

COVID-19 Depressed Women's Employment Everywhere, and More So in Iran

Nadereh Chamlou

Abstract

The coronavirus pandemic has had a regressive impact on women's economic outcomes worldwide. Women's jobs have been 1.8 times more vulnerable than men's jobs. In Iran, too, the closures and the pandemic have depressed women's already low economic participation rates by about 20 percent. This paper compares pre-COVID/end of 2019 with the end of 2020 Iranian labor market outcomes, using data from the Statistical Office of Iran. Since the sanctions environment remained unchanged between these two points in time, under the Rouhani government, one can deduct that the differences mainly resulted from the economic impact of the pandemic. Unfortunately, the data for 2021 has not yet been released.

Keywords

COVID-19, pandemic, women's employment, labor, Iran

Nadereh Chamlou is a former senior advisor at the World Bank and currently a nonresident senior fellow at the Atlantic Council. Her publications include *Gender and Development in the MENA Region – Women in the Public Sphere* (2003); *The Environment for Women's Entrepreneurship in the MENA Region* (2008); and *Women, Work, Welfare in the MENA Region* (2016).

Introduction

The coronavirus pandemic has had a regressive impact on women's economic outcomes worldwide. Women's jobs have been 1.8 times¹ more vulnerable than men's jobs. In Iran, too, the closures and the pandemic have depressed women's already low economic participation rates by about 20 percent.

This paper compares pre-COVID/end of 2019 with the end of 2020 Iranian labor market outcomes, using data² from the Statistical Office of Iran. Since the sanctions environment remained unchanged between these two points in time, under the Rouhani government, one can deduct that the differences mainly resulted from the economic impact of the pandemic. Unfortunately, the data for 2021 has not yet been released.

Iran's female labor force participation (LFP) is one of the lowest in the world. In 2019, at just an 18 percent participation rate, it ranked 175 out of 180 countries³. This is caused by a host of long-standing legal and social impediments, hiring bias, and discrimination. Equally critical has been the impact of years of back-breaking

unilateral broad-based sanctions, which have depressed Iran's economic growth and job creation potential. However, even during periods of relatively high economic rates of growth, female labor force participation and unemployment rates have remained unmoved.

Workforce Comparisons

At eighty-four million, Iran has the eighteenth largest population in the world. The median age of 32 is lower than in the West, and 69 percent of the population are of working age, which is among the highest rates in the world (see below). Such an age structure is typically termed a demographic dividend⁴. It is the desired situation and a time window during which countries could benefit from faster growth, profiting from the higher productivity and energy of their young workforce. Yet, Iran's potential is limited because only 44 percent of its workforce participates in the labor market, which is low. The shortfall is purely due to the 18 percent female LFP, since the male LFP of 72 percent hovers around world averages. Therefore, it is safe to say that a considerable share of Iran's human capital is underutilized and wasted⁵.

	2020 Population (mil)	Median Age	Share of Working Age Population (15-64 age cohort)	Total Labor Force Participation (as % of working age men & women)	2019 Male Labor Force Participation rate (as % of working age men)	2019 Female Labor Force Participation (as % working age women)
Egypt	102	25	61	44	71	18
Iran	84	32	69	44	72	18
Turkey	84	32	67	53	72	34
Germany	84	46	65	61	67	56
United Kingdom	68	40	64	63	68	58
France	65	42	62	62	60	51
United States	331	38	65	47	69	57
Arab World	...		63	47	73	20
World			65	64	74	47

