

## **Iran Labour Market under the Sanctions**

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### **ABSTRACT**

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Iran's labour market suffers from long term economic challenges; yet harsh sanctions intensified and complicated its problems. At first glance, it seems that Iran labour market was resilient and performed well during severe sanctions (2012-2019) as the number of employed workforce has increased and unemployment rate decreased while the economy suffered from stagnation, declining investment and high inflation rate. This paper shows that sanction has changed the structure of Iran's labour market; as a great part of workers moved from high valued added activities to lower productivity jobs. Most workers, who lost their jobs in private industries, had to move to low value added services. As the result of sanctions, low paid and temporary informal employment expanded which in turn exacerbated the challenge of widespread poverty and its related social ills. In large state and semi-state manufacturing companies, the number of workers did not decrease, despite the production decline. So, during 2012-2019, employment could rise at the cost of decreasing productivity. For generating a dynamic labour market, at the first step the sanctions must be lifted; yet complementary measures such as sound fiscal, monetary and trade policies must be implemented; and the unnecessary rules and regulations that hinder productive investment and pave the way for rent seeking and corruption must be removed to encourage productive investment and creating sufficient number of sustainable new jobs.

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## **1. Introduction**

**L**abour Market performance is the reflection of economic dynamics in goods and services markets; and financial markets have significant impact on producers and suppliers of goods and services. So, for analysing the

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labour market, we have to study other markets as well. In this paper we will show Iran's labour market performance and changes in employment structure during the period of harsh international sanctions. In this regard, we investigate the macro economic conditions and the business environment in the past decade. While Iran signed JCPOA agreement in 2015 and all sanctions were lifted; but this agreement was short lived and in 2017 it was actually cancelled by US withdrawal under Trump presidency and harsher sanctions were imposed on Iran again. So, Iran economy has been under the sanction for the great part of 2010s and this situation is continued by the time of writing this paper. In this paper, we use exploratory data analysis method to show Iran's labour market problems during the sanctions in 2010s. In this regard we study the development of employment, unemployment, wages, and labour productivity as well as changes in GDP per capita and investment to depict a clear picture of interaction between different segments of the economy that shape the labour market performance.

There are many papers regarding the impact of sanctions on different part of Iran economy. Dizaji and van Bergeijk (2013) find that sanctions mainly reduce the oil revenues and are effective in the short run but their impact fades gradually. Esfahani, Mohaddes and Pesaran (2013) also show that sanctions effects on Iran's oil export revenues are short-lived. Baghalian et al. (2014) find that employment declined in Iran because of the sanctions. Popova and Rasoulinezhad (2016) explain that due to the sanctions, Iran's trading partners changed from Western countries to Asian developing countries such as China and Iraq. Ezati et al. (2019) explain that sanctions had negative impact on employment in services sector. Laudati and Pesaran (2021) investigated about the effects of sanctions on Iranian economy. They show that participation rates declined via sanctions period.

This paper shows that while Iran's labour market had serious problems since the Islamic Revolution (1979) due to long term political and economic challenges such as 8 year war with Iraq, low and fluctuating GDP growth, high inflation rates, rent seeking and expanding corruption, capital flight and

brain drain, but harsh sanctions changed the labour market structure in 2010s and intensified its chronic problems. In this period, participation rates and employment increased, especially in low value added jobs in services sector, while labour productivity declined.

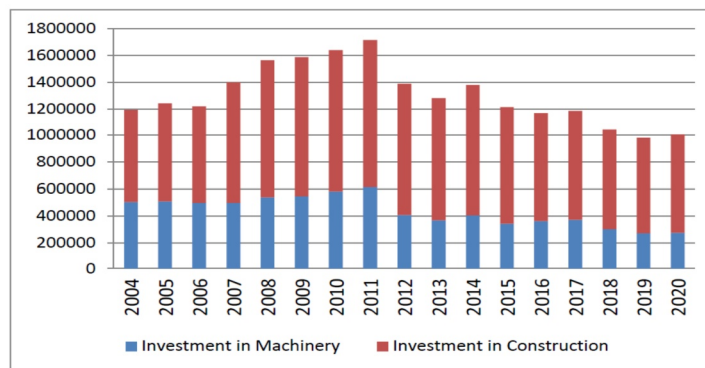
The paper consists of 5 parts. Section 2, after the introduction, explains the impact of sanctions, during 2011-2020, on economic performance, especially investment trends. Section 3 studies the changes in employment, unemployment, labour productivity and nominal and real wages during this period. Section 4 presents the necessary measures for addressing the labour market challenges. The last section concludes.

