

Reinserting labor into the Iraqi Ministry of Labor and Social Affairs

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The U.S. Department of Labor has been actively involved in the reconstruction of Iraq. During the summer of 2003, Assistant Secretary for Policy Chris Spear served as Coalition Provisional Authority (CPA) senior advisor to the Iraqi Ministry of Labor and Social Affairs (MOLSA). Elissa Pruett acted as senior press officer in Strategic Communication at CPA. Later that summer, the Department's Bureau of International Labor Affairs (ILAB) assigned me to CPA, followed in the fall by James Rude, senior international program manager. Both of us acted as labor advisors to the Iraqi Ministry. In January 2004, the Department sent trial attorney Wade Green to Baghdad, where he served as Attorney-Commercial Law Reform Group, and where, among other things, he worked to revise the Iraqi Labor Code.

In addition to personnel assignments, the ILAB also funded a \$5-million project designed to demobilize, rehabilitate, and reintegrate former Iraqi soldiers within the framework of a larger workforce development program. This grant was the cornerstone of Iraqi labor reform beginning in August 2003. For most of 2004, up to nine U.S. Department of Labor-funded international consultants worked at the Ministry daily, providing technical assistance and building the capacity of the Labor Directorate within MOLSA.

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The Ba'athist legacy in the Ministry of Labor and Social Affairs. The "Labor" component within MOLSA—the entity of the Ministry with the mandate of securing workers' rights and training and preparing the workforce for the labor market—suffered severely during the last decades under the Ba'athist regime. The MOLSA was underfunded, received little political attention, and was afflicted by widespread corruption and lethargy. Low institutional capacity on the part of the staff and leadership was widespread.¹ Skilled civil service workers and professional management gravitated toward the more prestigious, better-paid government jobs in the military and the foreign service. For example, a vocational trainer with 15 years experience in the Ministry of Military Industries² earned approximately the equivalent of \$100 per month, while an equally qualified counterpart at MOLSA would earn between \$6 (Social Welfare) and \$25 (Social Security).³ Management consisted of little more than endless bureaucratic paperwork, while decision-making entailed top-down dictatorial orders barked by a high-level Ba'athist official intimidating his (all top management were men) staff into submission for fear of some type of punishment.⁴ Initiative and critical thinking were not rewarded. As a result, through the spring of 2003, capacity, diligence, and resourcefulness were not plentiful at MOLSA.

Historical background

Before the war in 2003, the Ministry of Labor and Social Affairs consisted of four departments or directorates (*dawar*): Social Welfare, Social Security, Prisons, and Administration (*diwan*). Social Welfare provided benefits to about 68,000 widows, orphans, and disabled Iraqis. This figure—capped by Saddam Hussein—limited the number of beneficiaries to a fraction of those who qualified while strategically discriminating against the needy, particularly those in the Shiite south.

Social Welfare also was responsible for a number of social care institutions, including rehabilitation centers for the disabled and orphanages. Social Security operated a private pension system that paid retirement benefits to some 18,000 recipients. Within Social Security was a vocational training unit that had training facilities in 5 cities in the southern 15 governorates. The Prisons Department was responsible for the nation's prisons, including the infamous Abu Gharib prison outside of Baghdad. (This department was removed from MOLSA in the summer of 2003). Although each of the pillars housed separate offices, such as engineering, finance, legal, and auditing, the Administration Department was a redundant bureaucratic body comprising parallel offices that functioned as an overlapping and cumbersome oversight or coordination mechanism. In essence, due to corruption, apathy, incompetence, and bureaucracy, the Ministry was largely dysfunctional. Funding failed to reach the governorates; social welfare benefits were paid to but a fraction of those who qualified; malnourished and neglected children languished in orphanages while salaries were paid to ghost employees; contracts were diverted to Ministry engineers and other officers and their families; and corrupt officials took money targeted for, or demanded bribes from, the most vulnerable Iraqi populations: widows, orphans, and the disabled.

Employment centers. The 1987 Labor Code designated MOLSA as the mechanism to provide employment services and vocational training to unemployed Iraqis.⁵ In theory, employment centers (*marakaz al-tashghil*) had existed since 1971 seeking to fill government vacancies. At one point, Baghdad had three employment centers. The Labor Code expanded this mandate for MOLSA by extending its obligation to match jobseekers with private-sector jobs. MOLSA employment centers were legally

responsible for registering jobseekers. Employers were obligated to announce job vacancies through the employment centers. If the centers failed to respond within 15 days, the employer was free to hire workers outside the centers.⁶ According to the law, jobseekers were to be selected in chronological order, not merit.⁷ The centers were also responsible for providing work permits to foreign workers.⁸ Employment services—such as employment training, career counseling, or other services for unemployed workers—were not articulated in the Labor Code as part of the employment center mandate.

In practice, however, MOLSA's employment centers during that period failed to match jobseekers with private-or-public-sector vacancies. Government hiring was a product of nepotism and corruption. By the time the Labor Code became law in 1987, jobseekers had lost all faith in MOLSA's employment centers and no longer made any effort to register for jobs there. By the early 1990s, just one of the original three MOLSA employment centers in Baghdad remained open—and only as a token display of government effort to assist the unemployed. None of the centers across the country any longer made an effort to secure employment for jobseekers; they merely made attempts to record government positions filled, a process that was also eventually abandoned. By 2003, the primary purpose of the centers was to authorize work permits to foreign workers. The entire Baghdad employment center consisted of five workers, while Ministry offices in most other governorates (or provinces) had only one or two officials, if any. While unemployment reached an estimated 50 percent after the 1991 Gulf War,⁹ jobseekers had no official government office to which they could turn for assistance. The surest way to secure employment in Iraq was to rely on favors from friends, family, or tribe members (a process still popular today).

