

# Measuring the Effect of Economic Reform Policies on Improving Unemployment Rates in Iraq for the Period 1980-2010

Hatem Kareem Balhawi<sup>a</sup>, Salam mounam zamil<sup>b</sup>, Ghalib shaker bahit<sup>c</sup>,  
<sup>a,b,c</sup>Wasit University Faculty of Faculty of Administration & Economics,

The goal of the search is to state the essential requirements of economic reform policies in Iraq. Also, the research aims to identify the specific objective picture of the reality (unemployment, health, poverty) in Iraq through the analysis of some indicators, and the impact of economic reform policies on these indicators. The findings show that the most important was the impact of economic reform policies on the reality of human development in the Iraqi economy. This may indicate through the decline in social development services, where the social protection programs, but it did not meet the demands of the affected citizens and not enough as well as came late. One of the most important recommendations is commitment and careful with the gradual application of economic reform policies. The recommendations were taken for the gradual implementation of economic reform policies and the creation of appropriate conditions for the introduction of those reforms by laying down laws and practical foundations for economic reform programs in order to reduce the burdens afflicting the poor classes in society and work to reduce the unemployment rate by attracting capital, stimulating investment and keeping pace with the progress made in the experiences of Reformation in the world.

**Keywords:** *Reform policies, unemployment, Iraqi economy*



## **Introduction**

Economic reform policies are one of the most controversial issues, in terms of achieving the objectives and objectively criticising them from specialists for adopting them by major international economic institutions such as the IMF and the World Bank. Many developing countries, including Iraq, the subject of the study seeks to stimulate and revitalise the economic sectors without state intervention, as the programs and policies of economic reform have a negative impact and a positive impact at the same time. These negative effects are reflected on the low-income, which lead to increased poverty and unemployment. Therefore, programs have been developed to support the economies of those countries in achieving stability, economic balance and social justice. Economic reform programs policies lead to sustainable growth and increase income as a result of the abnormal conditions experienced by the Iraqi economy. It must be a way out to begin the process of economic reform. Real human development is represented to attract foreign and domestic investment as well as the development of economic sectors. That would emerge the need to create productive sectors and generate income and work to increase employment, which allows more productive to ensure the achievement of economic and human development in the long term.

## **Research Problem**

The research problem is the increase in unemployment rates in Iraq, especially after 2003 and the emergence of many social, economic and human development problems, as well as the failure to develop appropriate plans to address them through the use of various reform policies to improve the reality of the Iraqi economy.

## **The Significance of Research**

The importance of the research comes through the wide controversy of the policies of economic reform, and its spread as a new economic system, adopted by developing countries, in particular, to solve the economic problems that suffer from, and the failure of economic reform policies in part, hence the knowledge of the effects of the application Policies and programs of economic reform and its repercussions on human development in Iraq, being addressed an important aspect, namely human development, through the identification of policies and programs of economic reform adopted in Iraq during the period (1980-2016) and its role in achieving human development.



## **Research aims**

The research aims to clarify the requirements for the economic reform policies in Iraq. Defining a specific objective picture of Iraq's unemployment and showing the impact of economic reform policies on unemployment in Iraq for the period (1980-2010).

## **Research Hypothesis**

The research hypothesises that economic reform policies have positive effects on improving unemployment in Iraq.

## **Research Methodology**

The researcher relied on the descriptive approach in many aspects of research related to the theoretical and conceptual framework of economic reform programs in Iraq.

## **The First Topic**

### ***Theoretical Framework of Economic Reform Policies***

#### ***What Are The Economic Reform Programs?***

Economic reform policies provide the means that lead to solving some of the problems of the national economy, and finding the appropriate formula to improve the reality of the Iraqi economy and improve the path of economic development, in line with the status of Iraq and its economic capabilities, and work to create new job opportunities in order to accommodate the increase in the number of workers in the labor market, With the aim of improving the standard of living and advancing towards achieving economic growth. There is a set of economic reform programs necessary to restructure the Iraqi economy, which are divided into: (Salim,1990)

#### ***A - Economic Stabilisation Policy***

A set of procedures, tools, methods or mechanisms are applied to create a stable equilibrium in the economy. These measures are at the forefront of the concerns of the International Monetary Fund (IMF). In the balance of payments through programs to balance the overall supply and demand, especially in the short term.