## **2. The Impact of Sanctions on Economic Performance**

Iran economy faced great instabilities since the Islamic Revolution. Yet since 1988, the end of Iran-Iraq war, until 2012, the beginning of harsh economic sanction under Obama presidency, Iran annual GDP growth was 4.8 percent, and average growth of fixed capital formation was 6.8 percent. Although the growth rates were not high enough to narrow the gap between Iran and emerging countries like South Korea and Turkey, but standard of living was improving and the number of households under the poverty line was decreasing. Since 2011, by intensifying international sanctions, Iran economy was hit both in demand and supply sides. Declining oil revenue and shortage of hard currencies along with limitation in Iran banking transaction with the world reduced the import of intermediate and capital goods. Production, investment decreased accordingly. GDP and per capita income dropped and decline in households' consumption and firms' investment reduced aggregate demand that deepened the crisis of stagflation.

Investment reduction was considerable both in construction and machinery (Figure 1). During 2011-2020 total investment, investment in machinery and construction reduced annually by 4.6, 6.2 and 3.8 percent accordingly. While depreciation in fixed capital increased by 3.2 percent each year. Therefore, investment was not enough to cover the depreciation of

the fixed capital and production capacity started to shrink. Old and out of date machinery affect the production and services that are provided by public and private firms and will reduce the long term growth of production, employment and labour productivity.



**Figure 1.** Investment Changes in Machinery and Construction

**Source:** Iran Central Bank 2021.

### 3. Labour Market Development

During 2005- 2011 Iran economy enjoyed the oil boom. Iran oil income increased from USD billion 19.3 in 2001 to USD billion 62 in 2005. Then it raised considerably and reached to 112.6 in 2011. In other words Iran's oil revenue increased more than 3.1 times between 2004-2011 (Iran Central Bank 2021). Raising oil income increased the real value of rial, and real dollar devaluation along with relative high inflation rates (in average more than 15 percent) reduced the competitiveness of many domestic firms and created negative impact on employment, especially in non-oil tradable sector. From 2005 to 2011, that is known as the period of "jobless growth" Iran experienced the average annual GDP growth of 4.4 percent, while the number of employed workers declined slightly from 20.6 to 20.5 million persons. It is clear that the new job opportunities that were created mainly in

non-tradable construction and services sectors, only compensated the job losses in agriculture and manufacturing.

Just in contrary, since 2011 despite the challenges of international sanctions and prevailing stagflation, the number of employed workers has been rising. The years during 2011-2019 is known as the period of "employment without growth"; as the sanctions reduced the oil income substantially and created important obstacles for non-oil exports and imports of capital and intermediate goods. So, the annual GDP growth was - 0.1 percent. Yet in the meantime employment increased about 2.3 percent per annum and the number of employed workers increased from 20.5 million persons in 2011 to 24.3 million persons in 2019. This astonishing change in employment showed that during recession, most people cannot afford to stay unemployed for long, and even many highly educated youth have to start a business as a self-employed. In these years the share of self-employment increased from 32.2 to 36.7 percent and more than 1.7 million had to start their jobs as self-employed. As an example, in 2020 an internet taxi company alone had about 2.5 million taxi drivers that are considered self-employed; as they are not in a formal wage earning contract with the company. They have their own car and pay part of their income to the company for their internet services.

