY IMAM KHOMEINI RELIEF COMMITTEE AND GRANTS PROVIDED

	1383		1384		1385		Percentage change	
	1383	1384	1385	1384	1385	1384	1385	
Total number of people (thousand persons)	5,976	5,905	7,109	-1.2	20.4			
Amount of grants (billion rials)	10,100.1	12,597.6	18,388.2	24.7	46.0			

Source: Imam Khomeini Relief Committee

Human Development and Poverty Indices

Human Development Index (HDI)

The Human Development Index is a summary measure of human development that is published by the United Nations Development Program (UNDP). This index ranks nations according to their citizens' quality of life. The criteria for calculating rankings

include life expectancy, education, and GDP per capita. It is used to distinguish whether the country is a developed, a developing, or a less developed country. Human Development Report has been published since 1990 by the UNDP.

IRAN'S HDI VALUE DURING 1980-2005

Year	1980	1985	1990	1995	2000	2003	2004	2005	Annual average growth rate (percent)
Index	0.578	0.615	0.653	0.693	0.722	0.736	0.746	0.759	1.1

Source: Human Development Report, 2007

The above table indicates the changes in Iran's HDI value during 1980-2005 with an annual average growth of 1.1 percent. This indicates an improvement in human development values from relatively low HDI to a relatively better performance on HDI during three decades.

Iran is ranked 96th in the 2007 Human Development Report among 177 countries, with an HDI score value of 0.746 in 2004. It was improved to 94 in 2005, with an HDI score value of 0.759. This shows 1.7 percent growth.

COMPARISON OF IRAN'S HDI WITH OTHER COUNTRIES

Average in countries with an HDI level of			Average of HDI level in	
High	Medium	Low	World	Iran
0.897	0.698	0.436	0.743	0.759

Source: UNDP, Human Development Report, 2007

The HDI composite index indicates that the adjusted GDP per capita (in Purchasing Power Parity terms in US\$) trended upward from 0.71 in 2003 to 0.72 and 0.73

in 2004 and 2005, respectively. It is worth mentioning that according to Human Development Report, 2007, GDP per capita (PPP in US\$) equaled \$7,968.

The education index measures a country's relative achievement regarding adult literacy and combined gross enrollment in primary, secondary, and tertiary education. This index was 0.74 and 0.75 for 2003 and 2004 and moved up to 0.79 in 2005.

The life expectancy index stood at 0.76 in 2003 and 2004 which fell to 0.75 in 2005. With the decline of this index in 2005, increase in HDI in 2005 as compared to 2004 could be attributable to the rise in GDP index (PPP in US\$) and the education index.

COMPONENTS OF IRAN'S HDI DURING RECENT YEARS

Year	GDP per capita	Education	Life Expectancy
2003	0.71	0.74	0.76
2004	0.72	0.75	0.76
2005	0.73	0.79	0.75

Source: UNDP, Human Development Report, 2007

Human Poverty Index

The Human Poverty Index (HPI), as the Human Development Index (HDI), provides a composite measure of three dimensions of human development: living a long and healthy life, having access to education, and a decent standard of living. The HPI measures severe deprivation in health by the proportion of people who are not expected to survive age 40. Education is measured by the adult literacy rate. A decent standard of living is

measured by the unweighted average of people without access to an improved water source and the proportion of children under age 5 who are underweight for their age. The HPI value for Iran, 12.9, ranks 30th among 108 developing countries for which the index has been calculated. Among the developing countries, Barbados and Chad, with HPI scores of respectively 3 and 56.9, ranked first and last.