The objectives of the economic stabilisation programs can be summarised as follows (Kazem, 2007)

- Reduce the high levels of the price level, commensurate with the economic capabilities of the population;

- Address the problem of unemployment by maintaining a high level of employment in the workforce;
- Work towards addressing the imbalance in the balance of payments; and
- Seeking positive growth rates of GDP.

### ***B- Structural Economic Adjustment Policy***

Economic Adjustment refers to adjustment or reform and falls within the concepts of economic stability policies. They are usually long-term policies recommended by the World Bank that calls on the State to adopt them when there are deep imbalances. That cannot be remedied through the economic stabilisation programs adopted by the International Monetary Fund. The aim of these policies is to achieve comprehensive macroeconomic stability in the medium and long term and to adapt to internal and external circumstances and variables, with a view to the optimal allocation of economic resources and raise the efficiency of the performance of economic institutions after privatisation, in addition to reforming regulations and laws related to the general economic policy frameworks (Dr. Mayah Shabib, 2006)

### ***Objectives of Economic Reform Policy Programs***

#### ***A - Diversifying the Productive Structure***

The diversification of the productive structure aims to stimulate the remaining non-oil sectors to generate income as there is less and total dependence on the oil sector. This process will lead to the opening of new and developed areas that have added value, and provide more job opportunities, which in turn leads to higher growth rates In the long run.

The policy of economic reform aims to focus on two points (Sabri Abu Zeid,2008)

- The term ‘privatisation’ refers to the transformation of public ownership into private ownership to increase the efficiency of investments in public projects and increase production.
- Complementarity between the role of the state and the role of the market: it means that there is a role in showing supply and demand, provided that the current time is specific, and it turns into equilibrium in the market and the absence of market forces controlling demand and overall supply.

#### ***B. Addressing the Deficit in the General Budget***

The general budget deficit reflects the nature of the structural imbalances that the Iraqi economy is still suffering from, which means that attempts to address the deficit of the public

budget must be structural. That is, within the framework of the overall correction of the national economy in general, which aims to diversify the structure of the local economy. In particular, it is less dependent on the oil sector as a key sector in the Iraqi economy. Any attempt to accelerate the adoption of privatisation programs aims at creating a more important and effective role for the private sector in a manner that reduces the state's dominance of the national economy and reshapes its role in another way (Zaki, R. 2000)

## **The Second Topic**

### ***Analytical Study of the Effects of Economic Reform Policies on Unemployment in Iraq***

Unemployment in Iraq is high because of the precarious economic conditions and the abnormal conditions that the country has gone through war and terrorism. Still, these high rates of unemployment in Iraq are low compared to developing countries and neighbouring countries with high population density, that the existence of a comprehensive and integrated social system in developed countries. The developed person shall ensure that the unemployed person shall ensure an adequate standard of living so that he/she will not leave his/her competence to practice other jobs to earn a living. In contrast, the Iraqi citizen and the citizen in developing countries shall be obliged to work other jobs which are far from their competence because Such social systems on the one hand and his urgent need to earn a living on the other.

After the imposition of economic sanctions on Iraq and after a significant decline in the role of the private sector in the Iraqi economy, it has led to a decline and a decrease in the absorption of the labour force, especially young people. This led to the exodus of young people abroad in search of work, as 84,000 citizens of the age of (20-49) years immigrated for the period (1991-2000), the number of unemployed in Iraq and for the period (1991-1998) approximately 4 millions of unemployed.(Abdul Jabbar Al , 2008).