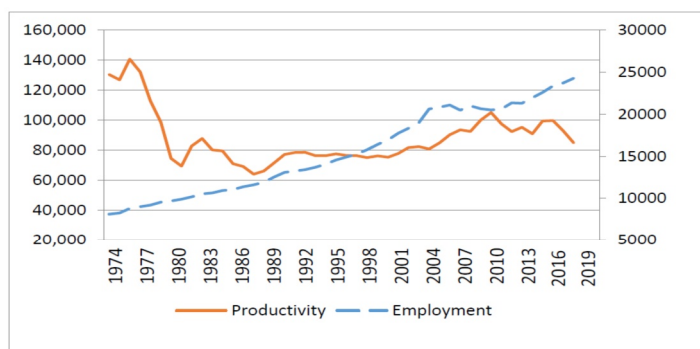
### **3-1. Employment vs. Productivity**

Generally, there is a strong and positive correlation between employment and productivity. Many empirical researches confirm pro-cyclical relationship of employment and productivity within countries (Landmann 2004). Yet some African and Latin American countries experienced increasing employment with falling productivity. Krugman (1990) emphasizes that just opposed to Luis theory of structural transformation, and movement of labour force from low value added traditional sector to high return modern sectors, some developing countries suffers from reverse movement from high productivity industrial sector to low value added

services, mainly due to expanding trade and the lack of competitiveness of their industrial products in globalized markets (Rodrik 2012).

As Figure 2 and Table 1 show, employment increased during 1974-2019, except for the years 2006-2011 when Iran experienced jobless growth. Since the Islamic Revolution, the country confronted with negative correlation between productivity and employment growth in 3 periods, because of negative oil revenue shocks: during 1978-1988, the years of Revolution and Iran-Iraq war; between 1994-98 when oil prices were so low; and 2012-2019 since implementation of harsh sanctions until Coronavirus pandemic.

During the first period (1979-88) government and semi-government organizations were the main sources of new employment opportunity. While production declined in many state owned factories, they employed excess workers to mitigate the negative economic and social effects of Iran-Iraq war. So, employment increased by 26.2 percent at the cost of 43.2 percent reduction in labour productivity.



**Figure 2.** Employment and Productivity Changes

**Source:** Iran Statistics Centre 2021 and Iran Central Bank 2021.

In the second period (1994-98) when the international oil price dropped, imports of raw materials and intermediary goods, and domestic production declined, but and again the positive correlation between employment and productivity was cut.

During 2011-20, while Iran economy was in depression due to serious international sanctions, employment opportunities increased at the cost of productivity decline and expansion of informal and low paid employment. In other words, employment growth was associated with economic stagnation and productivity decline (Table 1). In this period the labour productivity plummeted by 19 percent (in Average 0.83 percent each year); as GDP growth was -4.4 percent and employment increased by 18.3 percent (more than 0.9 percent per year). Sanctions limited imports and decelerated production in many small and medium size enterprises that lead to employment adjustment. But workers who lost their jobs moved to informal jobs, mostly in low value added services activities.

**Table 1.** Employment and Productivity Growth

Period	Employment Growth*	GDP Growth**	Productivity Growth
1973-78	11.1	12.5	1.3
1979- 88	26.2	-28.3	-43.2
1989-93	12.4	33.8	19.0
1994-99	15.3	13.4	-1.7
2000- 04	15.8	25.2	8.1
2005- 10	0.2	24.0	23.8
2011 - 19	18.3	-4.4	-19.2

**Source:** \*Iran Statistics Center 2021, \*\*Iran Central Bank 2021.

Negative productivity growth along with increasing employment in the 2010s is comparable to the period of Iran-Iraq war that the economy was devastated, government employed excess workers and a great part of workforce became self-employed like street vendors and taxi drivers. Sanction is an economic war that have a big negative impact on imports and exports and like a real war prevents economic growth and destroys jobs in many productive activities. As most workers cannot afford to stay unemployed, they move to low value added informal services.

### **3-2. Employment Changes by Economic Sectors**

As explained earlier during 2011-2020 Iran economy was stagnated but the country experienced a considerable employment growth. Many educated youth were forced to work as self-employed, mostly in services sector in jobs like vendors and taxi drivers. More than 1.6 million new jobs were generated in various services activities. So, services were the main source of job creation in this period. Industries also created about 657 new jobs (Table 2).

Industries, such as clothing, leather and furniture sectors benefited from sanctions; as rival goods became very expensive due to the fall of the value of rial vs. other currencies. Although sanctions created trade barriers, but petrochemical products as well as basic metals were exported, especially to China and neighbouring countries like Iraq and Pakistan. The output of large industries that were highly import dependent, dropped significantly, but they were not allowed to reduce their personnel. Therefore in sum total the number of industrial work force increased under the sanctions. High exchange rate increased the profitability of exports of minerals. Between 2011-2020 value added of mining sector raised by 1.8 percent per year (Iran Central Bank 2021) and in the whole period about 47000 new jobs were created in this sector (Iran Statistics Center 2021).