Vocational training: Despite the mandates established in the Labor Code, during the last several years of Saddam Hussein's rule, the regime had little interest in providing vocational training through MOLSA as a means of job preparation for Iraqi jobseekers. MOLSA's vocational training program had weakened over the years under the Social Security Department. The Ministry's compound on Palestine Street in Baghdad was commandeered by the Ministry of Military Industries. Instead of computer-skills training for the unemployed, Hussein's military machine taught chemical engineering. In place of air-conditioner repair instruction, the compound produced or assembled Rocket Propelled Grenade (RPG) cylinders. Rather than housing auto repair equipment, the center stored Scud missile nosecones.

Emerging from the rubble. By the spring of 2003, the MOLSA was in shambles. Decades of Ba'athist oppression, an economy severely crippled by 8 years of the Iran-Iraq War (1980–88), the devastation of the Persian Gulf War in 1991, and 12 years of subsequent U.N. sanctions had brought the Ministry to its knees. Any semblance of a ministry functioning to provide protection and services for Iraqi workers was a thing of the past. The final blow to the labor function at the Ministry came after the regime's fall in April 2003, as looters took to the streets on a path of pillage and destruction. The Ministry's buildings were gutted; equipment hauled off; wiring stripped from the walls for copper; records burned (some by the staff itself); vehicles stolen; light fixtures and air conditioners removed; glass broken; and books and documents strewn about. All that remained of MOLSA's vocational training center in Baghdad were shells of buildings; tool-making equipment too heavy to haul away; pallets of Scud missile nosecones; barrels of gun powder; and crates of RPG cylinders.

Implementing a new strategy

Workforce development. Just as MOLSA's infrastructure and facilities had to be rehabilitated in order to raise the physical structures from the rubble of Saddam Hussein's legacy, so too the human capacity of the Ministry needed revitalization and an injection of fresh ideas, approaches, and training.

In the summer of 2003, the CPA advisors to MOLSA faced the daunting challenge of how best to invest in human capital at the Ministry. Because the CPA's De-Ba'athification policy entailed releasing the top three layers of management from service, the Ministry was left with a staff with unproven leadership and inexperienced management. The first step for the CPA advisors was to assess the management, professional, and technical capacity of the Iraqi staff. The advisors quickly learned that the potential for capacity building from within the Ministry was poor. During the summer of 2003, for instance, the Ministry's top information technology director left a shipment of new computers donated by USAID in their boxes for 2 weeks because he was unable to solve the problem of how to adapt a European plug to a Middle Eastern outlet. (The solution was to purchase a \$1 adapter readily available in the market.)

The existing staff members that demonstrated the most initiative and promise were often women, who had been marginalized under the former regime. Although cultural and religious biases routinely stood in the way of women's careers, the CPA advisors made strong efforts to move a handful of talented women into strategic supervisory positions within the Ministry. Three newly promoted female MOLSA officials visited Washington, DC, in October 2003 to attend workforce development training courses and visit one-stop employment centers.

Nonetheless, there was simply not enough talent at MOLSA to undertake a

multi-million dollar workforce development program across Iraq. Steps were taken to recruit young, strong, and skilled Iraqis—most of which were college graduates who had not been corrupted by the system—in both the private and public sectors. These dedicated Iraqis were hired and trained in Iraq and Jordan, and mentored by international consultants at the Ministry. The International Organization for Migration—implementing agency for the U.S. Labor Department grant—conducted training in Amman, Jordan, for some 130 MOLSA employees—both men and women—and two Iraqi staff members attended International Labor Organization (ILO) training in Turin, Italy, in the fall of 2003. Beginning in the winter of 2004, the CPA staff established an inhouse training program for MOLSA staff. A wide variety of management skills and ethics, computer skills, English as a foreign language, and labor-reporting systems courses were provided to labor officials in Baghdad and other governorates. By late spring of that year, nine U.S. Labor Department-funded international consultants had launched a program to build capacity of (and to mentor) Iraqis through the end of the year.

Before the war, there was no labor department (or directorate) within MOLSA. Vocational training and employment centers (as well as a dysfunctional wage regulatory committee) fell under the Social Security Department. Key labor components of employment services—such as matching jobseekers with vacancies in both for the private and public sector, career counseling, and referral services—simply did not exist. Therefore, one major goal of the CPA advisory staff was to establish an independent Labor Department at MOLSA that would be responsible for labor-related issues. As a result, in the spring of 2004 the MOLSA Labor Department was formed with a separate revised Iraqi budget of \$14 million to improve em-

ployment centers, vocational education, and support other labor programs.