There is a new type of unemployment after 2003 called imported unemployment as the opening of the Iraqi market without restrictions on all markets, which led to the cessation of many of the economic activities that existed Andak. In addition to the cessation of the work of some small laboratories (Nabil Jafar Abdul Reda, 2008)

The unstable conditions experienced by the Iraqi economy as a result of the Iran-Iraq war in the eighties led to the escalation of unemployment rates, as one of the most important reasons that led to the spread of unemployment in the Iraqi economy Andak security instability Which led to the weakness of foreign investment in Iraq for the lack of a suitable environment for investment for investment as well as the interest and dependence of the state only on the oil sector as a main resource and neglect of other economic sectors such as

industry, agriculture and other sectors that contribute to the absorption of large numbers of labour and thus reduce B unemployment.

**Table 1:** Unemployment Rates in Iraq

the year	Unemployment rate	the year	Unemployment rate
1990	5.5	2001	24.5
1991	6.5	2002	26.7
1992	7.5	2003	28.1
1993	8.5	2004	26.1
1994	10.5	2005	17.97
1995	12.9	2006	17.5
1996	13.9	2007	10.26
1997	15.4	2008	15.34
1998	17.4	2009	14
1999	20.2	2010	12
2000	22.4		

**Source:** Table of researchers work based on data.

1. Ministry of Planning and Cooperation, Central Bureau of Statistics and Information Technology, Directorate of National Accounts, Department of Human Development.

2. Ministry of Planning, Central Statistical Organization, Statistical Group for different years. The unemployment rate increased to 5.5% in 1990 and then reached 17% in 1997. Unemployment rates increased from 20.2% in 1999 to 22.4% in 2000 and 24.6% in 2001. It reached (26.7%) in 2002. The increase in unemployment rates is one of the most important indicators of the deterioration and decline of the economy in Iraq during those years. That is one of the most important reasons that led to the increase in unemployment rates. The imposition of economic sanctions had a significant impact on the deterioration of the economic situation in Iraq during the nineties and the structural imbalances due to the outcome of the war and economic sanctions situations. he lag in reconstruction programs and the directing of a large part of the grants towards non-productive activities and the lack of tangible improvement of the basic structures, the almost complete cessation of some economic sectors, and the decline in wages of workers, all of which led to increased unemployment rates That the economic policy followed in Iraq since (1995) was aimed at reducing government spending and not creating new opportunities for employment as well as the partial and limited role of the private sector in economic activities in Iraq, and poor

educational planning through the lack of linking educational institutions to the labour market and the dismissal of people in service Mandatory after the Second Gulf War in 1991 in large numbers not absorbed by state institutions or labour market . (Ahmad Abdullah Salman Al-Waeli,2008)

Companies and factories have ceased production. Large numbers of employees have been laid off, and the relative importance of the industrial and agricultural sectors has declined, as there is a high rate of unemployment in agriculture and industry.

Unemployment rates are increasing in Iraq, especially after 2003, where the rate reached (28%) during 2003 and is a high rate due to the occupation of Iraq by US forces. The rates then began to decline in 2007 (due to the increase in the number of jobs in the sectors. It is possible to say that the change in the political system after April 2003, as well as the slowdown in the reconstruction programs and direct the large section towards non-productive activities and lack of improvement in infrastructure as we mentioned earlier As well as layoff numbers. This has contributed to an increase in the emergence of high rates of unemployment of all kinds, which was reflected in the decline in real per capita income. This, in turn, led to the informal expansion of the economy, which has become the last resort and the only one to provide job opportunities for survival At the former standard of living ( Ammar Abdul Latif Salem,2012)

These factors have led to the layoffs of large numbers of labour and new-age groups, which was estimated between (200-250) thousand people a year. That has put double pressure in the labour market since 2003. The Iraqi Ministry of Labor and Social Affairs estimated that the unemployment rate in Iraq. It reached a high rate (extreme) compared to the proportions of other years during the American occupation of Iraq. We believe that this percentage is unrealistic and explain that due to the difference in the criteria for the definition of unemployment first and the mechanisms of calculation second and do not rule out that there are backgrounds or subjective motives and guessing and the impact of emotional state and cultural.