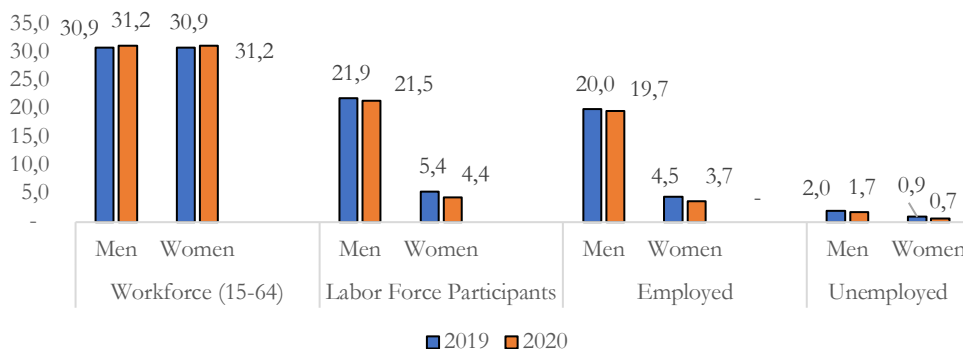
Source: World Bank

Labor Market Participation

About sixty-two million Iranians are within the 15-64 age bracket, which is termed the working age population. Of these, about twenty-seven million are economically active (see figure below). These include those who are either employed formally or informally for pay or in-kind, or actively search for employment within a certain period. Between end-2019 and end-2020, the working age population grew by 1.3

million, but participation fell by 1.4 million. Over one million of that drop was purely due to women exiting the labor market—a 20 percent fall. In percentage terms, the 2020 decline in male participation was 2 percent, from 72 to 70 percent. By comparison, the women's already low LFP of 18 percent in 2019 had fallen to 14 percent by 2020.

Workforce Composition & Participation (in millions)



Where Were the Big Losses?

The service sector is the main employer of Iranian men and women, followed by industry and lastly agriculture. The decline in services is understandable. This sector has been hit globally and typically includes anything from the hospitality sector to training, insurance to construction. Women lost jobs in all sectors while men gained jobs in industry, which is further covered below.

Where men and women work (in millions)



Source: Statistical Office, Iran

■ 2019 ■ 2020

Iranian men lost disproportionately in the service sector (460 thousand jobs) while women lost across all sectors. Interestingly, while women’s employment declined in the industry sector by 290 thousand, men seem to have gained 280 thousand in the same sector --- a near one-to-one replacement of women by men. There is no clear explanation for this pattern as of yet.

2020 Job Losses and Gains (in millions)



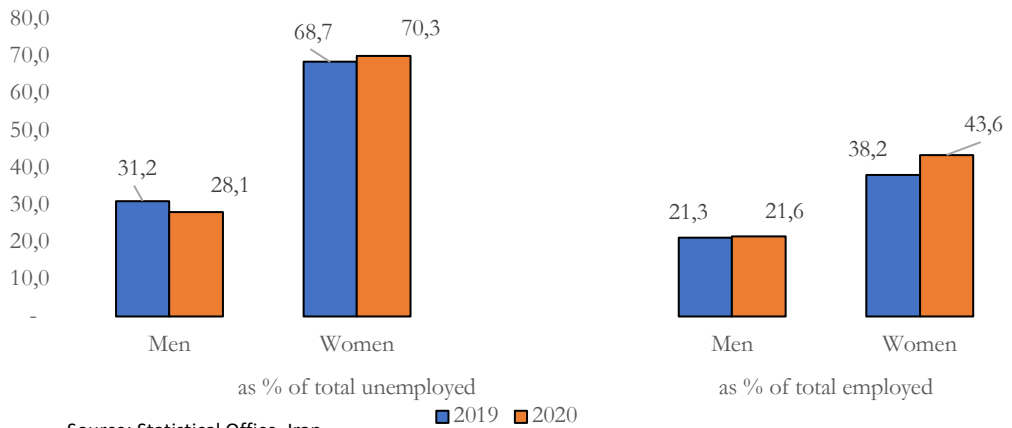
Source: Statistical Office, Iran

Education and Employment

The share of university educated men among the employed stayed the same, and declined among the unemployed, suggesting that tertiary educated men fared fine (see below). On the other hand, more than two thirds of the tertiary educated unemployed were women, a share that increased with the pandemic. At the same time, the share of

tertiary educated women rose among employed women. These two trends do not contradict each other. It indicates that a university degree may have helped some women to hold on to a job, even if the education may not have helped others find employment. Taken together with the 1 million overall female job losses, it also means that those affected may have been more among those with secondary education and less.

Population of 15+ and Tertiary Educated



Source: Statistical Office, Iran

What Are the Root Causes?