A key element in the CPA's strategy for the Labor Department since the fall of 2003 had been the establishment of 28 employment *service* centers across the country. Unlike employment centers during the Saddam Hussein era, the new centers would provide valuable employment services to Iraqis, such as matching jobseekers with immediate employment opportunities; career counseling; and referrals for jobseekers to vocational and technical training, rehabilitation (for demobilized military and militia), and other services, whenever possible. By the end of May 2004, MOLSA had opened centers in 18 cities—Amarah, Baghdad, Baqubah, Basrah, Diwaniyya, Fallujah, Irbil, Khanaqin, Kirkuk, Mosul, Najaf, Karbala, Kut, Nasariyyah, Ramadi, Samawah, Sulaymaniyyah, and Tikrit—and had secured funding for the remaining 10 centers.¹⁰

MOLSA also initiated a plan to rehabilitate, equip, staff, and provide training for Iraq's six existing vocational training centers, and 26 additional training centers across the country. In addition to the traditional vocational training classes in electronics, household appliance and auto repair, welding, machine tool technology, and construction skills, MOLSA expanded its curriculum to include sewing, English as a foreign language, remedial and accelerated learning, and computer-skills training. By the end of May 2004, six training centers were operating, and funding for the remainder had been secured.¹¹

In addition, CPA and MOLSA succeeded in establishing a number of other mechanisms to secure worker rights, training, and opportunities for workers before the transition. They opened the nation's first child labor unit, first on-the-job training program, first labor statistics office, first career counseling unit, and first veterans' services program—all programs in their infancy and in need

of technical assistance and capacity building.

Security. In the best of times, the rebuilding of the Iraqi Ministry of Labor and establishing such an aggressive workforce development program would have been a challenge. Since the summer of 2003, however, Iraq has presented a most difficult implementing environment. The simplest of tasks proved frustratingly complicated, difficult, and dangerous. For instance, restrictions imposed by UNSECOORD (the Office of the U.N. Security Coordinator)—as a result of the August 19, 2003, bombing of the U.N. headquarters in Baghdad that killed 22 people—have severely impeded access to Iraq for U.N. international staff. The International Labor Organization and the International Organization for Migration, two of MOLSA's most active partners, have been unable to send international experts to Iraq since September 2003. Training, the implementation of programs, and capacity building, therefore, must be conducted by "remote control" from Amman, Jordan, or halted entirely.

Ironically, MOLSA, the Iraqi mechanism legally responsible for monitoring and enforcing labor laws, became a curious microcosm of workforce-related violence and threats that plagued the country on a larger scale. Beginning in the fall of 2003, a series of violent incidents struck MOLSA. In the presence of a CPA military lieutenant, a former Iraqi intelligence officer threatened to kill the director of the Baqubah Employment Center if the director failed to resolve an employment dispute. A few weeks later when no resolution was forthcoming, two of the director's brothers were attacked—and one was killed—allegedly by the same former intelligence officer. On October 26, 2003, two mortars directly hit the Al-Rashid Hotel room of ILAB's two CPA Labor advisors to MOLSA—Jim Rude and myself. Both of us were injured in the attack. Rude

underwent emergency surgery for a serious injury to his left arm and was evacuated to Germany and then back to the United States.

After months of warnings to blow up the Minister's residence at the Shaheen Hotel in Baghdad, terrorists finally made good on their threats in January 2004. The Minister survived a car bomb driven into the hotel, but one of his bodyguards and two other guests did not. Later that spring, a number of jobseekers raided the Al-Amarah employment center, broke into the director's home, and threatened his life if they were not given jobs. An employment center staff member in Fallujah was killed in April under unclear circumstances. A MOLSA official who was instrumental in opening 18 employment centers across the country was temporarily reassigned from Baghdad for his own protection after receiving a series of death threats. A number of attackers, presumably trying to flush the official out, assassinated his mother and one brother, wounding a second brother, while on their way to school. On a routine visit of an employment center in Mosul on March 14, 2004, my convoy of three white Land Cruisers was ambushed by insurgents. A Kurdish liaison was killed, and his driver was injured. Only through the quick action taken by my Iraqi bodyguards and driver did I survive.

Labor Code reform. In the fall of 2003, the CPA undertook an effort to revise the 1987 Labor Code, in order to encourage foreign investment and to protect worker rights. The final product was a CPA revision closely resembling U.S. labor law.¹² This version addressed most of the shortcomings of the 1987 Labor Code, such as concerns over child labor, freedom of association, and unionization in the public sector. Early in the spring of 2004, MOLSA in cooperation with the ILO began drafting a second revision based on the 1987 Labor Code.

The ILO final product was presented to CPA in late spring. Because of time constraints, CPA was unable to secure an agreement by all parties, including the Iraqi Governing Council, on a final version before the June transition date. Therefore, upon transition, CPA handed to the Iraqi Interim Government a copy of the CPA revision as a legislative proposal with the hope that the newly elected government in 2005 would act upon and pass this version, or a very similar version. As a result, the 1987 Labor Code, with all its shortcomings, is still in effect.

Fortunately, a number of measures taken by CPA and the Iraqi Governing Council have helped secure worker rights. For instance, Order 89 signed into law in May 2004 amends the 1987 Labor Code by securing the minimum age for working children at 15; forbidding hazardous types of work for children until 18 years of age; and prohibiting the worst forms of child labor.¹³ Article 13 of the Interim Constitution, or the Transitional Administrative Law, secures the right of association and freedom to form unions.¹⁴

Unemployment. With estimates of unemployment rates up to 65 percent circulating about, the Ministry of Planning's Central Statistics Organization undertook an unemployment study based on a household survey sample of 24,900 families in the last quarter of 2003. According to the resulting *Report of the Employment and Unemployment Survey Results for 2003* published in January 2004, unemployment in Iraq for 2003 averaged 28.1 percent (not including Kurdistan) and underemployment 23.5 percent. The survey was not without shortcomings. For instance, the study did not include the three Kurdish governorates in the north, where unemployment is relatively low. Moreover, the unemployment rate included minors, ages 15 to 17.¹⁵ It is also unclear how the study measured some 750,000 Ira-

qis who currently receive salaries or stipends, such as state-owned enterprise workers and former military. This group constitutes about 10 to 15 percent of the workforce.