### **The Third Topic**

#### ***Measuring the Impact of Economic Reform on Unemployment In Iraq Model Description***

The basis of the process of characterisation of the model depends on the determination of the dependent variable and the independent variables or variables according to the logic of economic theory and theoretical aspect .

**Table 2:** Variables of the Standard Model of the Unemployment Function in Iraq for the Period (1980-2010)

the years	Unemployment rate	the years	Unemployment rate	the years	Gross domestic product	the years	Gross domestic product
1980	2.8	1998	17.4	1980	13503	1998	18640.3
1981	2.9	1999	20.2	1981	10622.8	1999	28044.6
1982	3	2000	22.4	1982	12898.4	2000	32035.7
1983	3.1	2001	22.4	1983	12895.2	2001	34026.9
1984	3.2	2002	24.5	1984	14236.3	2002	35098.9
1985	3.3	2003	28.1	1985	15458.4	2003	26990.8
1986	3.4	2004	26.7	1986	15226.1	2004	41607.8
1987	3.9	2005	28.1	1987	16318	2005	43438.8
1988	3.6	2006	26.8	1988	20555.6	2006	47851.4
1989	3.7	2007	17.97	1989	21820.5	2007	48510.6
1990	5.5	2008	17.5	1990	25241.3	2008	51716.6
1991	6.5	2009	10.26	1991	7135.4	2009	45720.8
1992	7.5	2010	15.34	1992	9305.1	2010	58495.9
1993	8.5			1993	11657.4		
1994	10.5			1994	11371.1		
1995	12.9			1995	12249.3		
1996	13.9			1996	15527.8		
1997	15.4			1997	18926.1		

Whereas

**y:** unemployment rate variable (percentage) (supported variable).

**x:** GDP (million dinars) (illustrative variable).

***Stability Test Model***

Dependent variable (Y) Unemployment rate: The variable series is plotted by Figure 1 and turned out to be unstable over time because the direction of the series takes upward and unstable direction around its mean.

The variable series was tested by Dickey-Fuller test, and it was found that the (t) tabular (1.111778) is smaller than the calculated (t) (2.945842) at a significant level (5%), as shown in Table 1.

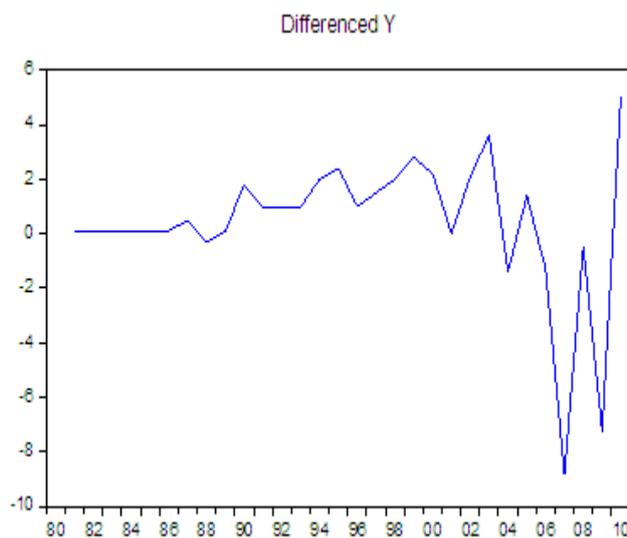
Independent variable (X) GDP: The variable series (X) is plotted by Figure 2 and found to be unstable over time because the direction of the series is not constant around its mean over time and takes an upward trend.

The variable series was also tested by Dickey-Fuller, and the spreadsheet  $t$  (0.248079) was smaller than  $(t)$  calculated (2.963972) at a significant level (5%), as shown in Table 2.