As explained before, sanctions have winners and losers in different industries. Food stuffs, clothing and furniture industries benefited from high exchange rate. These products became more competitive compared to foreign rival commodities. Exporting industries also experienced growth, as Iran needed hard currencies. Petrochemical and basic metal industries increased their production. So, the number of employees in the winner industries started to rise. Textile and Vehicle industries are among the losers as their production dropped because of sanctions, but large and semi-public industries were not allowed to reduce their employment; but small and medium sized producers in these sectors reduced their workforce.

In the period of sanctions, employment in services activities increased very rapidly, as educated youth that entered into the labour market, after



seeking for suitable jobs for a while, started as self-employed jobs such as mobile repair, taxi driver, street vendor. During 2011-2020 more than 1.6 million jobs were generated in services sector. Corona virus pandemic added to the economic hardship and between (2019-2020) about 110 thousand jobs were lost in hotels and restaurants. Increasing the number of employees in health services (13000 new jobs) could not compensate the job losses in tourism and hospitality industry (Iran Statistics Center, 2021). So, most new jobs were in low value added retail trade; that shows there are too many small dealers in food and beverage, clothing, rental and real estate markets, Etc....

**Table 2.** Employment by Economic Sectors

	<b>2006</b>	<b>2011</b>	<b>2020</b>
Agriculture	4,827	3,810	4,043
Manufacturing	3,908	3,366	4,023
Mining	139	133	180
Utilities	190	201	319
Construction	2,367	3,146	3,227
Services	9,410	9,854	11,471
<b>Total</b>	<b>20,841</b>	<b>20,510</b>	<b>23,263</b>

**Source:** Iran Statistics Center 2021

### **3-3. Formal and Informal Employment**

Sanction takes its tolls from different groups of labour force. During 2011-2020 the number of entrepreneurs dropped from 814,000 to 737,000. In other words, more than 37,000 firms were closed and their workers lost their jobs. In the same period, more than 230 thousand women and about 1.5 million men were added to the group of self-employed (Table.3) that generally needs small capital and low skills. Many fired workers who worked in big companies and were covered by labour law and social security net, could not get a suitable new job. They had to start a new business as self-employed. As mentioned above, for example the number of taxi drivers

in a newly established start-up company increased to about 2.5 million persons<sup>1</sup>. Self-employment was the most important source of job creation in this period. Most self-employed are not covered by any type of pension scheme and actually are informal workers. A great part of these labourers are highly educated work force in hidden unemployment in the form of self-employment; as they cannot use their skills and started the job as the last choice.

Unpaid family workers are also among informal workers. In the past decade the number and proportion of unpaid family workers declined, as the number of children in urban and rural families decreased, and education of children, for both girl and boys became more important for their parents.

Increasing share of wage earners in private company do not receive the formal minimum wage and are not covered by social insurance, especially in small firms with less than 50 workers. According to Iran's Parliament Research Center (2019) about 60 percent of workers are out of the coverage of the labour laws. About 65 percent of Iran's labour force work in the small firms with less than 5 workers. Most parts of these workers are informal employees, and are not covered with any kind of retirement schemes. Long and harsh sanctions and uncertainty about the future economic conditions push the entrepreneurs to employ workers in very short terms and informal status.

During past decades, because of privatization of public firms, the number of wage earners in private firms raised and in public firms declined simultaneously. Yet increase in the number of wage earners in the private firms is more than the decline of the employees in the public enterprises. It shows that some private firms benefited the high exchange rates and obstacles against imports and increased their production and their shares in the domestic market; while large quasi-public enterprises, such as vehicle producers that reduced their production, were not allowed to fire their

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1. Many laid-off specialist factory workers (such as CNC operators) and mid-level managers who could not find a job, became taxi driver in internet taxi service companies.

workers. In sum, more than 1.1 million persons were added to wage earners in the private sector, while 110 thousand jobs were lost in the public sector. It is worth noting that a great part of new jobs is informal employment.