Despite these shortcomings, the report remains the only reliable source for unemployment statistics for the country through December 2003. Because this report was not widely circulated, other less reliable unemployment estimates, ranging from 20 percent to 65 percent, continue to surface in the media. The following estimates demonstrate the range of such reports:

- Based on an eclectic analysis of various estimated figures, CPA's Private Sector Development office estimated Iraqi unemployment at approximately 20 percent.¹⁶
- The *United Nations/World Bank Joint Needs Assessment*, published in October 2003, estimated 50 percent of the labor force to be unemployed or underemployed, the same figure as before the war.¹⁷
- The International Labor Organization's own needs assessment estimated unemployment at 60-65 percent (4.5-5.2 million) of the workforce.¹⁸

Both of the latter assessments were based on gross estimates and failed to take into account the stipends and salaries being paid to some 500,000 state-owned enterprise workers and some 250,000 former military, many of whom are already working elsewhere.¹⁹ In addition, these assessments did not include the new jobs created in reconstruction efforts, emerging private sector, new government hires, and the informal sector employment.

MOLSA's newly-formed Labor Statistics Office primarily reports on employment secured through its centers and

does not conduct unemployment studies. However, it has undertaken its own survey of jobseekers who enter employment service centers across the country. In this way, MOLSA has determined that approximately 44.7 percent of jobseekers registering for job opportunities at the Baghdad Employment Services Center are already employed full time elsewhere. In fact, the Baghdad center has experienced an unexpected phenomenon: the center cannot fill all available job vacancies. In the absence of further scientific data, and taking into account the lower unemployment in Kurdistan, it is not unreasonable to imagine that an accurate jobless rate of the Iraqi workforce ranges between 20 and 28 percent. In sum, while unemployment is high and a source of major concern, it may not be as extreme as commonly reported.

Challenges in the evolving Iraqi labor market

As is the case with unemployment estimates, the paucity of solid labor market data and information in the decade or so leading up to the 2003 war serves as an obstacle to adequate analysis in the current environment. During that period, most employment comprised government or state-owned enterprise (SOE) workers, as well as family-owned small and medium-size enterprises, most of which were in the informal sector.

The SOEs are government-subsidized industries, often referred to as mixed businesses.²⁰ The industries—such as concrete, chemical, textile, carpet, and others—produced services or goods primarily for government consumption. The potential of many to survive in the emerging private sector is questionable. In order to survive as independent profit-making establishments able to compete with foreign enterprises in foreign or domestic markets, most SOEs needed an infusion of capital; reconstruction and revitalization of equipment and

resources due to looting or disrepair; and restructuring and modernization of management, staffing, and production techniques. But with bloated workforces (approximately 500,000), it became politically unpopular—if not untenable—to restructure the SOEs—including the privatization of some viable SOEs—in such a way that might threaten social stability by possible layoffs or firing of workers. Thus, throughout 2004, the CPA decided to pay SOE workers full salaries, whether or not they came to work. As a result, many SOEs today operate below capacity or not at all. Many enterprises produce no goods, while workers remain at home collecting salaries or, as is often the case, have taken second jobs and earn additional salaries.

Beginning in 1995, the United Nations developed a Public Distribution System—commonly referred to as the *food basket*—which essentially provided basic staples to all Iraqis each month.²¹ The U.N. funded the food basket with Oil-for-Food revenues, and the former Ba’athist government was only too happy to assume credit for feeding the entire Iraqi public. The food basket coupled with a reliance on government positions in the SOEs, public sector jobs, and armed services fed into a public perception that the socialist government was ultimately responsible for providing livelihoods for all Iraqis. The underlying public sentiment that government *must* provide sustenance to the entire Iraqi population has proven a large obstacle for MOLSA employment centers attempting to match jobseekers with vacancies in the private sector. The overwhelming majority of jobseekers have little or no interest in private-sector jobs. When filling out jobseeker forms, middle age Iraqis routinely refuse to include any previous work experience. For Iraqis, work experience *only* means government work experience. Most Iraqis see no value in listing experience in

the private sector. When private companies contact unemployed Iraqis through the MOLSA centers for potential interviews, the jobseekers often simply refuse. Unless this public perception that the government is ultimately responsible for the welfare of all Iraqis is overcome, the transition to an open, democratic market economy will face serious difficulties.

Wages. Another issue contributing to the evolving labor market is the rapid increase in salaries. Despite reports to the contrary,²² salaries in Iraq, by and large, have spiked since the end of the war.²² During the last years of Saddam Hussein’s rule, as mentioned above, some experienced and trained government employees earned as little as \$6 per month. Typical salaries for unskilled laborers in the private sector ranged between \$5 and \$10 per month, while professionals made as little as \$30 per month.²³ The CPA, Iraqi security forces, Iraqi government, and international contractors have increased wages substantially across the board. But while the purchasing power of many Iraqis is increasing rapidly, and spending on consumer goods—such as home appliances, clothes, cell phones, satellite dishes, and jewelry—may reach record highs, the new pay scales are resulting in many huge complications in the labor market.