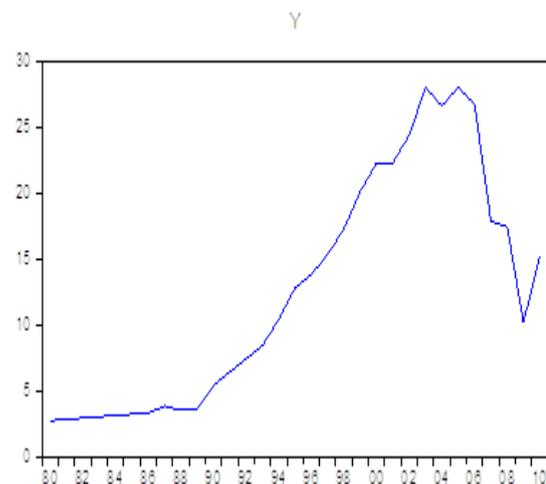
To achieve stability in time series, we take the differences as follows:

- The dependent variable (Y) unemployment rate: the first difference of the series was taken and found to be stable over time because the direction of the series revolves around the average as shown in Figure 3.
- Independent variable (X) GDP: The first difference was taken, and the series was found to be stable, as shown in Figure 4. The series is fixed around its mean.

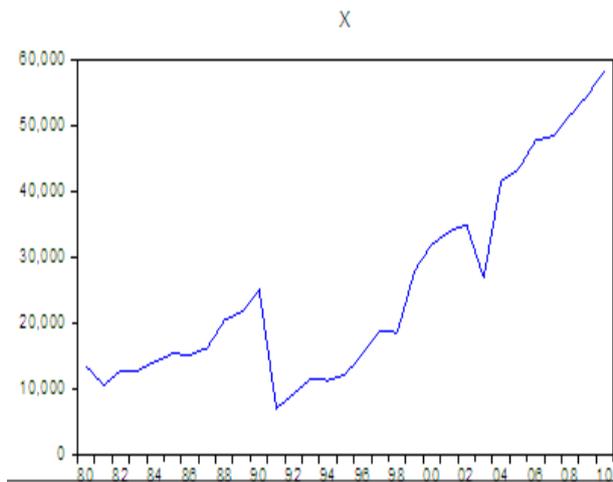
**Figure 3.** Draw the variable (Y) after taking the first difference



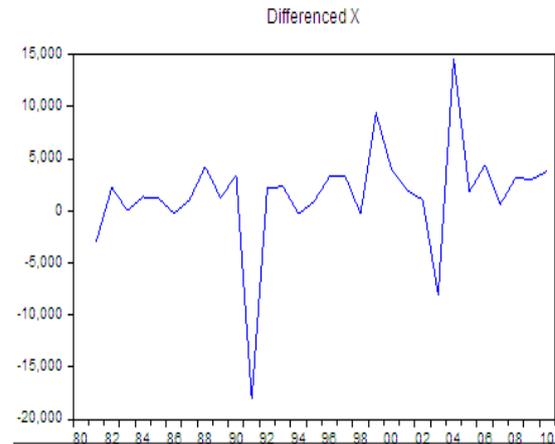
**Figure 1.** Draw the original variable (Y)



**Figure 2.** Draw the original variable (X)



**Figure 4.** Draw the variable (X) after taking the first difference



**Source:** The work of the researchers based on the program (Eviews 9)

**Table 1:** The results of the Dickey-Fuller test for the studied variables

Variables	The original series		When the first difference	
	T-Statistic	Critical value t-calculated 5% level	T-Statistic	Critical value t-calculated 5% level
Y	1.111778-	2.945842-	5.265761	3.467367
X1	0.248079-	2.963972-	6.494854-	2.967767-

