



With lowest unemployment rate in decades

# Iranian labor market getting hotter with no sign of stopping

## ANALYSIS

The current Iranian government has set a record in reducing the unemployment rate. The Statistical Center of Iran announced an unemployment rate of 8.1% at the end of the last Iranian year (March 19, 2024), the lowest level in the past 26 years. This indicates a decrease in the unemployment rate under the current government, which began its work on August 5, 2021. This report examines participation rates, active population, employment stabilization based on labor flow, employment policies, and the employment verification process to demonstrate the accuracy of the Statistical Center's data to critics.

### Rising economic engagement rate

Statistical analysis of the past 25 years' labor market data reveals a 25-year average economic participation rate of 38%. Critics should acknowledge that this rate has not only decreased but has also experienced seasonal and short-term fluctuations.

In the last Iranian year (ended March 19, 2024), the economic participation rate rose to 41.3%. The latest labor force displacement report shows that the highest displacement from Fall 2022 to Fall 2023 occurred within the unemployed group. Out of 2,136,828 unemployed individuals in Fall 2022, 908,151 secured employment by Fall 2023. In other words, 42.5% of the unemployed were employed during this period.

### Enhancing active population

Since the current administration took office (August 5, 2021), economic participation has improved, boosting the country's active population. The highest displacement rate within this group was

the transition from inactive to active status, at approximately 8.1%. Around 3.1 million inactive individuals shifted to active participation from Fall 2022 to Fall 2023, with 6.6% securing employment. This signifies that roughly 2.5 thousand individuals joined the workforce in Fall 2023, while 1.5% remained unemployed. Notably, 91.9% of the inactive population stayed unchanged during this period.

### Maintaining over 88% employment stability

Data reveals that more than 21 million workers retained their jobs from Fall 2022 to Fall 2023. In other words, 88.2% of the workforce in Fall 2022 remained employed in Fall 2023 without changing positions, underscoring job security during the past year.

### Increasing participation rates in 19 provinces

Analyzing data from the Statistical Center on labor market changes in the Winter of 2023 highlights increased labor market dynamism, with improved job access resulting from an expanded labor supply. This trend is evident in the economic participation rate growth across over 61% of the country's provinces, reflecting heightened job-seeking motivation among human resources. The labor market's boom in the last Iranian year can be attributed to the increased economic participation rate. Provinces experiencing higher economic participation rates also witnessed declining unemployment rates, signaling job opportunity growth. These findings demonstrate the administration's success in expanding labor market supply and demand through appropriate measures, driving active population growth.

### 60% of employment in small workshops

Examining previous administrations' employment programs reveals a common emphasis on creating and developing large and medium-sized industries. Despite their advantages, these industries cannot significantly impact overall employment due to high employment costs and limited job creation potential.

This situation resulted from neglecting small business development, entrepreneurship support, and the establishment of small and medium enterprises. Furthermore, inadequate currency policies, a lack of industrial development strategy, and the absence of a clear roadmap for the country's industrial growth contributed to an emphasis on low-value-added products. The country's industrial development prioritization has not evolved significantly, and the dominance of chemical and mineral products in the non-oil export portfolio confirms this trend. The declining value of each ton of export products from \$452 in 2012 to \$308 in 2019 further underscores this issue. The current government's efforts to implement Clause "A" of Article 46 of the Sixth Development Plan Law could help address these challenges.

Focusing solely on heavy industries inflates the investment required for job creation. Recognizing this, the current administration has adopted a new approach by prioritizing small business development, small industry growth, self-employment support, and entrepreneurship promotion. After two years, this strategy has yielded positive results, with over 60% of current employment attributable to small workshops. Although definitions vary — the Ministry of Industry, Mine and Trade defines small and medium enterprises as having fewer than 50 em-

ployees, while the Statistical Center of Iran sets the threshold at 100 employees — these small workshops typically employ between five and 50 workers.

### Verification of 2.5m jobs

Despite inheriting a stagnant economy due to the COVID-19 pandemic and economic sanctions, the current administration successfully generated 2.5 million jobs within its first two years. This accomplishment was achieved by reviving dormant industrial units, bolstering home businesses, supporting entrepreneurs, developing cooperatives, and offering producer incentives under the National Employment Ecosystem Strategy. As a result, the government fulfilled its promise of creating one million annual jobs during its first year.

The establishment of the National Employment Monitoring System confirms the statistical data and employment creation details under the current administration. This system has organized and clarified employment information and labor market monitoring in the country. Its foundation lies in coordinating and supervising governmental and non-governmental institutions' duties and services in the employment sector. By enhancing this system, the Ministry of Cooperatives, Labor, and Social Welfare aims to build a comprehensive employment database, identify strengths and weaknesses in employment, and foster collaboration among all officials and trustees to streamline service provision.

The employment monitoring system is integral to the National Employment Ecosystem and ensures alignment with the Supreme Leader's vision and the President's directive. It prevents resource misallocation and provides services to applicants and job seekers. Through infrastructure development and cul-

tivating a stable economic platform, the Ministry of Cooperatives, Labor, and Social Welfare endeavors to organize the country's employment landscape by coordinating relevant institutions.

The Employment Monitoring, Supervision, and Oversight System registers and tracks all services provided to applicants, including licensing, facilities, counseling, and other support. By entering employee information at provincial and city levels, all executive bodies contribute to a comprehensive database for government targeting. The system records information on self-employment, real and legal employment, government and non-government employment, and jobs across various sectors such as industry, services, and agriculture. This database allows full access to employees with national codes and other relevant information, enabling the monitoring of national employment plans.

So far, the system has registered 2.5 million job opportunities, with verification and validation capabilities. It records the identity information of individuals receiving services and undergoes a three-stage examination process. The government's strategy to create one million annual jobs has been achieved in the past two years, according to official reports and documentation. Assessing the labor market trend in the 1400s indicates a positive upward trajectory in the participation rate. As this rate increased over the decade, a higher proportion of individuals above 15 years entered the labor market seeking employment.

The declining unemployment rate and rising participation rate demonstrate that the labor market in the last Iranian year (ended March 19, 2024) has become more favorable than before, with a positive overall direction.