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► Extending social security to casual workers in the construction sector in Federal Iraq and the Kurdistan Region of Iraq



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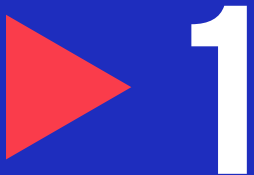
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Introduction



► Introduction

This is a policy report on extending social security to casual wage workers in the construction sector in Federal Iraq and the Kurdistan Region of Iraq (KRI). It is one of three reports resulting from the project Extension of social security coverage to informal workers in Federal Iraq and Kurdistan Region of Iraq, commissioned by the Iraq International Labour Organization (ILO) Country Office.

The aims of the report are threefold. It seeks to:

- generate quantitative evidence on characteristics of casual wage workers in the construction sector, as well as qualitative evidence on their social security needs and the barriers they face in registering with, contributing to and accessing entitlements from the Social Security Scheme for private sector workers;
- identify practical options for the extension of coverage of social security to casual workers in the construction sector in Iraq¹, related not only to potential legal policy reforms, but also to adjustments to social security regulations, institutional arrangements, awareness and communication efforts, strengthening of enforcement capacity, establishment of synergies and partnerships with other government actors, assessment of costing and financing arrangements and coherence with non-contributory schemes;
- provide high-level guidance on priorities for developing a national strategy on the extension of coverage of social security to casual workers in the construction sector.

Two types and sources of evidence are key:

- A set of descriptive profiles of the characteristics of casual wage workers in the construction sector. These are generated by the ILO from microdata in the Iraq Labour Force Survey (LFS) 2021 (CSO et al. 2022).
- New qualitative data on the barriers faced by casual workers in the construction sector in registering with, contributing to and accessing entitlements from

¹ In this report, the term 'Iraq' refers to both Federal Iraq and the Kurdistan Region of Iraq. 'Federal Iraq' specifically denotes the area excluding the Kurdistan Region, while the Kurdistan Region of Iraq (KRI) is recognized as an autonomous region in the northern part of the country.

the Social Security Scheme. The challenges faced by the Department of Social Security (DSS) and other relevant ministries and agencies in extending coverage to these workers and employers will be assessed. This data is generated by key informant interviews (KIIs) and by focus group discussions (FGDs) with workers and employers.

Following this introduction, section 2 presents a brief overview of the construction sector and the main trends in the labour market that affect employment in this sector. The descriptive analysis of the characteristics of wage workers (casual and non-casual) in the construction sector, based on the Labour Force Survey 2021, are then presented in section 3.² Section 4 discusses qualitative results based on the fieldwork, including key challenges to enrolment and perceptions on the importance of social security among construction workers. Section 5 concludes with potential solutions to promote enrolment in the Social Security Scheme that are based on the findings from the qualitative analysis.

² Wage workers and employees are interchangeably used in this report to designate workers who receive a wage or other remuneration for their work.



2

Background: The construction sector



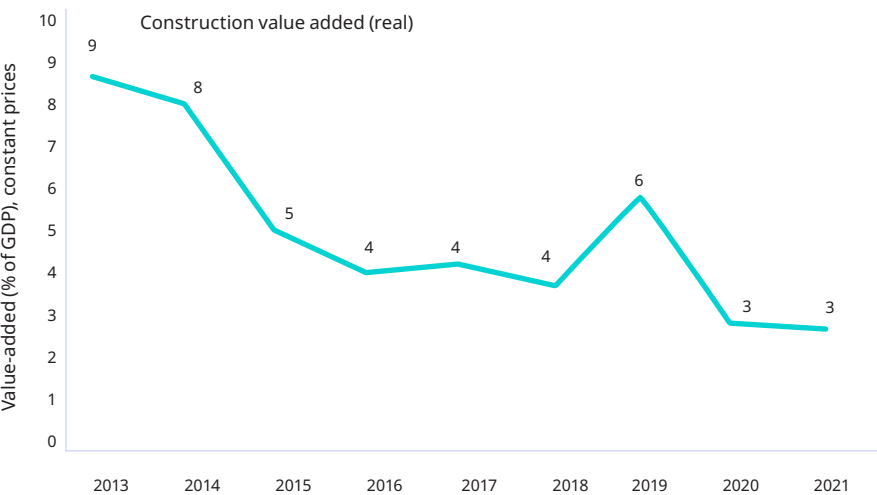
► **Background: The construction sector**

The construction sector’s contribution to gross domestic product (GDP) was relatively higher in Iraq than in neighbouring countries in 2019.