**Table 3.** Employment Status by Sex (1000 Persons)

	2006		2011		2020	
	Female	Male	Female	Male	Female	Male
Entrepreneur	113	1,417	31	783	34	703
Self-employed	609	6,757	629	6,137	862	7,683
Wage earner (private)	625	4,860	832	7,157	1,238	8,294
Unpaid family workers	313	370	792	585	593	397
Wage Earner (Public)	1,039	3,986	854	2,710	930	2,529
Unspecified	82	305	0	0	0	0
<b>Total</b>	<b>2,781</b>	<b>17,695</b>	<b>3138</b>	<b>17,372</b>	<b>3,657</b>	<b>19,606</b>

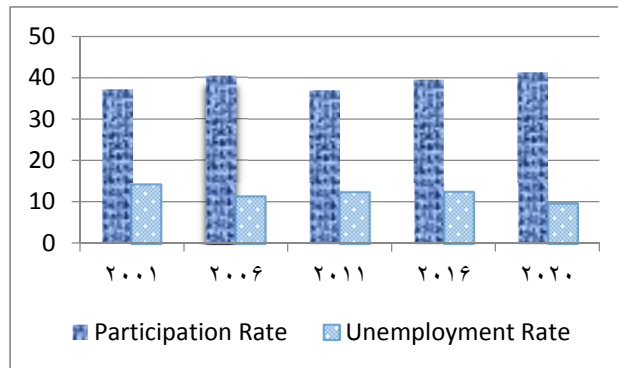
Source: Iran Statistics Center 2021

### 3-4. Unemployment and Participation Rates

Although unemployment rate is one of the important indicators of the labour market performance, but this rate cannot explain Iran labour market development precisely. Since early 2000s economic growth started to rise, due to the upswing of oil price, improvement in international relationship and sound macro policies; and between 2001 and 2006, the situation in the labour market got better with lower unemployment rate which encouraged more participation in the labour market, especially among women and youth. During 2006-2011 (period of jobless growth) unemployment rate increased from 11.3 to 12.3 percent, while participation rate dropped from 40.4 to 36.9 percent (Figure 3).

The sharp decline in the participation rate in these years was in line with rapid increase in the number of students in higher education. During 2006 to 2011 the number of university students tripled (from 1.5 to 4.5 million persons).

In other words, about 3 million persons postponed their entrance into the labour market and decided to continue their studies in undergraduate and mainly in post graduate levels.



**Figure 3.** Changes in Participation and Unemployment Rates

**Source:** Iran Statistics Centre 2021

It was foreseeable that after a few years millions of highly educated youth would be in the labour market seeking for suitable jobs. So between (2006-2016), as Table 1. shows, participation rate and unemployment rate increased simultaneously. But in these years participation rate for highly educated workforce declined from 57.1 to 56.2, while unemployment rate raised from 14.6 to 21 percent (Iran Statistic Center 2021); and soaring unemployment for university educates became a serious challenge.

Sharp decline in fertility rate since late 1980s, Changed population age structure and took pressure off Iran's labour market gradually. The number of university students started to decrease since 2013 from 4.8 to 3.5 million in 2020; that reduced the growth rate of labour supply accordingly. Change in the growth of highly educated workforce was noticeable. During 2006-2016, annual growth rate of labour force with university degrees was more than 12.5 percent; between (2016-2020) this rate reduced to 2.1 percent. As the economy could not generate sufficient number of specialized and well-

paid jobs, and high unemployment rate, many educated women get out of labour market.

While participation rate in 2020 (41.3 percent) is highest during the past two decades, but participation rate for university educates declined from 57.1 percent in 2006 to 53.4 percent in 2020. It shows that less educated people entered into the labour market more than before. It seems that in the past decade, because of the sanctions and economic hardship, low educated women and children in poor families had to work to cover the living costs during the stagflation. Participation rate for low educated workforce increased from 35.3 in 2011 to 40 percent in 2020; while unemployment rate for these workers decreased from 9.9 to 7 percent accordingly.

