

The Iraq Jobs Crisis:

Workers Seek Their Own Voice

By John Howley | September 8, 2004

Editor's note: This is a condensed version of a report prepared by the Education for Peace in Iraq Center (EPIC) which can be found at <http://www.epic-usa.org/Default.aspx?tabid=262>.

Iraq's most valuable asset is not its oil, but its people—people of talent, bravery, and determination who have withstood decades of dictatorship compounded by wars and sanctions. But the challenges facing Iraq's workers are grave. Working families in Iraq, already severely stressed by Saddam Hussein's misrule, wars, and sanctions, have lost more ground in economic terms since the U.S. invasion.

With high levels of unemployment and widespread poverty, all aspects of society are threatened. Political stability is undermined and prospects for democracy in Iraq diminished. Furthermore, ongoing violence, breakdown of law and order, frequent shortages of electricity, and poor health conditions hold Iraqis back from fully returning to work and rebuilding their country.

Iraqi Workers Today

Iraq was among the more prosperous, well-educated, healthy nations in the Arab world just two decades ago. Infant mortality was declining rapidly because of targeted health programs and a modest investment in health care and education. Since then, successive wars, rampant corruption, comprehensive economic sanctions, and neglected health services have reversed those gains.¹

The toppling of Saddam Hussein's regime has not improved economic conditions for Iraq's working families. Under U.S. occupation, the Iraqi formal economy shrank by one-third in 2003.² Workers fortunate enough to be employed are still paid according to the wage scale that was imposed by Saddam Hussein's regime, but actual take-home pay for some workers has been halved due to lost bonuses, benefits, and profit-sharing payments. Iraqis previously employed by the government under Hussein complain that they have not been paid on a regular basis since the U.S. occupation began. Most households continue to receive monthly in-kind food rations, but these are not enough to sustain a typical family for a whole month.³

Some Iraqis have seen improvements. Commercial activity is up because import restrictions are gone. Teachers and other civil servants have received significant raises.⁴ Before the April 2004 uprisings, increased pilgrimage to Shiite holy sites brought economic benefits.⁵ And some Iraqi entrepreneurs are finding ways to take advantage of an economy where few laws and regulations are being enforced. But none of this activity has been sufficient to ease the unemployment crisis.

Major delays in the disbursement of reconstruction funds and growing instability, among other problems, have created serious setbacks in creating jobs. As of early April only \$2 billion of the \$18 billion allocated by Congress last October had been disbursed.⁶ As of April the Coalition Provisional Authority (CPA) had only been able to create an estimated 395,000 jobs, falling well below the Bush administration's announced target of 850,000 jobs.⁷ More than half of these jobs are in law enforcement or related to security and defense.

Job security is also a problem. Throughout occupied Iraq, far too many of the jobs that have been created are short-term, dependent on foreign aid dollars and private security contracts.⁸ Iraqis know this, with 70% expressing fears over their job security according to an ABC News poll conducted in February 2004.⁹

The absence of a legitimate, democratic government discourages the fortunate, employed Iraqis from organizing effective, independent unions. Continued instability and political violence hinder workers from

Foreign Policy In Focus (FPiF)



www.fpi.org
A Think Tank Without Walls

building political, civic, and union organizations to give voice to their needs and interests. Furthermore, there are no legal mechanisms for workers to establish collective bargaining or defend their workplace rights. The lack of such rights suppresses Iraqis' ability to negotiate fair wages and better working conditions—vital steps for workers to play a role in a vibrant Iraq.

Unemployment Undermines the Prospects for Stability and Democracy

Unemployment tears at the fabric of society by depriving families of economic security. Most workers support not only themselves but also children, spouses, and other relatives in extended families. In the United States, unemployment peaked at 25% during the Great Depression. Once that level is reached where every fourth economically active adult is searching unsuccessfully for work, a social catastrophe exists.

A survey conducted by the Iraqi Ministry of Labor at the end of 2003 estimated a national unemployment rate of 28.1%.¹⁰ Some news reports estimate this number to be upwards of 50%. This means there are at least two million jobless Iraqis in a workforce of seven to eight million.

Among young males, the unemployment rate is double the average or more. These young men have been left with few viable alternatives to joining a militia. Ninety-one percent of Iraqis surveyed in a March 15, 2004 poll conducted by ABC News said that “creating job opportunities for the unemployed” would be “very effective” for improving security, far ahead of options such as hiring more police or increasing patrols.¹¹

The poorly thought out decision to disband the Iraqi army put half a million men on the street without income, supplying a pool of ready recruits for terrorist and criminal organizations. At the time, British military leaders opposed this decision, which has since been characterized as a “huge mistake.”¹²

The unemployment crisis also threatens gains that have been made by women in Iraq—gains that had already been attacked by sanctions and earlier wars.¹³ A 1979 law that required the eradication of illiteracy in the country had all but closed the gender gap in literacy among children and youth. But the disastrous Iran-Iraq War

(1980-88) put tremendous pressures on Iraq's economy, and shortages of able-bodied men drew many women into the workforce; by that war's end, women accounted for one-fifth of the formal workforce.¹⁴

Mismanaged Reconstruction Fails to Provide Needed Economic Boost

Funds for reconstruction topped \$18 billion from the United States, \$17 billion from international donors and \$20 billion from the Development Fund for Iraq (funded by Iraqi oil and assets from Saddam's regime). How this money is managed and spent will shape Iraq for the next decade.