**Source:** The work of the researchers based on the program (Eviews 9)

**Figure 5.** The estimated coefficients of the VAR model

Vector Autoregression Estimates		
Date: 03/03/18 Time: 06:57		
Sample (adjusted): 1982 2010		
Included observations: 29 after adjustments		
Standard errors in ( ) & t-statistics in [ ]		
	Y	X
Y(-1)	0.693589 (0.25763) [ 2.69215]	-442.1357 (479.468) [-0.92214]
Y(-2)	0.386154 (0.31470) [ 1.22705]	860.8964 (585.671) [ 1.46993]
X(-1)	-5.49E-05 (0.00011) [-0.49466]	0.567990 (0.20661) [ 2.74915]
X(-2)	-9.12E-05 (0.00010) [-0.86921]	0.213894 (0.19536) [ 1.09485]
C	2.971834 (1.25278) [ 2.37220]	2159.389 (2331.47) [ 0.92619]
R-squared	0.920022	0.908507
Adj. R-squared	0.906692	0.893258
Sum sq. resids	173.5138	6.01E+08
S.E. equation	2.688818	5004.004
F-statistic	69.02036	59.57897
Log likelihood	-67.08916	-285.4270
Akaike AIC	4.971666	20.02945
Schwarz SC	5.207407	20.26519
Mean dependent	13.29552	26275.89
S.D. dependent	8.802418	15316.20

**Source:** The work of the researchers based on the program (Eviews 9)

$$Y = 2.971834 + (-5.494505X(-1))$$

[2.37220]            [[-0.49466]

### **First: The Economic Interpretation of the Unemployment Model Statistically**

- The parameter of the fixed limit is statistically significant, and concerning the quality of the model as a whole, it can be accepted because the value of Fisher calculated greater than the tabular, and what confirms the quality of this model statistically.
- We find that the two parameters of the delay rate of unemployment can be accepted by one period, as well as the GDP parameter because the calculated t-student value is greater than the tabular value at a significant level (0.05).
- As for the overall quality of the model unemployment rate as a dependent variable, we find that Fisher's calculated  $F_{cal} = 69.02036$  is greater than the table value at the level of 5% where  $F_{tab} = 2.37220$ , and thus can accept the model in general.
- The statistical coefficient of the determinant indicates that the explanatory power in the model is high, as the explanatory variable explains the changes in the unemployment rate by (92%). In comparison, the remaining (8%) is due to other factors included in the random element (u).

### **Economically**

- The value of the fixed limit (2.971834), which indicates that the value of the fixed limit changes with the stability of the values of model variables, which means that the unemployment rate changes naturally without the impact of GDP.
- The results of the VAR estimate indicate that the unemployment rate is inversely related to the GDP (-5.494505). This is in line with the logic of the economic theory, as the increase in GDP is reflected in the creation of jobs for many labours and increase production and productivity.

### **Results**

1. By analysing the human development indicators in Iraq, there are some minor changes in return for the decline in social development services such as education, health and unemployment. Social protection programs have been developed, but they did not meet the demands of the affected citizens, they were insufficient, and they were late.



2. Economic reform programs and policies implemented by international economic institutions (such as the World Bank and the International Monetary Fund), have a positive impact on the economies of some developing countries and have significant negative effects if not implemented and implemented properly.

3. The Iraqi economy suffered from the deterioration in its economic infrastructure as well as the failure of economic reform policies before 2003. After this year, there have been several attempts to address the deteriorating and deteriorating conditions in the Iraqi economy represented in the application of economic reform programs and policies.

4. Wars and the imposition of international economic sanctions are among the most important reasons for the deterioration of human economic development indicators in Iraq.

### **Recommendations**

1. Adhere to the gradual implementation of economic reform policies and create the appropriate conditions for the introduction of these economic reforms and the development of regulations, legislation and laws to be adopted and adopted when applying economic reforms in Iraq to alleviate the burdens afflicting the poor.

2. Increase the volume of public expenditure on human development indicators as indicators aimed at the development of the individual and make it productive and enjoy a good cultural level and good health.

3. Work to develop the indicators of health, education, unemployment and poverty in Iraq in quantity and quality and keep them in line with the progress and development in developed and developed countries.

4. Work to reduce unemployment through the adoption of new employment policy, note that this policy adopted to provide soft loans to private entrepreneurs and the private sector, which need government support.



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