The construction sector’s gross value-added represented 7.4 per cent of Iraq’s GDP in 2019, exceeding the sector’s contribution in neighbouring non Gulf Cooperation Council countries (Radhi and Halim 2021). However, there have been strong fluctuations in the sector’s real value-added, mainly due to the COVID-19 crisis and declines in oil revenue, which resulted in the construction sector’s share of GDP (at constant prices) plummeting to 3 per cent in 2021, as shown in figure 1.

► **Figure 1. The construction sector’s contribution to GDP (%), constant prices, Iraq**

The construction sector has a strategic importance in the labour market since it is



Source: Author’s compilation and data from the Iraq Labour Force Survey (LFS) 2021.

the economic activity with the highest levels of employment, accounting for 16.3 per cent of total employment and 1.4 million jobs (CSO et al. 2022). Employment in the construction industry increased over the past five years, due to substantial demand for reconstruction efforts; and there is also considerable private sector involvement in the construction industry. In 2018, it was estimated that 15 per cent of all private sector employment in Iraq was in the construction sector (World Bank 2018). By 2021, this share has grown more than 10 percentage points to reach more than one quarter (26 per cent) of all private sector employment (as shown in figure 2).

Previous research has explored the construction sector as a potential source of job creation, in the short term. This is due to the need for post-conflict restoration, together with maintenance work of basic infrastructure such as access roads, bridges, irrigation and drainage channels, sanitation and electricity connections. In addition there is an urgent need to address the severe shortfall in housing and to build and maintain school buildings (World Bank 2018). Furthermore, the sector has important backward linkages with other industries that could create further indirect jobs and contribute to medium- and long-term employment creation. This is the case, for example, for the manufacturing of construction materials, which is the second largest sector after food processing (World Bank 2018). Construction also plays a primary role in boosting productivity levels in the country, mainly through the reduction of transaction costs resulting from infrastructure rehabilitation and the paving of roads. The latter can play an important role in accessing schools, health units and in creating a wider range of more productive jobs (World Bank 2018).

The construction sector is segmented into different layers.

The first layer is made up of construction companies, with large project sizes averaging 100 million to 10 billion Iraqi dinars and involving mostly professional and associate professional occupations, including administrative staff, engineers, skilled workers and semi-skilled workers. The second layer is made up of contractors, whose project sizes are smaller than those of large companies and average 50 to 500 million dinars. Contractors employ all types of labour required to undertake construction projects: administrative staff, engineers and workers at all skills levels. The third layer, which is more fragmented and smaller, is made up of local subcontractors, where project sizes start at 20 million dinars and do not exceed an average of 50 million dinars. These subcontractors work on specific parts of a construction project, and employ only semi-skilled or unskilled workers (Radhi and Halim 2021; UNESCO 2019).

There are a number of challenges associated with construction work.

A substantial proportion of jobs in the construction sector are highly precarious, informal and unregulated, involving temporary as well as day labourers, also known as casual labour. Although temporary and casual workers are entitled to the same terms and conditions of employment as permanent workers under the labour law in Federal Iraq and the draft labour law of the KRI, the mechanisms for regulating how daily/casual workers would benefit from many of the provisions in these laws in practical terms are unclear (ILO 2021a, p. 25). Indeed, most people who engage in daily work do so out of necessity rather than choice, given the high unemployment rate in Iraq (16.5 per cent in 2021 for ages 15-64 (CSO et al. 2022)). Therefore, casual work tends to be an immediate and convenient way to

