



The Disguised Unemployment in Iraq(1996- 2008)

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Introduction:

Unemployment is an economic, political and social phenomenon. Most government in the world pay special attention to it.

Concerning Iraq, the Iraqi economy has been described, as one of the economies that have had low unemployment rate until the end of eighties, the rate was around 3.7%, but the ability has decreased since 1991, and the rate of unemployment became one of the most serious problems especially after 2003.

This research investigates and discusses the disguised unemployment in Iraq. This research is first of a kind in Iraq to study this case and to calculate the disguised unemployment.

The research focuses on answering the following question, (Is the survey of unemployment taking the rate of disguised unemployment into consideration? And what is the size of unemployment in Iraq?).

Objectives: The research are:

- 1) Calculate the size of disguised unemployment in Iraq and add it to the size of total unemployment.
- 2) Calculate the rate of total unemployment and then the rate of disguised unemployment to compare it with the estimate rate of unemployment according to the survey of unemployment in Iraq.

First: The General indicators for the unemployment in Iraq⁽¹⁾:

- * The population growth rate is 3%.
- * The estimated population 31 million in 2008.
- * The active work force for the period 15- 65 year 47%.
- * The unemployment rate for population in age 15-65 is 15.34%, (male is 14.33%, and female is 20%).
- * The rate of unemployment is 15.19% in the urban area, (13.09% male and 25.02% female), and (13.34%) in rural areas, (14.89% male and 8.26% female).
- * Refined economic activity rate is 45%, (37.7% male, and 15.84% female).

Second : Specifications of unemployment in Iraq⁽²⁾.

- 1) The rate of people who are under age of 25 years, reflect the main group of unemployment in Iraq.
- 2) The largest group of unemployment is the under graduates either universities or the secondary schools, and the rate of them around 40%.
- 3) There higher unemployment rate among women.
- 4) There higher rate of unemployment in the urban areas is due to the increased migration.

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- 5) It does not include disguised unemployment, as the majority of under graduates are working out of their willingness and often beyond their qualification.

Third: Causes of unemployment:

There are many factors that have contributed in making the rate of unemployment becomes higher such as:

- 1) Higher rate of population growth.
- 2) The gabe between the requirements of the labor market ad education output.
- 3) The disability of private sector to provide enough jobs.
- 4) The decision of government to stop the central employment, which means to guarantee a job for every graduate in the public sector.
- 5) Growth in the Iraq economy suffers from the internal and aexternal imbalances such as an unbalanced payments and budget deficit, In addition the imbalance between saving, investments, production ad consumption.
- 6) The inability rigidity of the production sector to lower unemployment in a significant way.
- 7) The most important cause of unemployment is the substitution of product made in Iraq by imported goods. Because of the weak competitive position of Iraqi products, many jobs in the production sector are lost and then again increases unemployment rates.
- 8) Disability of the agricultural sector to provide jobs leads to the migration of workers from the country side to the city center.
- 9) Only 35% of the work forces work in the commodity sector.
- 10) Destruction of the infrastructure and production facilities of the Iraqi economy.

Fourthly: The Types of unemployment:

Cyclical unemployment: A kind of unemployment that relates to the cyclical trends in growth and production that occurs within the business cycle. When business cycles are at their peak cyclical unemployment will be low because total economic output is being maximized. When economic output falls, as measured by the gross domestic product (GDP), the business cycle is low and cyclical unemployment will rise, that means there is negative correlation between GDP and cyclical unemployment⁽³⁾.

The economists describe cyclical unemployment as the result of business not having enough demand for labor to employ all those who are looking for work. The lack of employer demand comes from the lack of spending and consumption in the overall economy. Frictional unemployment: unemployment which is always present in the economy, resulting from the temporary transitions made by workers and employers, or from workers and employers having inconsistent or incomplete information.

This kind includes⁽⁴⁾.

- 1) The groups of workers, who unemployment between jobs.
- 2) Unemployed people who enter the labor market for the first time.

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3) The unemployed who have previously worked.

This type of unemployment is a result of the movement of the labor market and the difficulty of movement between the opportunities of jobs in labor market in search of new opportunity, then there are some market, in addition to that we can add the fluctuation in demand lead some firms to stop their.

job and search for new workers to match supply and demand and that take time. The workers here burdensome cost like the current value of the wages, which sacrificed (indirect cost + cash cost to look for work), or (direct cost- the value of the benefit from the lesser time). Structural unemployment resulting from changes in the basic composition of the economy. These changes similetenuously open new position for trained workers. It happens because change in the technological revolution. A reasons for this type are the changing in the demand pattern, because the change in the test ad competition imports⁽⁵⁾.

Underemployment: A measure of employment and labor utilization in the economy that looks at how well the labor force is being utilized in terms of skill, experience and availability to work. Labor that falls under the unemployment classification includes those workers that are highly skilled but working in low paying tap and part- time workers that would prefer to be full- time⁽⁶⁾.

