Welfare and Wealth in Iran: Rural and Urban Dichotomies

Sedique Shafiei

Shaheed Beheshti University of Medical Sciences

Shahram Yazdani

Shaheed Beheshti University of Medical Sciences

A Hamid Zafarmand

Shaheed Beheshti University of Medical Sciences

Mohammad-Pooyan Jadidfard

Shahid Beheshti University of Medical Sciences School of Nursing and Midwifery

sareh Shakerian (✉ sarehshakerian@gmail.com)

Shaheed Beheshti University of Medical Sciences

Research note

Keywords: Welfare, Wealth, Rural, Urban, Poverty, Socioeconomic status (SES), Structural Equation Modeling (SEM), Iran

Posted Date: October 1st, 2019

DOI: <https://doi.org/10.21203/rs.2.15362/v1>

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Abstract

Objective : Increasing social welfare and reducing poverty are to ensure the well-being of all classes of a society. Cities and villages are distinguished by cultural and economic disparities. The purpose of this study was to develop and present a comprehensive model on welfare and wealth components and their relationship with each other , as well as determining the contributing factors and variables affecting them by presenting a comprehensive model. Results : The Structural Equation Modeling (SEM) method was used to analyze the data and investigate the causal relationship of latent variables. Observed variables and latent variables of the model were analyzed and tested by using AMOS and SPSS (version 21) statistical methods, in two exploratory and confirmatory steps. Wealth and welfare were identified as two separate subjects in the conceptual model and in the final structural model for rural households. Unlike, in the urban community, they were recognized as a single category in the final structural model. The results of this study can provide the clear hints for effective policy making to break the cycle of deprivation and poverty in Iranian rural and urban population.

Introduction

Increasing social welfare and reducing poverty are among the main goals of any country's economic developmental plans. One of the main tasks of rulers and economic policy makers is to ensure the well-being of all classes in a society (1).

Generally, welfare is defined as the governmental support for the citizens of a society and that includes all members regardless of level of income. Accommodating basic needs for all society members is the least aim in social welfare. These needs include food, housing, literacy, health and employment opportunities for all citizens (2).

It should be noted that wealth, in general, is considered as one of the influencing factors in promoting the level of family welfare. Although wealth and welfare state completely two different meanings, most economists believe that there is a positive relationship between them.

In general, experts believe that production of wealth includes (3):

- Access to income generating opportunities
- Income generating capabilities
- Security for income generation
- Power

Cities and villages, in addition to complex dialectical relationships, are distinguished by cultural and economic disparities. The fact is that, from the economic point of view, rural dwellers earn higher income than residents living in urban areas. This difference is less noticeable in developed countries than in less-developed nations (4). According to most researchers and experts, the development of agricultural

industry is recognized as the main economic lever for rural households. Accordingly, land is regarded as the vital economic resource (5).

Francis Gardes, in his study of poverty, inequality and income mobility in Ecuador, concluded that despite the decline in poverty rates during the years 2000–2009, yet, there is a noticeable difference between rural and urban areas(6).

Many developing countries, including Iran, are now facing the widespread inequalities between rural and urban environments. Based upon the findings of Khalaj et al. in Iran the number of poor households in rural areas is more than urban households (7). Another study showed that income distribution in rural areas of Iran is more volatile and unbalanced than urban areas (8).

The Government of Islamic Republic of Iran has taken numerous measures to implement social justice in the country. For example, we can refer to the formulation of the “Economic Organizing Plan” in 1998 and establishing the Ministry of Welfare and Social Security in 2004(9, 10). Another study has shown that despite of increasing convergence of Iran’s economy towards the world economy that reduced the poverty gap among urban households, it presented displeasing effects on rural areas (11). This is indicative of the fact that the concepts used in the international context are not necessarily generalizable to all countries.

Unfortunately, in Rural Areas of Iran, the *less productive* traditional agriculture is more prevalent. Therefore, it seems that increasing productivity should be considered as one of the important targets for elimination of deprivation and poverty in rural communities (12).

The purpose of this study was to develop and present a *comprehensive model* on *welfare* and *wealth components* and their *relationship* with *each other*, as well as determining the *contributing factors* and *variables* affecting them. (In urban and rural Iranian households)

Fig1: Conceptual Model Wealth and Welfare

Materials And Methods

Since the purpose of this study was to present a comprehensive model on welfare and wealth components, our detection was based on the data from the National Statistics Center of Iran (NSCI), in 2017. The data was classified as urban and rural households, separately. Participants in the study included 19261 rural households and 18701 urban households.