Under the CPA, the United States missed the opportunity offered by reconstruction to create jobs on a large scale. Only a scant 2% of the U.S. funds were spent by June 2004. These funds employed only 15,000 Iraqis, despite U.S. promises that 250,000 jobs would be created.

The U.S. was far more generous spending money from the Development Fund for Iraq, depleting nearly the entire fund. The fund, unlike U.S. money, did not require competitive bidding or transparency measures. Projects with the Development Fund focused reconstruction activity on industries like oil production and public utilities—which create few jobs—and neglected housing renovation, street repair, and other labor-intensive tasks that could have quickly employed scores of Iraqis.

After more than two decades of war and sanctions, Iraqi workers have extensive experience with reconstruction and rehabilitation. Instead of directing reconstruction work to Iraqi firms that employ Iraqi workers, the U.S. occupation authorities rig the process to favor big corporations from the United States and its short list of selected countries. Adding to the problem, most foreign companies now appear to be choosing to hire returning expatriate Iraqi workers for both skilled and unskilled positions instead of hiring in-country. Some Iraqis are deeply resentful of this.

University of Michigan Professor Juan Cole recently testified in the Senate, “The giving of reconstruction bids has been structured so that all small bids of \$50,000 or less automatically go to Iraqi firms. This ceiling should be raised, to ensure that more Iraqis are involved in

reconstruction and more local jobs created. Shipping the money back to the U.S. by employing mainly American firms will not greatly benefit Iraq or address the deep unemployment problems there.”¹⁵

A Way Forward: Giving Workers a Voice

All the bad news coming out of Iraq overwhelms the good news—such as union organizing. Iraq has a long history of trade union activity stretching back to the early days of British investment in the petroleum sector. Many exiled or underground veterans of the anti-Saddam Hussein struggle remember the days when legal unions thrived. Along with younger activists they are organizing workers, most of whom have little experience of unionism except, perhaps, under extremely difficult conditions. An international trade union delegation recently visited Iraq and reported, “We came across lively, muscular (even argumentative) trade union grassroots.”¹⁶

Economic policy decisions and the drafting of new labor laws, along with political, regional, and sectarian considerations, will all influence the shaping of Iraq’s trade unions. Iraq needs a new labor law to replace the Hussein-era code. The sensitivity of amending existing labor code is heightened by the fact that it covers not only union rights but also sets wages, benefits, and working conditions for all Iraqi workers.

Unions must be integrally involved in the process of developing a new labor code. As the AFL-CIO has urged, this should be done in the context of a tripartite process including the Iraqi Labor Ministry, Iraqi employer organizations, and Iraqi unions in consultation with the International Labor Organization. Under the CPA, Iraqi unions were largely sidelined from the U.S.-dominated process of considering a new labor code.

Democratic government and effective trade unions are necessary preconditions for any discussion of major restructuring—including privatization. The 500,000 people employed in the state-owned enterprises are precisely the workers who were deprived of their union rights under Hussein’s 1987 labor code amendments. Proponents of privatization would prefer to carry that process out quickly, before unions can organize themselves effectively. This would make

the restructuring process more difficult and cause instability—but would likely mean quicker profits for insiders. It should not be allowed to happen.

Democracy, stability, and independent trade unions are inseparable. The growth of vibrant independent unions must be protected and encouraged. In the words of an ICFTU statement: “Ensuring respect for workers’ rights, including freedom of association, must be central to building a democratic Iraq and to ensuring sustainable economic and social development.”¹⁷

What Needs to Be Done

Economic reforms must be designed and implemented with an emphasis on increasing employment levels, reducing poverty, and promoting democratic governance. Reforms of the food-rationing system and increases in fuel prices must wait until economic stabilization. These meaningful labor and economic reforms must be undertaken by a sovereign Iraqi government.

Comprehensive labor reform must wait for a government elected by the Iraqi people. Meanwhile, worker rights promised by the Transition Administration Law (TAL) must be respected and extended to public employees, especially those in state-owned enterprises. The transitional government should take no action that diminishes the rights of Iraqi workers or undermines existing labor standards.

Labor law reform must be conducted in a tripartite process reflecting the interests of workers, employers, and the public. The process must allow Iraqi worker organizations a significant role in drafting a new labor code.

Given the missteps and corruption rampant in U.S. reconstruction projects, all reconstruction funding should be directed to a UN-supervised public works program that will put people to work immediately. Reconstruction should emphasize the employment of Iraqi managers and workers to build institutional capacity and promote employment.

Iraqi workers must be full partners in the country’s economic restructuring through independent trade unions of their own choosing. Terrorist violence, guerrilla warfare, lawlessness, and military occupation are anathema to the development of independent

trade unions. Democracy, respect for human rights, and stability are essential preconditions for an independent trade union movement.

Immediate steps must be taken to promote the economic and social participation of women. Trade unions provide opportunities for women to develop leadership skills.

