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Unemployment Threatens Democracy in Iraq

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Unemployment Threatens Democracy in Iraq

This essay argues that the existing high rate of unemployment in Iraq is a serious threat to its democratic system of government. Without far-reaching development policy and legal structural reforms, unemployment levels will continue to deteriorate.

The population in Iraq is projected to grow from an estimated 29.7 million in mid-2010 to more than 40 million by 2025. This growth rate comes primarily from a very high fertility rate, estimated at 3.76% in 2010, significantly higher than its neighbors.[1] This means that the median age of the population (and of the labor force) is declining, and new entrants into the labor force total approximately 450,000 annually.

As of mid-2010, the available work force[2] in Iraq was estimated by the US Census Bureau at approximately 9.0 million (See Table A, Attached). Official figures for Iraq indicate that unemployment dropped from a high of 28.1% in 2003 to a low of 11.7% in 2007, and rose again to 15.3% in 2008 (the latest date for official unemployment data).[3] However, these official figures mask a much more alarming employment reality.

First of all, the official figures assume that only 22% of the working age female population is a part of the available work force. Secondly, the same official source indicates that only 53% of the available work force has full-time employment, and nearly 60% of these are public employees. One-third of the part-time employed (29% of the labor force) are seeking full-time employment, while unofficial estimates are that two-thirds of these seek to work full time. Thus, when these "disguised unemployed" are added to the 18% openly unemployed, there are 28-38% of the available labor force seeking work. Thirdly, since the age distribution of the Iraqi population is heavily skewed towards younger age groups, over half of the available work force is in the 15-29 age-group where the percentage of unemployed always is higher. In sum, there likely are 2.0 to 2.5 million young people in Iraq that are not employed or that only work part-time and desire to work more. And each year, there are 450,000 young people seeking work. Thus, to maintain the same proportional level of employment, the Iraqi economy must generate at least 450,000 net jobs each year. And these should come largely from the private sector since the public sector is saturated with employees.

Factors contributing to growing unemployment trends include:

- Recent and near-term future real GDP growth in Iraq has and will come primarily from the oil export industry, which generates very little employment and most of that employment demand is for highly skilled labor, supplied largely from foreign sources.
- Currently only a modest percentage of women (figures vary from 17 to 22%) participate in the labor force. This percentage could increase significantly in the future putting further pressure on the labor market. Female labor force participation for countries bordering Iraq is in fact considerable higher: Iran 42%; Jordan 29%; Kuwait 52%; Syria 40%; Turkey 28%.[4]

As explained above, unemployment is concentrated and rising among young men, with up to 40% of the 15-29 age groups unable to find sufficient work. The rapid growth of public sector employment in recent years disguises the true fragility of the Iraqi labor market, and of the alarming levels of unemployment and under-

[1] Except for Afghanistan at 5.50%. Other neighbors range from 3.42% for Jordan to 1.89% for Iran.
[2] Able-bodied adult males from 15 to 64 years of age, plus 22% of females in this age group. According to the Information Analysis Unit women participation in the labor force could be as low as 17%.
[3] "Surveys of Unemployment in Iraq for the Years 2003-2008", Central Organization for Statistics and Information Technology (COSIT). "Unemployment" is defined in the COSIT 2008 Labor Force survey as having worked less than one hour in the previous week but being available for full-time work. It is expressed as a percentage of the available labor force.
[4] Source: Information Analysis Unit (IAU) of the United Nations, Iraq Labor Force Analysis 2009. Saudi Arabia is currently the only country in the area with a lower value (18%) than Iraq.

employment. In absolute terms, public sector employment has doubled since 2005, and accounts for nearly 60% of full time employment.

It seems intuitively obvious to most observers that such high unemployment creates unstable social conditions that foster lawlessness, extremism and violence, which in turn undermines civil society and government legitimacy. Without rapid and significant progress in resolving the unemployment crisis, the future is bleak for a democratic government and society in Iraq.