In this study, a theoretical model was initially designed based on the welfare and wealth components, as indicated in the literature and the critical review study obtained on SES measurement model in Iran over a 10-year period (13, 14). Then a conceptual framework of the model was developed for further analysis based on the NSCI data (Fig1). “Structured Equation Modeling” (SEM) method was used to analyze the data and investigate the causal relationship of latent variables with measurable observed variables. The SEM method is a new statistical tool that in addition to current statistical methods, provides the

possibility to measure the error estimation of observable and latent variables, modifying a predictive model based on conceptual framework, the most appropriate statistical method for our model (15). Analysis was done by using AMOS and SPSS software (version 21) in two exploratory and confirmatory steps. Data normality indices and model fit were evaluated and validated at each step. Model fit indices presented acceptable values and the final model were recognized with highly validity (*Additional table 1*)..The next step was creating the measurement and structural model to examine the relationship between the factors and their level of contribution to the model. Factor loadings of each observed variable, regression weight, or the contribution of each factor to the explanation of the latent components were estimated and presented for final interpretation. The guide was that the contribution of less than 0.3 of each component for factor loadings was considered as a *weak relation* and was omitted. Final models were edited based on model fit indices and model correction suggestions, divided into two groups of rural and urban population.

Results

A: Rural Data

Findings from Exploratory Factor Analysis for welfare components in rural data from Conceptual Research Model in 3 fields: appropriate nutrition, appropriate home appliance, appropriate housing were approved with values greater than 0.4. However, in the first and second

Confirmatory Factor Analysis in the AMOS software, two welfare components in the home appliance section, dishwasher and microwave variables, with factor loads of 0.23 and 0.15, respectively, and one welfare components in the housing section, type of home variable, with a factor load of 0.19 (less than 30%) were not confirmed and therefore were removed from the conceptual model.

All factor loadings were significant. ($P\text{-value} \leq 0.001$) As the model fit indices were at appropriate levels, the conceptual model of the research was therefore confirmed with respect to most of the principal component variables.

In the initial conceptual model of the factors leading to wealth production, education wasn't an effective factor in job creation (0.15) and it did not have a significant impact on income generation (0.01). ($P\text{-value} \leq 0.001$) As a result, educational level was not a causative factor in creation of an effective job for income generation in rural households. However, education, occupation, household size, and income were confirmed as impact variables of the wealth component with factor loadings greater than 0.3 in the final model

According to the conceptual model of this research, the relationship between wealth and welfare in rural households, with 96% β coefficient, indicates a high correlation between these two components. Thus, wealth and welfare were identified as two separate subjects in the conceptual model and in the final structural model for rural households (*Figure2*)..

Fig 2: The final model of rural data in standard coefficient estimation model

B. Urban Data

The results of in urban data found in 3 fields were confirmed with values above 0.4.

Also, these results were confirmed in first and second Confirmatory Factor Analysis in AMOS for the welfare components in the three above fields and for all variables with factor loadings greater than 0.3. Yet, the type of home ownership with a factor loading of 0.25 did not prove to have a positive effect in the Appropriate Housing filed. Model fit indices had acceptable values indicating high validity of the conceptual model.

In the initial conceptual model of the factors of wealth production and their relation with welfare components, education variable has proven to be an effective factor in job creation with regression coefficient of 0.64. Consequently, job variable had a relatively good effect on income generation with a value of 0.38 ($P\text{-value} \leq 0.001$). Therefore, education were confirmed to provide more job opportunity for higher income in urban households (*Figure3*).

Fig 3: The final model of urban data in standard coefficient estimation model

Discussion

Present study showed in urban population, it was found that the presented structural model confirms the strong relationship between education and job as well as between job and income level. It should be noted that the factors generating wealth in the city initiate from education and lead to employment and then into income and ultimately provide wealth and welfare. In fact, in urban society there is no distinction between the concept of welfare and wealth and these two sides of the same coin.

The present study showed that the economic structure of rural society is quite different from that of urban society. It was found that in rural society, wealth is the source of welfare. Therefore, in a rural community, a family with higher wealth earns higher income, affords higher education, and access to better job opportunity. In the past, it was believed that when it comes to labor force, the number of children was referred to as the cheapest employee. This has been confirmed in other societies in Egypt and the Ivory Coast (16, 17).