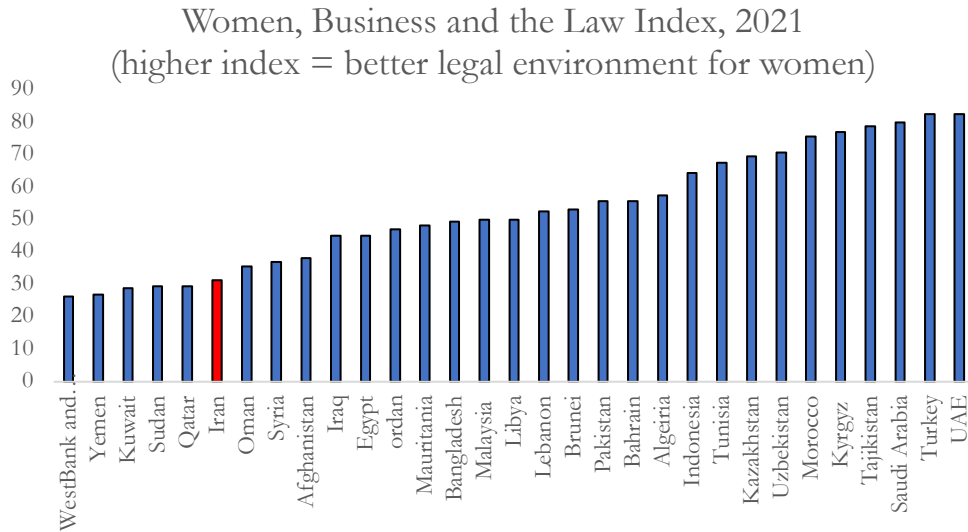
Undoubtedly, the lockdowns and the pandemic-related economic slowdown have had an impact on the job market. For instance, the entire service sector—especially the tourist industry—has been hard hit. However, what lends itself less to explanation are the nearly equal job losses of women in the industrial sector, which mirrors nearly equal job gains by men. This suggests that other factors than just the pandemic must be at play, which merit further studies.

In normal times, two further facets play an important role in women's low participation rates in Iran. These are explicit and implicit biases:

Explicit bias incorporates gender discriminatory laws that effectively limit women's economic options. The current Iranian legal system has among the highest number of such laws (hence, lower index value) according to the World Bank's Women, Business, and Law⁶ publications (see below). The differential treatment is routinely defended as being in line with Islam and for the sake of the protection of families.

However, Iranian laws are even more stringent than the laws of fifty countries that are officially Muslim-majority and who claim to be in line with Islamic tenets. Iran's index value ranked ahead

of only five countries—the Occupied Palestinian Territories, Yemen, Kuwait, Sudan, and Qatar



An International Monetary Fund cross-country study finds that “more equal laws boost female labor force participation.⁷” This very study finds that Iran is among the top three countries that incur the highest economic cost because of its low female LFP rates. It estimates that if the rate were on par with global averages, the Iranian GDP could potentially be 32 percent larger⁸. This is a significant gain when the economy grows by an average of 2-4 percent in the best of times. Furthermore, a body of research suggests that countries with higher female LFP rates demonstrate greater industrial and export diversification, a goal that Iran has set for itself for decades in order to move away from being an oil-centered economy.

Implicit bias results from social norms that believe that men are more deserving of jobs, since they are considered to be the primary breadwinners in the family. This view permeates society regardless of the economic circumstances of individual women, particularly the increasing number of women who head households. The bias can take many forms, such as job advertisements that state that only men can apply, to stating separate qualifications for men and women. For instance, in a job opening⁹ in Tehran’s firefighting department, it sufficed for men to have a high school diploma, but women applicants had to have at least a bachelor’s degree in specific fields. Other job descriptions that may not explicitly state a preference

could include requirements that may be impossible for women to fulfill, such as presenting a certificate of the completion of military service.

Impact of Sanctions

In addition to COVID, it is reasonable to assume that the US-imposed sanctions thwarted the economy's capacity to create jobs, from which women could have benefited. Professor Pesaran, one of the most prominent Iranian economists to date, addresses this issue in a recent paper¹⁰ (co-authored with Dario Laudati), which covers the impact of sanctions on the Iranian economy between the years of 1989-2021. They find that in terms of broad economic outcomes, such as exchange rate fluctuations or the rate of growth, sanctions explain around 20 percent of the fluctuations, meaning that the remaining 80 percent is the result of internal policies of the various governments.