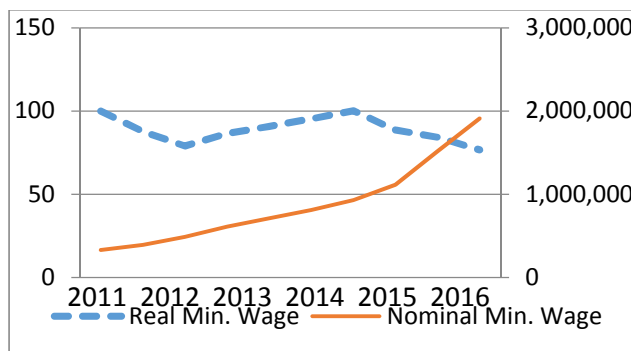
Experiences of other countries show two different effects of depression on participation rates. First, participation rate reduction because of long time job seeking and disappointment of finding jobs. Second, increase in participation rate due to decline in households' real income. It is most likely that members of low income households cannot afford to stay unemployed for long and accept to work even in unfavourable low paid informal jobs. This trend is experienced in 1980s during economic downturn in Latin America, where more women and children entered to the labour market (Lora and Márquez 1998).

Data show that in the past decade and under the pressure of harsh sanctions, Iran labour market faced the problem of moving from high value added industrial jobs to low value added jobs in services, and from formal to informal employment. As most educated youth in middle and low income families cannot afford long job search, they accept unskilled jobs. Therefore sanctions accelerated the expansion of low-paid, temporary and informal employment in Iran rather than raising unemployment; and increased poverty even among families with employed members.

### 3-5. Nominal and Real Wages

According to the high inflation rates, nominal wages increased very rapidly, yet the rise in wages could not cover escalating living costs. As there is not precise data about the average wage, looking at formal minimum wage can depict a picture of the trend of nominal and real wage. Increasing proportion of work force, even among highly educated youth, receive the formal minimum wage and even less, especially in small and medium sized companies.

Figure 4 shows that during sanctions period (2001-2020) minimum wage increased considerably, but it is not adjusted by inflation rates and therefore real minimum wage lost about 25 percent of its purchasing power. Between 2013 to 2017, by declining inflation rate, real minimum wage raised, but by US withdrawal from JCPOA, during 2018-2020 real wages declined considerably; as inflation rates were much higher than minimum wage increase.



**Figure 4.** Nominal and Real Formal Minimum Wage

**Source:** Iran Ministry of Cooperatives, Labour and Social Welfare 2021.

While real formal minimum wage dropped considerably in the sanction period, yet many workers even less than legal minimum wage. Wage rate in both urban and rural areas declined. Salehi Isfahani (2020) shows that during this period rural areas experiences sharper decline in real wages compared to

cities. As enforcement of formal minimum wage is poor, most workers in agriculture, construction, Hotel and restaurant and retail services are informal workers and receive wages lower than legal minimum wage.

### **3-6. Covid Pandemic Impact on the Labour Market**

While Iran was hardly hit by severe sanctions, Covid pandemic added to the challenges. In 2020, lock downs had negative impact on supply and demand; and many small firms with less than 10 workers, especially in services such as tourism, hotel and restaurant, sports and entertainment industries reduced their workforce. About 1.5 million workers, mostly informal employees, easily lost their jobs. The Ministry of Cooperative, Labour and Social Welfare eased the strict conditions for unemployed workers to be eligible for receiving unemployment benefits for a while. About 730 thousand unemployed workers received unemployment benefits for 3 months (from March to May 2020) and more than 50 percent of workers who were fired, especially women employees that were out of any social safety net, could not get it. Decline in the number of employed women was much more than their male counterparts. Although in 2021, about 710 thousand workers returned to their jobs, but the employment level was lower than 2018. Men became employed quicker than women. A great part of women who were informal employees could not get any jobs until the end of 2020 (Iran Statistics Center 2021).

## **4. Addressing Labour Market Challenges**

Iran labour market faces the serious challenge of job shortage for quality jobs. In the past decade because of declining investment and production, new jobs were created at the cost of falling labour productivity. Sanctions blockade Iran's foreign trade and intensified Iran's socio-economic problems. Although Iran's labour market challenges are not created only by the harsh sanctions, but undoubtedly sanctions intensified the problems. During 20100-2020, a large part of the highly educated workforce is absorbed in low

value added jobs such as taxi driver and street vendor. Low-paid informal employment expanded very rapidly during sanctions period. The problem of poverty among employees, living in poor neighborhoods, increasing drug addiction, robbery, prostitution, and violence are parts of social ills rooted in economic performance and labour market dysfunction. In the meantime dissatisfaction of the ruling regime that was not able to create a dynamic and encouraging business environment increased. Many entrepreneurs and talented Iranians left Iran and invested in various sectors in neighboring countries such as UAE, Turkey, Oman, Kuwait as well as Canada, Germany and US. Furthermore, outrageous youth that cannot see any chance of a good life in the horizon and are ready to participate in violent protests, are a big threat to the social order and security of the country.