obtain an income in the absence of better opportunities, although it often involves poor working conditions, highly demanding physical work, and instability of opportunities (ILO 2021a). Beyond the question of how casual workers can access the legal provisions of the labour laws – although this category is covered by these laws – there is another level of complexity involved in enrolling casual workers in social security, which relates to how they are paid. Casual wage workers are usually paid daily (one day at a time), so a common issue is how to enrol them for defined benefits (as is the case in Iraq), which are designed for workers who can accumulate as many years of contributions as possible (such as public sector workers and formal private sector workers). The contribution rate established for the optional social security scheme introduced in Federal Iraq by the new Law on Pension and Social Security for Private Sector Workers No.18 of 2023, applicable to self-employed, own-account, informal and irregular workers, is set at 5 per cent of monthly earnings. In the KRI, while Law No. 4 of 2012, which amends the Law on Pension and Social Security for Workers No. 39 of 1971, *de jure* introduces a voluntary social security scheme for self-employed, informal and irregular workers in the private sector, the lack of regulations has resulted in these provisions not being implemented to date. There is currently a draft Pension and Social Security Law for Private Sector Workers pending deliberation by the National Assembly of the KRI, but limited information is available regarding the details. For this reason, the following discussion is based on the situation in Federal Iraq, but should be considered by policymakers in the KRI due to the similar context.

Given the volatility and irregularity of incomes in the informal sector, the minimum national wage (set at 350,000 dinars in 2024) is used as a benchmark to calculate the contribution rate for irregular workers. Workers who enrol in the voluntary social security scheme can then choose from 15 income categories benchmarked against the minimum wage, as stipulated by the Ministry of Labour and Social Affairs Decree No. 1/2024, published in the Iraq Gazette 4774 on 13 May 2024. The lowest income category equals the minimum national wage and entails monthly contributions of 17,500 dinars. However, this raises concerns that workers whose monthly earnings are below the national minimum wage may perceive their subscription to the voluntary scheme of social security as unaffordable. With the construction sector having one of the highest rates of working poverty, where 72.4 per cent of workers are classified as low-income workers (CSO et al. 2022), the critical question is the extent to which irregular workers in this sector earn the minimum wage or above, and how many earn below this wage? Additionally, being paid daily, these workers may face challenges in accumulating sufficient savings by the time that monthly contributions are due. The scheme is therefore expected to be costly for workers whose earnings are below the minimum wage, as their social security contributions will be based on a wage higher than the sum

³ Casual labour includes people who work on a per-job basis, and temporary or seasonal workers on an hourly or day rate. Informal employment within the formal sector is associated with casual labour, especially seasonal or temporary workers, who may be hired by formal registered companies. These people are mostly paid 'cash-in-hand' and are not formally recorded as employees of the organization.

that they actually receive. The design of its contributory modalities is also likely to pose compliance challenges.

Enrolment in social security also means that casual construction workers and their households will automatically be excluded from Social Safety Nets (SSN). This non-contributory social assistance is provided to households with no income, or with income below the poverty line, along with other vulnerable categories, under Social Protection Law No. 11 of 2014. The withdrawal of social assistance from low-income individuals and their households, based solely on one or more family members being registered in social security, contradicts a rights-based approach to social protection, promoted by the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102) and the International Covenant on Economic, Social and Cultural Rights, 1966, both of which have been ratified by Iraq. With the important criteria and design feature of the voluntary social security scheme being the need to maintain steady monthly contributions, the withdrawal of social assistance from casual construction workers poses a serious question regarding their participation. This is particularly concerning given their irregular, daily-based incomes. Their limited contributory potential, exacerbated by the withdrawal of SSN and by fluctuating incomes, may by default disqualify them from social security enrolment. Furthermore, failure to pay contributions by the end of the fiscal year will result in penalties, requiring workers to cover the government contributions for the period when payment was delayed. This will not only exacerbate working poverty and aggravate vulnerability among casual construction workers, but may also encourage them to remain on SSN assistance rather than transition sustainably from non-contributory social assistance to contributory social security.

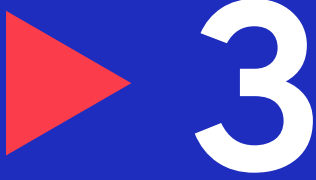
Another critical challenge for the construction sector is that jobs in this sector are globally considered among the most hazardous in terms of work injuries, occupational diseases due to exposure to dangerous substances and work-related deaths (ILO 2023a).