The results of this study showed that the urban community structure is in accordance with the presented welfare and wealth model. It is therefore logical that in urban society in order to design poverty alleviation policies, it is better to invest in prerequisites for income generation, such as education. As such, in the

countryside, policy makers should seek measures to consolidate land ownership policies rather than advocating education.

However, as a key asset, land plays a pivotal role in gaining interest and equity in rural households. The results of Ferreira's study on poverty and inequality in Tanzania also confirmed human capital, land and livestock as the most important assets of rural households (18).

The UK Department for International Development believes that land is a safe and secure livelihood asset for villagers. It should be noted that land is a necessary, but not always an absolute condition for poverty alleviation (19). Another study conducted in Asian rural areas shows that rural poverty usually has an inverse relationship with the size of arable land (20). Another study in Java confirms that access to land is closely linked to access to capital, as well (21).

It should be noted here that Article 30 and Article 31 of Iran constitution, which requires free education in the country, will not necessarily contribute to poverty alleviation in rural areas. A national study on the distribution and severity of poverty concluded that poverty is a multidimensional epidemic problem in rural areas. It also indicated that housing and education are two variables that play a significant role in its establishment (22). But with some results of the conceptual model presented in this study, it seems that in this country, a serious revision is needed to prioritize the land ownership policies to educational policies, in the countryside. Obviously, this does not imply that state capitalism is a successful economic solution in rural society. Another theory is that the advent of technology in the agricultural industry will increase the productivity. At the same time, this increase will be even more effective if combined with land ownership. Another indicator is inequality that has been linked to poverty and has a destructive role on it. This is an indicator of the disproportionate distribution of ownership resources for farmers. A report on poverty and inequality in Iran in 2016 showed an upward trend on both indicators, while inequality rate slightly overtook the poverty (23).

Another indicator jeopardizing income of the villagers is inflation. Unfortunately, the villagers are the main victims of unbridled inflation in the societies. In addition, lack of social support can exacerbate this vulnerability phenomenon (24). It should be emphasized that governments have a definitive role in adoption of more equitable and targeted policies for the allocation and distribution of resources. Eventually, in order to increase the welfare of these communities, these policies should be oriented in such a way that control inflation.

This study emphasized that land ownership in the village has the clear priority, as opposed to of education in the city. It is worth mentioning that poverty deprivation policies should be based on the facilitation of land ownership in the country's macroeconomics plans. Nevertheless, in urban areas, wealth and welfare are the two simultaneously dimensions of the urban economics.

Limitations

Given that we used the national available data, We did not have direct control over the validity of the data.

Declarations

Authors' contributions

Shafiei, Sedique, was the main operator of the study; Yazdani, Shahram designed the study and monitored all steps of the study; Zafarmand, A. Hamid monitored all steps of the study, and prepared and edited the manuscript; Jadidfard, Mohammad-Pooyan was the co-designer; Shakerian, Sareh designed and monitored all steps of the study, and finalized the manuscript. All authors read and approved the manuscript.

Acknowledgements

This manuscript is submitted as a partial fulfillment of the requirement for PhD degree in Community Oral Health. This article is originated from a part of Dissertation registered under #643 at the office of Academic Affairs of Shahid Beheshti University of Medical Sciences School of Dentistry.

Competing interests

The authors declare that they have no competing interests.

Consent to publish

Not applicable.

Availability of data and materials

The data that support the findings of this study are available from Statistical Center of Iran(NSCI)<https://www.amar.org.ir/english> publicly available. Data are however available from the authors.

Ethics approval and consent to participate

Iran, Shahid Beheshti University of Medical Sciences, Research Institute of Dental Sciences, Research Ethics Committee (IR.SBMU.RIDS.REC.1396.447). [Based upon the regulations, to obtain the above registration number, each research project, regardless of the structural design should be submitted to the office of Research Affairs for approval.]

The National Household Income and Expenditure survey is run annually in Iran by National Statistical Center of Iran (NSCI). The supporting data is available on the NSCI Website. The essential ethical approval of the national survey have been given from the relevant authorities. The survey have used verbal consent for participation.

Funding

The authors state that there is no funding for this study and publication of the article.

Abbreviations

SES: Socioeconomic status

SEM: Structural Equation Modeling

NSCI: National Statistics Center of Iran

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Figures

Figure 1

Conceptual Model Wealth and Welfare

Figure 2

The final model of rural data in standard coefficient estimation model

Figure 3

The final model of urban data in standard coefficient estimation model

Supplementary Files

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