Iran must learn from successful and unsuccessful experiences of other countries and change the unfavorable economic conditions of the country as soon as possible. Lifting the sanctions is the necessary condition for changing the negative expectation of domestic and foreign investors regarding Iran's economic conditions. But the sufficient conditions are related to rules and regulation that must be revised in favor of productive investment. Creating friendly and cooperative relationship in international relations and reducing tensions among domestic political factions will enhance confidence about the perspective of the economy and prevent capital flight and brain drain.

As experiences of other developing countries, especially China, show diaspora are invaluable assets in development process. Iran needs to mobilize all her accessible physical and human capital to bridge the gap. Iran's rich and highly educated and talented diaspora are important potential sources. The country requires these invaluable capitals for restructuring her economy.

In addition to her diaspora, Iran must attract foreign direct investment that facilitate technology transfer and accelerate industrial development. Productive investment is vital for creating sustainable jobs and solving



labour market problems. Political and economic stability are preconditions for FDI attraction as well as preservation of domestic capital. Normal relation with other countries is very important to solve the political tensions in international sphere. Furthermore, Iran government must relax the unnecessary rules that are harmful for industrial investment and must fight corruption by making the law implementation transparent. Expanding electronic government performance is an important step towards preventing the possibility of rent seeking and bribery in government offices. By an encouraging business environment Iran will be able to accelerate investment, production and employment growth, improve the quality of jobs and increase the labour productivity significantly.

## **5. Conclusion**

Islamic republic of Iran suffered from low and volatile growth, relatively high unemployment and inflation from the beginning of its establishment in 1979, but she experienced large decline in labour productivity during Iran-Iraq war (1980-88) and the harsh sanctions (2012-2019). Sanction, as a real economic war, reduced Iran's oil revenue considerably and created various obstacles for exports and imports. While during 2011-2019 the economy faced the challenges of zero growth, declining investment and high inflation, employment increased by 1.2 percent annually and unemployment rate started to decline. It is not possible to explain the labour market developments by mere employment and unemployment rates; as such indicators cannot depict a clear picture without looking at productivity growth. In this period employment growth was associated with reduced labour productivity and falling real wages. Large state and semi-state industries did not adjust their employees because of production decline to prevent unemployment hike and social unrest. But a large part of workers in private industries lost their jobs that start their own businesses as self-employed or accepted informal jobs. So, the negative impact of sanctions is fully reflected on labour productivity. Low real wages in temporary and

low value added jobs, especially for university graduates, also show the unfavourable conditions of labour market for educated workforce.

It is noteworthy that Iran labour market is not a homogenous market. There are different conditions for different skill levels. Before and after the sanctions there was excess demand for unskilled and high skilled workforce. Presence of millions Afghan migrants who are mainly employed as unskilled workers is a good indicator of the shortage of low skilled workers in Iran. In the other hand labour market for high qualified specialists is in excess demand too. Many Iranian specialists who are concerned about the political and economic stability of the country in the future, have the possibility to leave Iran and live and work in other countries. Therefore, wages for unskilled and highly skilled workers are relatively high. In contrary, Iranian labour market has excess supply of university graduates with medium skills that push down the real wage rate.

Since 2011, stagflation and decline in productive investment, due to unstable and risky business environment, destroyed many high value added jobs and instead of sustainable employment, low-paid, informal and temporary jobs expanded rapidly and accelerated poverty and its related social ills such as crime and violence. Lifting sanctions is the necessary condition for changing the investment negative trend; and attracting the capital of Iranian migrants and FDI for economic reconstruction and industrial development. Yet the sufficient condition is relaxing the rules and regulations that are barriers to productive investment and paved the way for bribery and corruption. Iran needs an encouraging business environment to speed up industrial investment and development; and to create generation of sufficient number of productive and viable jobs which in turn facilitate sustainable, equitable and inclusive growth.

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