It is clear that Iraq cannot continue to expand public sector employment at the previous pace. In the absence of a concerted effort to boost private sector output and employment (especially in the more labor intensive sectors), most of the approximately 450,000 new entrants into the labor market annually[5] will not find sufficient work. This situation seriously challenges socio-economic recovery and political stability in many of the Iraqi governorates.

In 2011, the public sector is projected to absorb at most (including redundant employment) 50,000 new male employees, and, at current rates, private sector employment rolls cannot be expected to grow by more than 20,000 males. Assuming current male unemployment at the more conservative 28% of the available adult male labor force, unabsorbed new entrants into labor markets will increase the unemployed ranks by 3.7% annually, with over one-third of the available adult male labor force being unemployed by 2014. The unemployment picture is even bleaker in rural communities. Unemployment levels (as well as disguised unemployment) typically are significantly greater in rural communities than in urban areas. Additionally, rural labor is more likely to be unskilled and less educated, and thus less employable, as compared to urban counterparts. Lack of diversification from the capital-intensive oil industry towards more labor-intensive productive activities limits the ability of the public and private sectors to generate productive jobs. Additionally, Iraqi development policies and legal structures do not provide a favorable climate for business activity, businessmen lack management skills, and enterprises have limited access to capital for expansion.

The 2011-2015 Iraqi National Development Plan (NDP) provides a general plan for market-oriented policy and legal structural reforms. However, strong, sustained and pro-active leadership at the highest levels of Government is required to convert the NDP into reality. Without rapid and far-reaching reforms, more labor-intensive economic growth will not accelerate, and Iraq will move ever closer to the unemployment breaking-point.
At least for the medium term and as the most labor-intensive productive sector, agriculture can and should become the engine for sustainable development through rapid employment generation. And this can be achieved in a manner that contributes meaningfully to alleviation of poverty and to achievement of household food security.

The agricultural production subsector by far represents the most labor intensive economic activities of the Iraqi economy. According to the US Department of State, that subsector employs nearly half of the active labor force while generating 10% to 12% of GDP. To illustrate the comparative potential employment impact of growth in the agricultural production subsector with non-agricultural productive sectors, each percentage point of agricultural GDP growth adds 1.2% to total employment, reducing the official unemployment rolls by nearly 3.0% (55,000). Even more significant, a percentage point of growth of the entire agricultural value chain (including all directly related upstream and downstream economic activities) adds an estimated 4.5% to total employment, reducing the official unemployment rolls by nearly 14% (220,000). In contrast, a one percentage point increase in GDP growth in the industrial sector (excluding agro-industry) generates only 0.35% of total employment, reducing the unemployment rolls by about 1%, (18,200). And agriculture has its greatest impact where the most poor and unemployed are located, i.e., in rural communities.

[5] IAU (The Information Analysis Unit – UN) Iraq Labor Force Analysis 2009

Hopefully, the Government of Iraq will make rapid progress in reforming development policies and legal structures. In spite of such rapid progress, for the next few years, the unemployment situation will remain at crisis levels. Thus, it also is urgent that consideration be given to authorizing and financing large scale emergency temporary employment measures. The Agricultural Policy Dialogue Series #11 proposes an option to consider: Modify the current Public Distribution System not only to provide basic household food security for the vulnerable poor, but also to provide temporary employment and skills training to unemployed and unmarried young Iraqi males, as well as to able-bodied adult males who head poor and vulnerable households.

ATTACHMENT

Table |A: Total Available Adult Work Force in Iraq (000's mid-2010)

	Population Category	Male	Female	Total
1	Total	15,023	14,645	29,668
2	Working Age 15-64	8,748	8,510	17,258
3	Number of Potential Workforce	7,873	1,872	9,745
4	Less than secondary Study	704	-	704
5	Available adult Work Force	7,170	1,872	9,042

1) Based on US Census Bureau mid-year 2010 Population Estimate for Iraq

2) Net after deducting 10% of the total male group aged 15-64 (that is assumed to be permanently disabled)

3) Female labor participation estimated at 22%

4) 45% of the 15-19 male age-group (1,563,600 persons)

5) Of which unemployed plus "disguised unemployed" 28 - 38%