Iraqi trade unionists need material support and advice, not interference or manipulation. International trade unions should aim for solidarity that is transparent, multilateral, and independent.

John Howley serves on the board of the Education for Peace in Iraq Center (EPIC). He has over 16 years of experience in government relations in the U.S. labor movement. Reach him at <john@epic-usa.org>.

ENDNOTES

- ¹ "Joint Iraq Needs Assessment." United Nations and World Bank, October 2003. [http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/\\$File/Joint+Needs+Assessment.pdf](http://lnweb18.worldbank.org/mna/mena.nsf/Attachments/Iraq+Joint+Needs+Assessment/$File/Joint+Needs+Assessment.pdf); "Portrait of the Current Socio-Economic Developmental Situation and Implications in Iraq based on Specified Scenarios." United Nations Development Programme (UNDP), January 20, 2003. <http://www.casi.org.uk/info/undocs/un030120.pdf>.
- ² "Preliminary estimates indicate that Iraq's gross domestic product (GDP) declined by about 4% in 2002 and a further 31% in 2003, amounting to an estimated U.S. \$13 – 17 billion in 2003, or U.S. \$480 – 630 per capita. GDP is projected to increase by about 33% in 2004, bringing it to U.S. \$17 – 22 billion, or U.S. \$620 – 810 per capita." *Interim Strategy Note*, World Bank Group for Iraq, January 14, 2004.
- ³ David Bacon, "Report From Iraq: Working Conditions and Labor Rights Under the Occupation," *U.S. Labor Against the War*, October 2003. http://www.uslaboragainstar.org/downloads/uslaw_report_indesign_2.pdf.

- ⁴ David Enders, "Fighting for a job in Iraq," *Asia Times*, January 16, 2004.
- ⁵ "Standoff hits business in holy city," AP, May 6, 2004.
- ⁶ Patrick Cronin, "Iraq: On the Precipice of Failure?" Center for Strategic and International Studies, April 14, 2004. http://www.csis.org/features/040414_IraqTranscript.pdf.
- ⁷ "Iraq Status," Draft Working Papers of the Department of Defense, April 2004. <http://www.americanprogress.org/atf/cf/{E9245FE4-9A2B-43C7-A521-5D6FF2E06E03}/dodwklyrpt040604.pdf>.
- ⁸ Anthony H. Cordesman, "Iraq: What is to Be Done," Center for Strategic and International Studies, May 5, 2004. http://www.csis.org/features/iraq_whatdone.pdf.
- ⁹ "Iraq: Where Things Stand." ABC News poll, March 15, 2004. http://abcnews.go.com/sections/world/GoodMorningAmerica/Iraq_anniversary_poll_040314.html.
- ¹⁰ Chris Spear, Deputy Representative, Coalition Provisional Authority, "Letter to Congressman Sam Farr (from Office of the Secretary of Defense)," May 18, 2004.
- ¹¹ "Iraq: Where Things Stand." ABC News poll.
- ¹² Richard Norton-Taylor, "Violence Blamed on U.S. Decision to Disband Iraq Army," *The Guardian*, April 7, 2004. <http://www.guardian.co.uk/Iraq/Story/0,2763,1187360,00.html>.
- ¹³ UN "Occasional Paper: Situation of Women in Iraq," cited in Human Rights Watch Briefing Paper, "Background on Women's Status in Iraq Prior to the Fall of the Saddam Hussein Government," November 2003. <http://www.hrw.org/backgrounder/wrd/iraq-women.htm>.
- ¹⁴ United Nations and World Bank, "Joint Iraq Needs Assessment," October 2003.
- ¹⁵ Juan Cole, "Iraqi Transition: Civil War or Civil Society?" Testimony before the United States Senate Foreign Relations Committee, Washington DC, April 20, 2004. <http://foreign.senate.gov/testimony/2004/ColeTestimony040420.pdf>.
- ¹⁶ Owen Tudor, "Iraq: Unions and the Law," Trades Union Congress, March 2004. <http://www.tuc.org.uk/international/tuc-7859-f0.cfm>.
- ¹⁷ "Iraq: International Trade Unions to Help Iraqi Workers Build Their Trade Union Movement," International Confederation of Free Trade Unions (ICFTU), May 30, 2003. <http://www.icftu.org/displaydocument.asp?Index=991217534&Language=EN>

Published by Foreign Policy In Focus (FPiF), a joint project of the Interhemispheric Resource Center (IRC, online at www.irc-online.org) and the Institute for Policy Studies (IPS, online at www.ips-dc.org). ©2004. All rights reserved.

Foreign Policy In Focus

"A Think Tank Without Walls"

Recommended citation:

John Howley, "The Iraq Jobs Crisis: Workers Seek Their Own Voice," (Silver City, NM & Washington, DC: Foreign Policy In Focus, September 8, 2004).

Web location:

<http://www.fpiif.org/commentary/2004/0409iraqlabor.html>

Production Information:

Writer: John Howley

Editor: Erik Leaver, IPS

Layout: Tonya Cannariato, IRC

p. 4

www.fpiif.org

A Think Tank Without Walls

