

# **Good from Far, Far from Good: The Impacts of the 2016 Female Labor Reform in Iran**

**Maggie X. Chen**

**George Washington University**

**Ebad Ebadi**

**World Bank**

**3rd Annual Conference of the Regional Research Network of the Central Banks of MENA**

**September 2023, Rabat**

*Shirin Ebadi (The Nobel Peace Prize Laureate in 2003):*

*“The Iranian labor legislation aims to improve the working conditions of women who have dual responsibilities at home and in the workplace. This is achieved by providing them with benefits such as maternity leave and establishing childcare facilities in the workplace. While these benefits are essential, they can also have unintended consequences. The costs associated with implementing these policies are often passed on to employers, which can discourage them from hiring women. This is particularly true for profit-driven employers who seek to minimize costs. As a result, the very law that was intended to support women can actually hinder their participation in the labor market and push them towards informal employment.”*

*Shirin Ebadi, 2002, “Women's Rights in the Laws of the Islamic Republic of Iran”, Ganje Danesh*

- Iran ranked **third lowest** in the world in terms of gender equality in economic participation and opportunity, similar to its rank for political empowerment
- **The labor force participation** rate for women is only 13%, while the rate for men is 69%.
- **Relatively higher unemployment rate:** a 16% female unemployment rate compared to an 8% male unemployment rate in 2021.
  - 37% unemployment rate of young women (aged 15 to 24 years old)
  - 23% rate for women with a college degree
- **This paper**
  - investigates the 2016 female labor reform in Iran, *“Reduction of Office Hours Act For Women With Special Circumstances,”*
  - Over 30% of women are potentially targeted by the reform.
  - Over 22% of households are potentially targeted by the reform.

## Historical roots in gender inequality in Iran:

- 1906: The constitution of Iran promised equal rights before the law.
- 1967 – 1975: Women gained new rights such as the right to vote, initiate divorce, run for office, and inherit property.
- 1979: The Islamic Republic adopted a civil code based on conservative Islamic law or Sharia:
  - Limited women's rights and freedoms in Iran and restricted their participation in the labor market.



Photo credit: Hengameh Golestan

Some examples of restrictive laws and regulations on Iranian women:

- **Marriage:** The age of marriage is 13 for girls and to 15 for boys (*Article 1041 of the Civil Code*).
- **Divorce:** Females can only get a divorce in a court, while a man can divorce his wife whenever he wishes to do so (*Articles 1130 and 1133 of the Civil Code*).
- **Travel:** A woman requires a husband's permission to obtain a passport or travel outside the country (*Article 18 of the Passport Law of 1973*).
- **Dress Code:** The Islamic Republic mandated wearing head covering, or hijab, in public. Violators face punishments that include up to two months in prison, fines of up to 500,000 rials and up to 74 lashes (*Article 638 of the Islamic Penal Code*).
- **Employment:** A husband could prevent his wife from working in any profession or industry deemed incompatible with the husband's dignity or the family's interests (*Article 1117 of the Civil Code*).



## **The 2016 Iranian labor market reform (July 2016):**

*“Reduction of Office Hours Act For Women With Special Circumstances”*

**Objectives:** Aim to reduce women's working hours from 44 to 36 hours while retaining payment for 44 hours.

**Treatment groups:** (i) Female-head households, (ii) mothers with children under the age of six, (iii) women with disabilities, and (iv) those who had sick family members in need of care.

## **This paper**

**Objectives:** Studying the **intended and unintended consequences** of the reform on female-head households, mothers with children under the age of six

- No data on women with disabilities and those who had sick family members in need of care.

**Data:** Iranian Households' Income and Expenditure Surveys from Q4 of 2013 to Q2 of 2018

**Methodology:** Difference-in-difference estimations

- Pooled cross-section
- Pseudo panels – cohort analysis

### Labor market responses to the reform:

- Reduction of the working hours of targeted women by 1.5%, equivalent to 34 minutes per week.
- 1% decrease in the earnings of targeted women
- Decrease in the employment and labor force participation rates of targeted women

➤ Employers responded to the reform by either replacing targeted female employees or becoming less likely to hire women eligible for the program, implying the **program's failure to safeguard the jobs of targeted female workers.**

### **Spillover to non-targeted women:**

- a significant negative impact on women of childbearing age, irrespective of their eligibility for the program, resulting in a 1.8% reduction in earnings and a 1.3% increase in unemployment rates.
- Employers became less willing to hire women in this age group, even if they were not covered by the reform at the time, to preempt future potential regulatory costs.

### **Gender inequality after the reform:**

- Compared to men, the reform resulted in a 1.3% reduction in women's weekly working hours
- a 2.7% decrease in earnings
- a 0.3% decline in women's employment

### **Consequences of the reform beyond the labor market:**

- Women became 2.7% more likely to attend school, suggesting that they may have viewed education as a viable alternative and response to diminishing job opportunities.
- Women's marriage rate fell by 2%, while the divorce rate remained unchanged, suggesting the discouragement of women from getting married to avoid the increased difficulty of labor force participation after marriage.



## Effects of the reform on household income and expenditure:

- A decrease in the household income earned from private-sector sources (10%) while leaving income from the public sector insignificantly affected
- Reduction in the targeted households' expenditures by 5% and decrease in expenditures on:
  - Housing
  - Education
  - Furniture

