

The Pensioners' Protests and the Crisis of the Pension Funds in Iran

Raz Zimmt | No. 1737 | June 12, 2023

Recent weeks have seen the resumption of near-daily protests throughout Iran by pensioners protesting the ongoing erosion of their pensions and their growing economic distress. At the same time, senior Iranian figures have warned of the severe crisis affecting pension funds. The distress of the pensioners has become one of the main social and economic issues on the Iranian agenda in recent years. The main causes of the pension fund crisis are the aging population, the low legal retirement age, the decision by many workers to take early retirement due to the erosion of their salaries in the face of rampant inflation, the government's difficulties in meeting its commitments to the pension funds, and poor management by the funds themselves. These problems are expected to exacerbate the situation of pensioners and fuel further waves of popular protest. However, posing a significant challenge to the regime requires a broad national coalition that could bring together social groups focused on demanding economic improvements and groups fighting for political and civic freedoms.

Recent weeks have seen the resumption of protests by pensioners protesting against the ongoing erosion of their pensions and the crisis of the pension funds. In a series of protests held in Tehran, Ahvaz, Kermanshah, Isfahan, Tabriz, Shush, Shushtar, Karaj, Yazd, and Mashhad, demonstrators carried signs referring to their growing economic distress stemming from the rising cost of living, criticized the inadequacy of the authorities, particularly the government and the parliament (Majlis), and demanded an increase in their pensions. Protests by pensioners, although sporadic and localized, have been an ongoing occurrence in Iran for many years, generally around discussions in the Majlis on the proposed budget

for the Iranian new year, which begins in March. However, pensioners' demonstrations (with official permits) have recently been an almost daily occurrence, standing in marked contrast to the dwindling wave of protests that erupted at the end of September 2022 following the death of Mahsa Amini after her arrest by the "morality police."

In parallel, senior Iranian officials have repeatedly warned of the serious crisis affecting the pension funds. In May 2023, the director general of the Ministry of Labor and Social Affairs, Sajjad Padam, stated that the government was unable to shoulder the burden of financing the pension funds. He further mentioned that in the future, Iran may be obliged to sell the islands of Kish and Qeshm in the Persian Gulf to meet its pension commitments, similar to what happened in Greece during the economic crisis a few years ago. According to Padam, even if economic sanctions were lifted and Iran could export approximately three million barrels of oil per day, it would still be insufficient to solve the pension funds crisis.

In recent years, the distress of the pensioners has become one of the central social and economic issues on Iran's agenda. At the heart of the public discourse lies the growing crisis around pension funds, with many of them on the verge of bankruptcy. There are currently 17 pension funds in Iran, providing insurance coverage to over 25 million citizens. Among these funds, the two main ones are the social security organization and the state employees' pension fund, which are responsible for pensioners from the public sector and large private companies. Additionally, there are funds that cater to pensioners who worked in specific sectors, such as the oil industry, the armed forces, the Iranian broadcasting (IRIB), the steel industry, the central bank, and the ports.

A number of factors underlie the severe crisis afflicting the pension funds. First, demographic trends and the aging population play a significant role. The number of pensioners requiring social support each year has risen significantly, while the number of workers paying national insurance fees has decreased. In the background is Iran's family planning policy, which has undergone several far-reaching changes since the Islamic Revolution. After

the Revolution, the family planning program, initially introduced in the summer of 1967 to slow down the natural rate of population growth, was suspended. When the Iran-Iraq War broke out in September 1980, the Iranian authorities began emphasizing population size as a primary source of military strength and national security. The policy aimed at reinforcing the status of the family by promoting marriage and stay-at-home wives also led to an increase in the birth rate in the first half of the 1980s. At the end of the war, however, the regime recognized that uncontrolled population growth could hinder economic growth and development. In December 1989, a plan to limit the number of children per family was adopted. The Family Planning Law, ratified by the Majlis in 1993, included measures such as the removal of financial incentives to large families and the provision of incentives for small families. The revival of family planning policy was a significant success, with the birth rate dropping from 3.91 percent in 1986 to 1.29 percent in 2011.

However, since the early 2000s, conservative and religious circles have increasingly criticized the policy of limiting the birth rate, arguing that it is unnecessary and will lead to economic difficulties when a reduced younger workforce is required to support the elderly population. In July 2012, Supreme Leader Ali Khamenei announced a review of the birth control policy, with the aim of increasing the population and slowing down the aging of Iranian society. His announcement marked the beginning of a significant change in family planning policy, which was translated into the general plan for higher birth rates approved in 2012. The plan included providing information, promoting marriage, lowering the marriageable age, granting benefits to low-income families, extending maternity leave, and restricting birth control. However, these measures have not yet reversed the downward trend in birth rates, due to deeper social and cultural processes taking place in Iranian society and the prevailing economic crisis. The population census in September 2016 showed that the rate of population growth has continued to decline. By the end of the second decade of the 21st century, the growth rate was recorded as less than 1 percent for the first time. In September 2020, an advisor to Health Minister Mohammed-Taqi Joghtaei estimated that within twenty years, the

proportion of the population aged over 65 years would be around 20 percent, compared to 9.3 percent in 2020 and only 5 percent in 1976.

Another factor contributing to the pension fund crisis is the low legal retirement age, which is set at 60 for men and 55 for women. One striking feature of pension funds in Iran is the very low (and sometimes even negative) ratio between the number of insured workers who consistently make insurance contributions through their employment and the number of pension recipients. Consequently, the central pension funds are unable to fulfill their commitments without government assistance or the sale of assets. This situation has worsened in recent years due to the increasing number of workers opting for early retirement due to the erosion of their wages caused by inflation rates exceeding 45 percent. Moreover, this trend has been encouraged by the authorities, who prioritize bringing young people into the labor market to address the issue of youth unemployment, particularly among the educated youth. According to figures from the national insurance organization, as of 2021, approximately 51 percent of pensioners had retired before reaching the legal retirement age.

The economic crisis, the government's failure to meet its commitments to the pension funds, and poor management by the funds themselves have all contributed to the problem. In recent years, the government has been compelled to allocate an increasing share of the national budget to provide support for pension funds with their significant deficits. Currently, most of the funds heavily rely on government aid, partly due to poor investments made by the economic companies they own. In addition to injecting cash, the government has attempted to merge some pension funds. However, these efforts have been unsuccessful due to objections from the funds themselves and the protests of pensioners, who fear losing their savings as a result of such mergers.

Ultimately, the pensioners' distress and the crisis facing the pension funds in Iran are expected to worsen in the coming years. This is influenced by factors such as the aging society, the persistent financial crisis, and the underlying structural problems of the Iranian economy, which include

corruption, excessive government involvement, and mismanagement. Despite government support, the funds are unable to cover their expanding deficits and meet the growing needs of pensioners, especially considering the erosion caused by rampant inflation. Without effective solutions to address the crisis, the pensioners' distress is likely to fuel further waves of popular protest. However, mounting a significant challenge to the stability of the regime necessitates the formation of a broad national coalition. Such a coalition should bring together various social groups focused on demanding economic improvements and social justice, including workers and pensioners. Additionally, it should involve groups with heightened political consciousness, such as students who are regarded as the vanguard in the struggle for political and civic freedoms.

Editors of the series: Anat Kurtz, Eldad Shavit and Judith Rosen