Y 4.F 76/2:S.HRG.109-312

S. HRG. 109–312

POLICY OPTIONS FOR IRAQ

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

JULY 18, 19, AND 20, 2005

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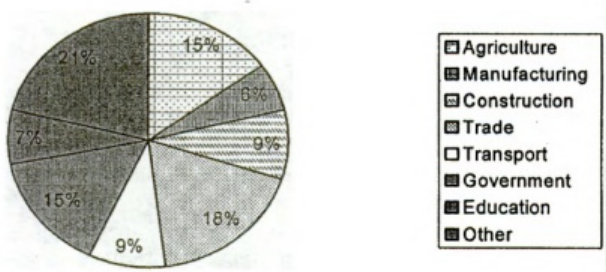
percent in 2004.[5] The other survey, conducted using the International Labor Organization (ILO) definition of unemployment, finds that 10.1 percent of the labor force is unemployed.[6] The ILO definition, accepted internationally, best captures actual economic activity of households. It defines unemployment on the basis of whether one has worked in the week prior to the survey; other surveys often ask the interviewee whether they consider themselves unemployed, not whether they have worked. Because individuals employed outside their chosen profession frequently respond that they are unemployed, even though they work in some other capacity, unemployment rates are often exaggerated in surveys that do not focus on whether the respondent worked recently.

Other data support this view of an economically active, albeit poor male citizenry. Labor force participation ratios, the share of the population in the workforce, are similar in Iraq to other countries in Arab countries in the Middle East and North Africa. Ratios for men between the ages of 15 and 65 run 69 percent; those for women are much lower, at 13 percent. The private sector is the largest employer. Most people who work in the private sector are self-employed. They either operate their own businesses or work as day laborers. Detailed studies by anthropologists of street vendors, subsistence farmers, and day laborers, common occupations in Iraq, find that these individuals spend considerable time working each day. They do not receive a monthly paycheck from an employer; their incomes depend on demand for their services. This state of affairs is not unusual in other countries. In the United States, a large number of people run small businesses, farms, drive trucks, or work in construction. Their incomes depend on the profitability of their businesses or what jobs they have lined up. However, in Iraq, productivity and hence incomes are low. In contrast, U.S. citizens work in an economy in which they are highly productive, generating much greater incomes.

The Iraqi Government is also a major employer (Figure 1). In poorly monitored Ministries, some workers treat their government salary as a stipend and spend most of their energy pursuing private activities after, or during, work or using their positions to seek bribes. In many cases, Iraqi Government workers supplement their incomes by working in the private sector as well. For example, many Iraqi doctors work in the public health care system, but also take private patients.

Figure 1: Composition of Employment in Iraq



I make these distinctions not to minimize Iraqi complaints or perceptions of unemployment, but so as to focus on the real problem, which is poverty, not the absence of economic activity. Because self-employment is often poorly paid in Iraq, when alternative, better-paid employment is available, self-employed individuals quickly take them. This is why participation in make-work schemes has been high.

In some instances, make-work schemes can ease social pressures by taking demobilized soldiers off the streets. However, in general the creation of short-term jobs in an attempt to placate the local population, partly in response to the perceptions of high unemployment, can be a problematic use of assistance. Make-work schemes,

[5] Central Organization for Statistics and Information Technology, "Report of the Employment and Unemployment Survey Results 2003 Year," January 2004, p. 15; The Iraqi Strategic Review Board, Ministry of Planning and Development Cooperation, May 2005, p. 27.

[6] Ministry of Planning and Development Cooperation, Iraq Living Conditions Survey 2004, Volume 1, Baghdad, 2005, p. 104, at www.undp.org.

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