Unfilled positions. The dynamics of unemployment and employment in Iraq are extremely complicated and deserve careful study. Increased wages, for instance, while a welcomed development for Iraqi workers, has created complications in the labor market. While there are simply not enough jobs to go around, the Iraqi officials at the Baghdad Employment Services Center have been increasingly frustrated by the inability to fill vacancies. The fact that 44.7 percent of the jobseekers are already employed full time elsewhere helps explain

why “unemployed” Iraqis routinely refuse to accept employment. But there are other factors.

One huge obstacle is the predominant attitude—inculcated from the former Ba’athist regime’s policies—that public-sector jobs are superior to positions in the private sector, an attitude Iraqi Labor officials are struggling to change.²⁴ MOLSA officials explain that many Iraqi jobseekers believe it is the government’s obligation to support them on the one hand, and the innate sentiment that government jobs are less demanding, secure, and permanent on the other.

The security risks associated with some positions rendered the jobs unattractive for some Iraqis. The high-paying salaries, however, usually offset the risks. Skilled workers, ranging from untrained translators to engineers in the second half of 2003, began drawing salaries ranging from several hundred dollars to a few thousand dollars per month, previously unheard of for normal Iraqis. Similarly high wages were paid to unskilled workers. Salaries were so high, in fact, that—despite the overwhelming dangers—large numbers of Iraqis continue to seek and maintain high-risk jobs. For example, in January 2004, suicide bombers killed some 25 Iraqi workers at Assassins’ Gate as they entered the checkpoint into Baghdad’s protective compound known as the Green Zone. Despite this incident, few of the remaining Iraqi workforce were deterred. Within a few days, almost all Iraqis had resumed their duties under CPA. In April, May, and June, when insurgents began a new program of targeted assassinations of Iraqis working within the Green Zone, dozens of innocent Iraqis were followed home and executed. Still, the majority of Iraqi workers continued to show up for work.²⁵ Despite repeated suicide bombings and targeted assassinations of security forces and recruits, jobseekers

continue to run the risks of applying for jobs at recruitment centers.²⁶

A lack of qualified candidates to fill job vacancies—such as those for English-speaking accountants, sales clerks, or translators—has served as a great source of frustration for Iraqi MOLSA officials. Throughout 2004, the Baghdad employment center failed to fill a number of vacancies. Below are unfilled positions and reasons that candidates refused to accept the employment.

- *Experienced bricklayers:* Salary of \$150 per month. Low wages.²⁷
- *Bank tellers:* Salary of \$33 per month. Low wages.
- *Engineers:* Salary of \$83 per month. Low wages.
- *Unskilled workers* in plastic bag production, vending, metalwork shops, and other fields:
 - Long working hours (8 a.m. to 5-7 p.m.).²⁸
 - Low wages \$50-\$100 per month.²⁹
- *Metalworkers:* Salary of \$133 per month. Low wages, distance to work, and no transportation allowance.³⁰
- *Unskilled workers for a newspaper:* Cramped working conditions.
- *Experienced plumbers:* Salary of \$66 per month. Low wages and long hours: 8 a.m.-4 p.m.
- *Unskilled workers at candy factories:* Salary of \$60 per month. Low wages.
- *Beauty salon workers:* Wages are 50 percent of customer receipts: Terms of wages.
- *Experienced automobile painters:* Salary \$66 per month. Low wages.
- *Unskilled workers at tailoring shops:* Terms of wages.
- *Doctors for private hospital:* Salary of \$100-\$133 per month. Working conditions (double shifts) and low wages.
- *Administrative assistants:* Salaries of \$47 per month. Low wages and long office hours.
- *Pharmacists:* Salaries of \$166 per month. Low wages.
- *Sales managers, truck drivers, engineers, technicians:* Salaries of \$50-\$66 per month. Low wages.
- *Maintenance:* Salary of \$66 per month. Low wages.

Conflict in the public sector. Increased wages also created conflicts in the public sector in a variety of ways. Government salaries were increased substantially in the summer of 2003 upon the introduction of a four-tier pay scale that paid government workers between \$50 and \$400 per month. The lowest paid government employees saw an immediate 10-fold increase in their salaries, from \$5 to \$50 per month. Others saw pay raises of 15 to 20 times their former salaries.³¹

In the spring of 2004, for instance, inexperienced security guards with no high school education often earned as much as \$200-\$250 per month, including danger pay, which surpassed that of many college graduates, creating widespread animosity.³² Iraqi government officials with bachelor’s degrees complained that salaries should be based on education, not risk.