Discouraged unemployment: A person who is eligible for employment ad is able to work, but is currently unemployed and has not attempted to find job. Discouraged workers have usually give upon searching for a job because he found no suitable employment option and / or met with lack of success when applying since discouraged workers are no longer looking for employment, they are not counted as active in labor force. This means that unemployment rate, which is based on labor force calculations, do not consider discouraged workers. This has led some economist to believe that the actual unemployment rate is higher than what is officially reported .⁽⁷⁾ The reasons for discouragement are:

- 1) The worker thiks no work is a available.
- 2) The worker could not find work.
- 3) The worker lacks schooling or training.
- 4) The worker is the target of various types of discriminate.

Employment and unemployment in Iraq:

We find from the table (1) that the unemployment rate during the period 1996- 1999 was very low. (20.6%) in 2001 and that was because of the circumstances experienced by Iraq. In addition to the change of growth rate of GDP, This led to increase the growth rate of unemployment, especially during the period (1998- 2001). If we compare that with the rate of employment, we find that the employment rate was higher than in 1997, reached to 96.2% in 1997, which was accompanied by a low rate of unemployment of only of (3.7%), indication that the demand for labor was able to absorb the labor supply. But in this period most of the workers were disguised worker, because the state in this period the number of workers looking for jobs was higher than the capacity of the public

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sector to offer jobs, or to transfer them to other function, because there were more workers than the capacity of the public sector, but all unemployment surveys do not write about this kind of unemployment. But we found that the rate of employment declined after 2000, while it was accompanied by a rise in the unemployment rate. And this is attributed to the decreasing in the wages and that led a large part of workers to abandon their jobs.

Comparing the growth rate of unemployment with the growth rate of employment, we find that the first was greater than the second which indicates a decline in the demand for labor.

During the period (2003- 2008), we find that the rate of unemployment reached its highest level (around 28%), while the rate of employment growth reached (59.1%). The reason behind this was that in 2003, most of the Ministries like the Defence, Security and others were dissolved. In addition to the effects of occupation of Iraq, that has paralyzed economic activity, with the deterioration of the economic sectors, particularly the oil sector and industry, which caused most of the industrial projects to be banned. Oil production was at very lower rate and people were lost their jobs and then more unemployment people entered the labor market. We also observe the decline in the GDP growth became negative (-33%), which again increase unemployment rate.

After 2004, the rate of unemployment declined there for the rate of employment increased and this is reflected by the lower rate of growth of unemployment and a high growth rate of employment, because of improving growth rate of GDP.

The government took a decision to employ the people in the security and defense sectors in order to absorb unemployment

As well as the attempts of government to reduce the rate of unemployment by about (10%) accompanied by the growth rate of GDP in 2005.(8) At the end we find that the rate of unemployment decreases about (45%), in 2008 comparing with 2003, and the rate of employment increases by about (17.6%) in 2008 comparing with 2003.

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Table (1)

The rate of unemployment, employment, the growth rate of unemployment, the growth rate employment, and the growth rate of GDP for the years 1996-2008

Years	Rate of unemployment	Rate of employment	The growth rate of unemployment	The growth rate of employment	Growth rate of GDP
1996	3.6	37.6	-	-	-
1997	3.7	96.2	0.83	-0.48	22
1998	8.5	91.4	144.6	1.08	-2
1999	8.5	91.4	4.25	3.29	16
2000	13.5	86.4	67.5	0.79	8
2001	20.6	79.3	81.7	8.87	10
2002	20.7	79.3	5.5	4.05	57
2003	28.1	71.9	59.1	6.30	-33
2004	26.7	73.2	8.35	15.60	56
2005	17.8	82.1	-29.5	18.25	10
2006	17.4	82.5	1.4	4.22	12
2007	16.4	83.5	-5.9	1.33	7
2008	15.3	84.6	-6.5	1.55	10

Source: Calculated by the researcher, dependjon:

- 1) Ministry of Planning and Development Cooperation, the central Organization of Statistics and Information Technology, Statistical book for years 1996- 2008.
- 2) Ministry of Planning and Development Cooperation, the central Organization of Statistics and Information Technology, Survey of employment and unemployment for the years 2003- 2008.

Fifthly: The size and the rate of disguised unemployment in Iraq 1996- 2008:

Disguised unemployment: When more people are engaged in some activities more than the number of persons required, this is called disguised unemployment, or when people do not have full time employment, but are not counted in the official unemployment statistic.

This may be include:

- ⊗ People on sickness/ disability benefits (but, would be able to do some jobs).
- ⊗ People doing part- time work.
- ⊗ People forced to take early retirement and redundancy.
- ⊗ Include people doing jobs that are completely unproductive, they get paid but they do not have a job.