The study also demonstrates that sanctions impacted employment levels and that there was gender bias. As Iran's economy cannot be compared to Western economies, the Pesaran/Laudati study compared Iran with other MENA countries with socio-economic and cultural similarities. This comparison found that Iran's employment rate fell by about one percent in reaction to sanctions. Male employment declined by about 0.5 percent per year. Though statistically significant, it is economically small. But, the impact on female employment was much larger and statistically highly significant. Female labor force participation fell by 3.8 percent in

comparison to other countries, and after the 2006–2014 period, when the sanctions were harshest, female labor force participation rate declined by more than 30 per cent. While the study confirms the expectation that sanctions worsen labor market conditions and lower employment, it is the first to robustly show that they hurt women more.

Conclusion

More and more, countries view the participation of women as an important economic lever for growth and resiliency. Advanced economies and emerging ones strive to remove hurdles and level the playing field for women so that society can benefit from their productivity and contributions. In the United States, the alarm bells went off when reports trickled in that the pandemic had impacted the economic opportunities for around five million women, who had either left the workforce or downshifted due to work-family duties. When considering that 57 percent of American women aged 15-64 are in the labor market (see table above), the drop amounted to about 7 percent. A drop of over one million out of a total of 5.4 million women in the Iranian labor market is a decline of around 20 percent. This is insurmountable. The already low participation rate of 18 percent dropped to 14 percent. Not only have there been little to no distress signals it barely caused ripple effects. Some of women's job losses seem to have paralleled gains for men, but by and large and falling female labor force participation is a loss to Iranian families and their resiliency to cope with the current crisis, or with any future shocks.

Notes

¹ “COVID-10 and Gender equality: Countering the regressive effects,” McKinsey Global Institute, July 2020,

As per:

<https://www.mckinsey.com/~/media/McKinsey/Industries/Public%20and%20Social%20Sector/Our%20Insights/Future%20of%20Organizations/COVID%2019%20and%20gender%20equality%20Countering%20the%20regressive%20effects/COVID-19-and-gender-equality-Countering-the-regressive-effects-vF.pdf>

As of January 16, 2022

² Statistical Office of Iran, Fall 2021, as modified on January 16, 2022, <https://amar.org.ir/Portals/0/News/1399/bikari%2099-3.pdf>

³ “Labor Force participation rates”, Index mundi, last modified on January 16, 2022, <https://www.indexmundi.com/facts/indicators/SL.TLF.CACT.FE.ZS/rankings>

⁴ Demographic dividend refers to the growth in an economy that results from a change in the age structure of the population. The change in age structure is typically brought on by a decline in fertility and mortality rates.

⁵ Chamlou, Nadereh. *Iran’s Unrealized Potential – Its Underutilized Talent Pool* (Legatum Institute, London, UK, September 2013) as modified on January 16, 2022, https://www.relooney.com/NS4053/00_NS4053_170.pdf

⁶ “Women, Business, and the Law (2020),” World Bank, As modified on January 16, 2022, <http://www.ub.edu/ubeeconomics/wp-content/uploads/2014/02/308-Web.pdf>

⁷ Gonzales, Christian, Sonali Jain-Chandra, Kalpana Kochnar, and Monique Newiak. *Fair Play: More Equal Laws Boost Female Labor Force Participation*, *IMF Staff Discussion Note*, (February 2015). As modified on January 16, 2022, <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1502.pdf>

⁸ Teignier, Marc, and David Cuberes, “Aggregate Costs of Gender Gaps in the Labor Market: A Quantitative Estimate,” *University de Barcelona Working Papers* 308 (2014): 27

As modified on January 16, 2022, <http://www.ub.edu/ubeeconomics/wp-content/uploads/2014/02/308-Web.pdf>

⁹ Zanan Magazine, “Khabar az zanān,” Telegram, February 18, 2021. https://t.me/zanan_emrooz/4973

¹⁰ Laudati, Dario, M. Hashem, Pesaran, “Identifying the Effects of Sanctions on the Iranian Economy Using Newspaper Coverage,” *Journal of Economic Literature*, *CESifo Working Paper*, no. 9217, (July, 2021)

as modified on January 16, 2021: [https://www.econ.cam.ac.uk/people-files/emeritus/mhp1/wp21/LP_Iran_Sanctions_July_27_2021\(paper_&_supplement\).pdf](https://www.econ.cam.ac.uk/people-files/emeritus/mhp1/wp21/LP_Iran_Sanctions_July_27_2021(paper_&_supplement).pdf)