By January 2004, in an effort to bring all ministries in line with a fair and equitable salary scale—established under Order 30: Reform of Salaries and Employment Conditions of the State Employees—the CPA and the Iraqi Ministry of Finance offered an incentive of further salary increases of 40 percent to each ministry willing to adopt the new system. Again, virtually every government worker received some type of a salary increase; the average increase was 40 percent.³³

Order 30. Unfortunately, the implementation of this order resulted, in some cases, in a near disaster. The motivation and intent behind the design of the Order 30 was sound. The drafters of the law had envisioned a system of fair hiring procedures and an 11-grade pay scale that established a fair and equitable salary structure for state employees, with salaries determined by position, years of service, and performance. (See table 1.) An employee’s salary was based on his or her grade on the 11-scale tier, which was “determined by the classification of the employee’s position.” Within each grade, there were 10 steps upon which an employee would advance according, in part, to “the employee’s length of service” and in part to his or her performance.³⁴

Although the letter and spirit of the law were clear to the CPA ministerial advisors tasked with ensuring each ministry adhered to the law, their Iraqi counterparts in the ministries saw the lucrative salaries as an opportunity to cash in. Because the Ministry of Finance, not the Ministry of Labor, had enforcement responsibilities, MOLSA was not consulted on the law’s implementation. The instructions for implementation drafted by Ministry of Finance officials were based not on the law itself, but on old Ba’athist policies that established salaries—not on position or performance, but simply on years of service and level of education. Worse, the translation of Order 30 from its original English into Arabic was sloppily ambiguous, confusing position, years of service, and performance. Worst of all, most of the Iraqi Ministry of Finance officials and other Ministry counterparts responsible for implementing the salary reform were veterans with 20 to 30 years of government service themselves; they had no incentive, interest, or desire to suddenly adopt a new wage scale based on position or performance.

In the case of MOLSA, the Department of Labor officials who actively implemented the reform according to the letter and spirit of the law faced significant resistance. Because the labor

department had been built from the ground up in 2004,³⁵ most of the management were young, strong, intelligent, and dedicated Iraqis. This new group successfully opened 18 functioning employment centers and six vocational training centers. But the higher salaries posed a potential windfall for older, retirement-aged Iraqi officials who lacked the capacity and/or desire to learn or run the new labor programs, many of whom had suffered under a couple decades of low pay. Now these older officials—approaching or surpassing retirement age—not only refused to retire, but demanded top salaries for themselves and their friends. Many threatened the lives of human resources officers, directors, and managers if they did not receive top salaries. MOF and MOLSA officials, who by now received top salaries themselves and feared a violent backlash, had everything to lose, and nothing to gain, by supporting the letter and spirit of Order 30.

A case in point is the new generation of talented Iraqi managers at the nascent Department of Labor who established and ran the nation’s employment and training programs by communicating through modern technology: sending E-mail attachments across the globe; mastering sophisticated reporting systems, Excel spread sheets, and PowerPoint

Table 1. Monthly salaries of state employees in Iraq

[in thousands of Iraqi dinars (000)]

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
Super A...	2,250	2,233	2,316	2,400	2,483	2,566	2,650	2,733	2,817	3,000
Super B...	1,500	1,583	1,666	1,750	1,833	1,916	1,999	2,083	2,166	2,249
1	740	760	780	800	820	840	860	880	900	920
2	574	589	605	620	636	651	667	682	698	713
3	444	456	468	480	492	504	516	528	540	552
4	342	352	361	370	379	389	398	407	416	426
5	264	271	278	285	292	299	306	314	321	328
6	204	209	215	220	226	231	237	242	248	253
7	157	162	166	170	174	179	183	187	191	196
8	125	128	132	135	138	142	145	149	152	155
9	102	105	107	110	113	116	118	121	124	127
10	83	86	88	90	92	95	97	99	101	104
11	69	71	73	75	77	79	81	83	84	86

presentations; and planning and establishing complicated systems for implementation and monitoring of employment and training centers. These Iraqis were the backbone of Iraq's labor ministry administration, and through June 2004 were paid according to Order 30.

Months of death threats, chaos, complaining, rebellions, and sabotage of labor programs by older, lethargic, and incompetent Ministry workers who had been on the job for decades ensued. Occupational Health and Safety (OHS) officials boasted of 20 to 30 years of service. Some of the OHS workers, many of whom had been sitting idly at home over the past year, threatened to return to the Ministry with Rocket Propelled Grenades if the acting Labor Director General did not award them top salaries. As a result, in May 2004, the Minister of Labor capitulated to the demands of officials threatening violence and followed the lead taken by other ministries, falling in line with the old Ba'athist policy of awarding wages according to years of service. This decision has created an inverted pyramid, not only in terms of salary, but in terms of capacity, management skills, and leadership. Those earning the highest salaries are the least talented and the least capable of running the highly complex labor projects. Meanwhile, the most talented Iraqi Labor Ministry managers who run the employment and training programs, draw some of the lowest salaries in the Ministry.³⁶ These talented managers will likely be attracted to the emerging private sector, thus leaving the corrupt, incompetent MOLSA officials to sort out the multi-million dollar employment projects.

Conclusion

The MOLSA strategy for the reconstruction and rehabilitation of employment and training for 2004 and 2005 is laden with pitfalls. Security issues and counter-measures continue to hamper the implementation of even the simplest

tasks. Transportation, communication, electricity, fuel, and funding have proven to be daily obstacles that block progress at every step. Communication with the governorates, for instance, is still largely accomplished by one staff member traveling, often treacherous routes, between the capital and the governorate. Because of lengthy historical, political, and ethnic distrust, policy and implementation in Iraq essentially translates into dealing with three separate governments: KDP (Kurdish Democratic Party) and PUK (Patriotic Union of Kurdistan) in the north, and Baghdad Central in the south.