Buniya et al. (2021) state that accidents in the construction industry account for 38 per cent of the total industrial accident rate in Iraq, according to statistics from the Ministry of Labour and Social Affairs (MoLSA). Data from the LFS on the number of temporarily absent workers by sector suggests that around 24,955 construction workers (out of a total of 1,401,514 workers in the sector) were temporarily absent from work in 2021 (CSO et al. 2022). Construction is one of three sectors with a positive incidence of temporary absence of work, the others being public administration and defence, and education. Although information on reasons for absence are not disaggregated by sector, temporary absences in these two latter sectors are likely to be due to reasons such as holidays, shift work, flexi-time and the nature of work (CSO et al. 2022, 100–101). In 2021, there were 22,181 workers (from all economic sectors) absent from work due to sickness, illness or

accident (CSO et al. 2022). It is therefore likely that most of the absent workers due to medical reasons are in the construction sector. This makes questions of health insurance and protection against workplace/employment injury and sickness risks of particular importance to construction workers. However, the voluntary scheme under Law No. 18 does not provide access to contributory health insurance, occupational injury benefit, sickness benefit or disability allowance. There is, however, speculation that government contributions under the draft law in the KRI will also cover work injury and healthcare branches. It should be noted that, since this draft law is still being discussed, the information in this report is subject to change.

Previous work suggests that informal employment within the formal construction sector is associated with casual labour, especially seasonal or temporary workers, who may be hired by formal registered companies.

While this is true, the descriptive analysis of LFS 2021, discussed in the next section, also demonstrates that informal employment is widespread across all wage workers in the construction sector, regardless of the regularity of work (casual vs. non-casual), with most waged jobs being in informal business units (i.e. the informal sector). Besides examining the important issue of how to ensure access to social security for casual labour in the construction sector, this analysis has revealed that wage workers other than casual workers also need attention paid to their vulnerability and lack of social security coverage.



Quantitative findings: LFS profile for the construction sector

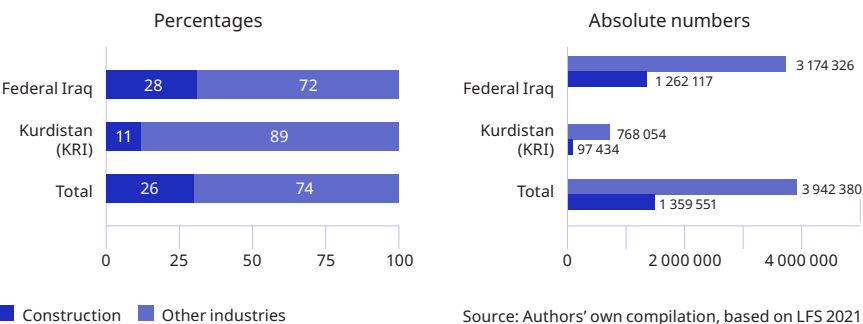


► **Quantitative findings: LFS profile for the construction sector**

3.1. Size of the construction sector overall

Construction accounts for an average 16 per cent of total employment in Iraq (overall in the public and the private sector). There is a strong disparity between Federal Iraq and the KRI in terms of size of the construction sector in the labour market. The share of the construction sector in total employment in Federal Iraq (18 per cent) is more than twice that of the KRI (7 per cent). For both regions, construction work is entirely concentrated in the private sector (97 per cent of jobs). Focusing on the private sector jobs only, figure 2 shows that construction accounts for around 28 per cent of private sector employment in Federal Iraq (around 1,262,117 jobs) and around 11 per cent of private sector employment in the KRI (around 97,434 jobs). Compared with other sectors, the construction sector in Federal Iraq is twice as large as agriculture (11 per cent of private sector jobs) and more than three times the size of the manufacturing sector (8 per cent). In the KRI, the construction sector is not as important as in Federal Iraq, and its size is slightly smaller than that of agriculture (13 per cent of private sector jobs) and similar to that of the manufacturing sector (12 per cent). The remainder of this analysis will focus on characteristics of workers in the private sector, since most jobs in the construction sector are in the private sector.