This type of unemployment does not affect aggregate output, some of the labor force is either left without work or is working in redundant manner

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where worker productivity is essentially zero. Moreover most statistics did not show them as unemployment, they work while the work is disproportionate to the level of education⁽⁹⁾.

According to the statistical data , the disguised unemployment rate in Iraq was amounted to 25- 30 percent. On the other hand, some studies show that the disguised unemployment rate is 30 percent so, we adopted this rate to calculate the size of disguised unemployment⁽¹⁰⁾.

Table (2)
The total unemployment, disguised unemployment and the rate of both 1996-2008

Years	Et (1)	Et 2 (2)	Dis (3)	Ut (4)	TU 5= (4+3)	Pat (6)	Rate TU (7)	Rat of unemployment (8)	Rat dis 9= (7-8)
1996	3737161	2616013	1121148	143393	1264541	3880554	32.6	3.6	28.99
1997	3719161	2603413	1115748	143393	1259141	3862554	32.6	3.7	28.9
1998	3759402	2631581	1127821	353729	1481550	4113131	36.02	8.5	27.5
1999	3883462	2718423	1165039	365402	1530441	4248864	36.02	8.5	27.5
2000	3914448	2740114	1174334	612160	1786494	5426608	39.5	13.5	25.97
2001	4261743	2983220	1278523	1112459	2390982	5374202	44.5	20.6	23.89
2002	4434426	3104098	1330328	1157535	2487863	5591961	44.5	20.7	23.79
2003	7414095	3299867	1414229	1842365	3256594	6556460	49.7	28.1	21.57
2004	5452783	3816948	1635835	1996374	3632209	7449157	48.8	26.7	22.06
2005	6448391	4513874	1934517	1405921	3340438	7854312	42.5	17.8	24.73
2006	6720834	4704548	2016250	1425631	3441881	8146465	42.3	17.4	24.85
2007	6810362	4767253	2043109	13408879	3383988	8151241	41.5	16.4	25.12
2008	6915952	4841166	2074786	1253138	3327924	8169090	40.7	15.3	25.44

* Where Et: The number of employment.

⊗ Et2: The number of employment after exclude the number of disguised unemployment.

⊗ Dis: disguised unemployment.

⊗ Ut: The number of unemployment according to the survey.

⊗ Tu: The number of total employment.

⊗ *Pat: The size of active population in working age.

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Source:

- 1) Column (1, 4, 6) , Ministry of planning and Development Cooperation, The central Organization of Statistics and Information Technology, Statistical book for years 1996- 2008.
- 2) And: Ministry of Planning and Development Cooperation, The central Organization of Statistics and Information Technology, Survey of employment and unemployment for the years 2003-2008.
- 3) Column (2) was calculated as fellow: $\frac{Et * 70}{100}$ (because the disguised unemployment rate is 30 percent, so we adopted this rate to calculated the size of disguised unemployment).
- 4) Column (2) was calculated as fellow: $Et - Et2$.
- 5) Column (2, 3, 5, 7, 8, 9) was calculated by the researcher

From the table (2) we find:

- 1) The high rate of disguised unemployment was during the year 1996- 1997, as result of central employment the government is followed.
- 2) The rate of disguised unemployment decreased after 1997, but it was not an actule decreasing that represent more employing as a result of graduate output. In addition to the emerge between the Ministry of Military Industrialization and Ministry of Industry.
- 3) The lowest rate in 2003 as the whole government was resolved.
- 4) After 2003, the rate increased and reached (25.4%) in 2008. This because many people return to their jobs, such as the people who left their jops during the previous periods, in addition to the government policy to employ the people in defiance, security sector, which means that (50%) of the economic active population work, are unemploying.

Conclusions:

- 1) The disguised unemployment leads to a distortion of the structure of employment and leads to the obstruction of economic performance.

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- 2) The high rate of disguised unemployment in Iraq means that a large part of workers are without any productive work, and that leads to increasing the average cost of any production process. This represents a real loss or waste of economic resources.
- 3) Attention must be given to the high rate of disguised unemployment and it must be added to the total unemployment rate when conducting surveys, which means the government must be undertaken the success economic policies in employing people.
- 4) The decline in a growth rates of employment after 2006, indicates the low level of demand for labor as a result of low investment, and thus the inability to create job opportunities.
- 5) The job policies in Iraq are still below the level of job requirements to lower unemployment.
- 6) Limited capacity of the private sector to create new jobs opportunities.

Source:

- 1) Ministry of Planning, The central Organization of Statistics and Information Technology, Employees and unemployment survey for the year 2008.
- 2) Saad AL- Kenany, Unemployment in Iraq, Al-hewar Almutamaden, annual 2839, 2009.
- 3) www. Inveto Pedia. Com.
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- 11) Dr. Kadum Habieb, www.Alhewar.Org/debat/show.art.Asp?
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- 14) Ministry of Planning and Development Cooperation , The central Organization of Statistics and Information Technology, Statistics book for years 1996-2008.