Nonetheless, progress has been made at a respectable pace. The Ministry opened an entirely new department (directorate)—labor—within which the employment and training administration is housed. Eighteen employment centers and six vocational training centers have been opened, providing employment services and training to hundreds of thousands of Iraqis. Tens of thousands of jobs seekers have found employment through these offices. The Ministry continues to support the child labor unit, labor statistics office, on-the-job training office, veterans' services office, and career counseling office.

KOICA (Korean International Cooperation Agency) has committed to a \$7-million grant to construct, equip, and provide training for, a national vocational training center in Baghdad. In November 2003, the ILO and the former Iraqi Minister of Labor and Social Affairs signed a Memorandum of Understanding in Amman, Jordan. Under this agreement, the ILO has already begun to provide capacity building, labor law review, vocational training expertise, labor market survey, and assistance with the organization of labor unions. In October 2004, USAID awarded an \$88-million contract to provide technical assistance to MOLSA's employment and vocational training centers. MOLSA's labor budget for 2004 alone was \$14 million for employment, vocational training,

child labor, occupational safety and health, and other labor programs, and \$65 million for an expansion of Vocational Training. The most encouraging aspect of the reconstruction is the talent pool of young dedicated Iraqis willing to learn, which is quite extensive. During CPA's tenure, extensive efforts were made to attract talented Iraqis to the Ministry. Through May 2004, the capacity at MOLSA had been increasing slowly, but consistently. In many ways, the dynamics of the Ministry are merely a microcosm of Iraq as a whole. Iraqis are proving that given half a chance—and sufficient encouragement, assistance, and guidance—they can and will succeed in taking their destiny in their own hands and reconstructing their nation.

The challenges for MOLSA's fledgling Labor Directorate over the next months or year are daunting. The Ministry's labor programs already in existence, in one form or another, were designed to mitigate violence through employment. If properly nurtured, the Labor Directorate can play a role in providing security to Iraq. However, every program requires support, staffing, capacity building, and international expertise. Many questions remain as the political commitment to labor programs were drafted and set in motion over the past 18 months—as well as the direction the Labor Department will take in the next year. Only time will tell.³⁷ □

Notes

¹ The majority of the information for this article comes from my institutional knowledge of the Iraqi Ministry of Labor and Social Affairs earned during the reconstruction and rehabilitation of the Ministry in 2003–04 while serving as the Ministry's labor advisor. Most of the Ministry's documentation was destroyed in the looting subsequent to the war against Saddam Hussein in 2003.

² The Ministry of Military Industries (MMI), which provided weapons and military technological training and research for Saddam Hussein's military machine, produced highly coveted jobs for Iraqis. Originally this Ministry was run by

Hussein Kamel, Saddam's son-in-law; see also Khidhir Hamza, *Saddam's Bombmaker* (New York, Touchstone, 2000), pp. 155–56.

³ The base salaries were standardized across ministries, but monthly bonuses awarded to workers varied significantly. MOLSA's vocational trainers in Social Welfare trained disabled Iraqis, while those in Social Security were responsible for training the remainder of the public. For another perspective on the disparity of wages, see Foote, Block, and others, "Economic Policy and Prospects in Iraq," *Journal of Economic Perspectives*, 2004, pp. 47–70.

⁴ Even today, *punishment* and the *threat of punishment* are routinely used at the Ministry as "management" tools, surfacing in official memos and staff meetings. One Iraqi supervisor, who often used threats and on occasion had even been known to throw notebooks and pencils, explained to me that these were effective management tools.

⁵ *Act No. 71 of 1987 Promulgating the Labour Code*, 1987, Articles 15–28.

⁶ *Ibid.*, Articles 17–20.

⁷ *Ibid.*, Article 21.

⁸ *Ibid.*, Article 23.

⁹ UNDP, "Iraq Country Office 1999–2000 Report," 2000, p. 6.

¹⁰ Funding to open the remaining centers was available to MOLSA from a combination of sources: Commander's Emergency Response Program (CERP) funds, MOLSA's \$14-million 2004 revised budget, and an \$88 million USAID contract funded with U.S. supplemental funding.

¹¹ On May 15, 2004, the CPA Program Review Board (PRB) unanimously approved \$65 million for Vocational Training. See CPA, *Program Review Board (Prb) Minutes, May 15, 2004*, on the Internet at http://iraqcoalition.org/regulations20030908_CPAORD_30_Reform_of_Salaries_and_Employment_Conditions_of_State_Employees_with_Annex_A.pdf (visited Oct. 16, 2004); also available on the Internet at http://www.iraqcoalition.org/budget/PRB/May15_PRB.html

¹² The CPA revision became known as the Bearing Point revision, named after the Bearing Point contractor who coordinated the efforts of various CPA attorneys and specialists who contributed to the revision.

¹³ CPA, *Coalition Provisional Authority Order Number 89: Amendments to the Labor Code-Law No. 71 of 1987*, 2004, on the Internet at http://www.iraqcoalition.org/regulations/20040530_CPAORD89_Amendments_to_the_Labor_Code-Law_No.pdf (visited Oct. 16, 2004). The Order actually overturned the earlier Ba'athist Revolutionary Command Council Resolution 368 that allowed children to work in hazardous and non-hazardous conditions at the age of 12.

¹⁴ For the entire TAL text, see CPA, *Law of Administration for the State of Iraq for the Transitional Period-8 March 2004*, 2004, on the Internet at <http://www.cpa-iraq.org/government/TAL.html> (visited Oct. 16, 2004).

¹⁵ Central Statistics Organization is part of the Ministry of Planning, and is also referred to as Central Statistics Office or Central Board of Statistics, often depending on the translation from Arabic. See the Central Board of Statistics, "Report of the Employment and Unemployment Survey Results: Year 2003," (Baghdad, Ministry of Planning, 2004), p. 6; the U.S. Department of Labor uses the age of 16 as a starting point for the civilian labor force. See U.S. Department of Labor-Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment*, 2004, on the Internet at <http://www.bls.gov/gps/gpsfaqs.htm#Q2> (visited Oct. 16, 2004).

¹⁶ This analysis assumes as employed all beneficiaries of stipends programs. For example, former military officers currently receiving stipends, whether seeking employment or not, are considered employed.

¹⁷ United Nations and World Bank, "United Nations/World Bank Joint Iraq Needs Assessment," 2003, p. 18. See also UNDP, "Iraq Country Office 1999–2000 Report," p. 6.

¹⁸ International Labor Organization, "Needs Assessment of the Employment Sector in Iraq," 2003, p. 5. The Iraqi Central Statistics Office has conducted two additional unemployment surveys in the first and second quarter of 2004, but the findings were not released at the time this article went to publication.

¹⁹ As early as August 2003, more than half of the 2,300 civilian workers from the former Ministry of Defense had already secured government jobs. A huge number of officers who were skilled workers (doctors, engineers, computer specialists, and many others) were also working in other ministries, as well as collecting stipends.

²⁰ Much has been written about the SOEs. For more information, see Foote, "Economic Policy and Prospects in Iraq." See also CPA, *State-Owned Enterprise Company Profiles*, 2004, on the Internet at <http://www.cpa-iraq.org/business/industries/index.html> (visited Oct. 17, 2004).

²¹ While all Iraqis qualify for the food basket, it is estimated that about 90 percent actually receive it, and some 60 percent are reliant on it for subsistence.

²² See, for example, John Howley, "The Iraq Job Crisis: Workers Seek Their Own Voice," *EPIC*, Brief No. 1, 2004. Clarence Thomas and David Bacon, "Report from Iraq: Working Conditions and Labor Rights under the Occupation," *Labor Against the War*, 2003.

²³ For example, MOLSA hired a bilingual accountant from a bank in Baghdad in December 2003 for \$50 per month. Her former salary after 3 years' experience was \$30 per month. See also Foote, "Economic Policy and Prospects in Iraq," p. 48.

²⁴ This attitude toward government jobs was reflected in a poll conducted in December 2003. *Ibid.*, p. 68.

²⁵ Huge salaries notwithstanding, it is important to recognize the dedication of many of these brave Iraqis toward helping the reconstruction of

their country. That the Iraqis returned to work while facing such overwhelming threats on their lives and that of their families is a tribute to Iraqi resolve.

²⁶ The fact that jobseekers continue to apply for these dangerous jobs despite the high risks has been well documented. See for instance Rajiv Chandrasekaran, "Police Recruits Targeted in Iraq: Bomb Kills Scores near Headquarters," *The Washington Post*, 2004, p. A-22.

²⁷ All wages are shown in U.S. dollars based on an exchange rate of 1,500 Iraqi Dinars per dollar. In almost every case, the salaries were higher than wages before the war. In many cases, 5 to 20 times higher.

²⁸ Most of the jobseekers expect government jobs, in which the working hours are officially 8 a.m. through 3 p.m. Sunday through Thursday.

²⁹ This amount for an unskilled worker is substantially higher (10 to 20 times) than for the same position before the war. High salaries paid by public works job programs, CPA, international contractors, and ministries have driven up the price of wages. Daily laborers generally earn as much as \$3 to \$15 per day. For another perspective on wages for daily laborers, see Foote, "Economic Policy and Prospects in Iraq," p. 56.

³⁰ In Iraq, it is customary for employers to pay for transportation.

³¹ For example, many vocational training instructors earning \$5-\$6 per month in March 2003 were likely increased to \$100 per month by late summer 2003.

³² At MOLSA, for instance, each time security guards received salary increases, other Ministry workers demanded higher salaries as well, despite the fact that their salaries were 10 to 20 times higher than 1 year earlier.

³³ For more information on Order 30, see CPA, *Coalition Provisional Authority Order Number 30: Reform of Salaries and Employment Conditions of State Employees*, 2004, on the Internet at http://www.iraqcoalition.org/regulations20030908_CPAORD_30_Reform_of_Salaries_and_Employment_Conditions_of_State_Employees_with_Annex_A.pdf (visited Oct. 16, 2004).

³⁴ See *Ibid.*, Section 3.3 The salary table can be found at Annex A of the same document.

³⁵ Organizationally, the former employment centers and vocational training centers resided in Social Security Department. The birth of the Labor Department did not take place officially until the spring of 2004.

³⁶ For example, the director of the Outreach division has the most important position with regard to employment in the nation. He is responsible for securing job vacancies with the public and private sector, interviewing and providing career counseling for the nation's unemployed, reintegrating demobilized soldiers and militia, and referring the jobseekers to potential jobs or vocational training. He has been moved from Grade 2 to Grade 7 overnight, a reduction of approximately 30 percent of his former salary.