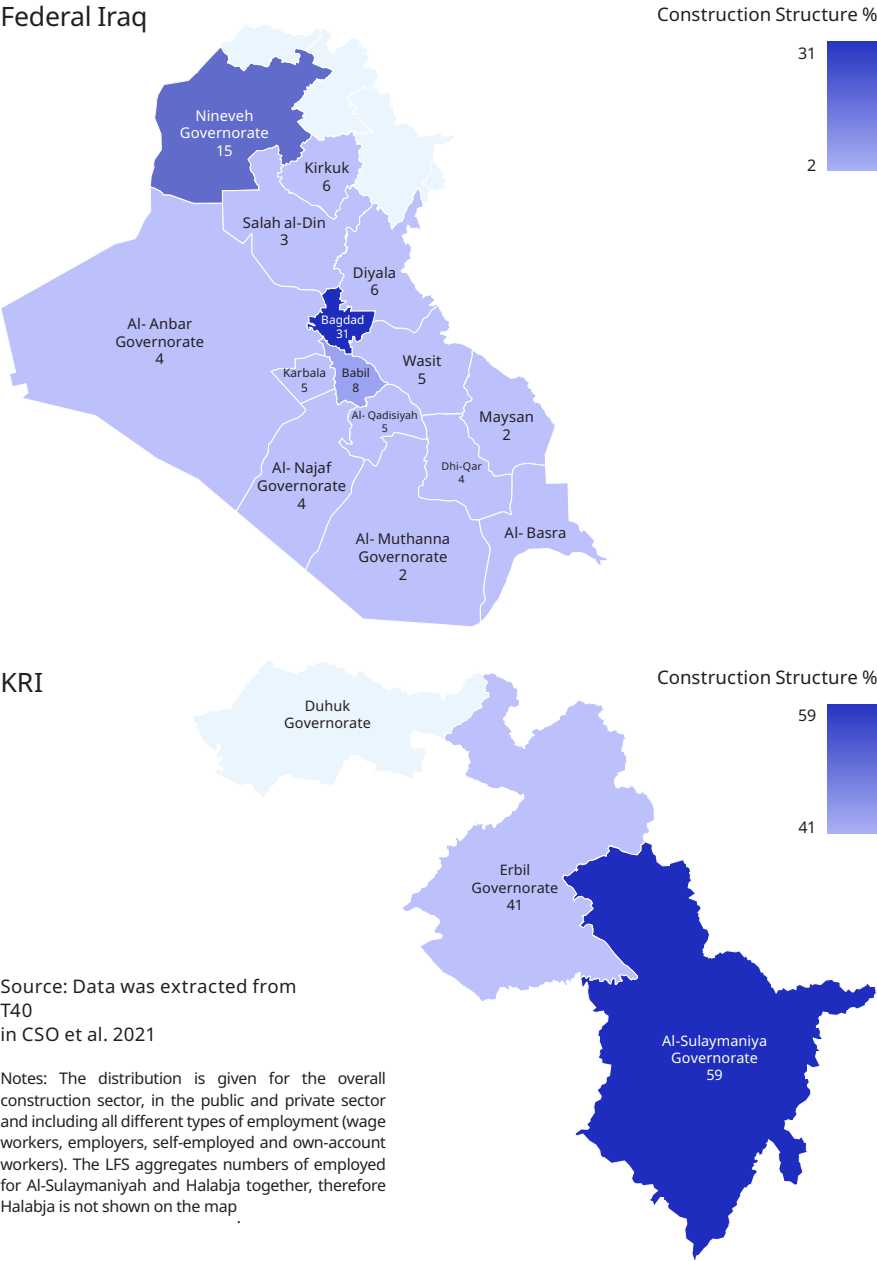
► **Figure 2. Share of the construction sector (percentage and absolute numbers) in private sector employment in Iraq**



More than two thirds of employment (69 per cent, i.e. 973,495 workers out of 1,401,514) is in urban areas (CSO et al. 2022). Figure 3 shows that for Federal Iraq, 31 per cent of the construction workforce is concentrated in the capital, Baghdad, followed by Ninawa, which hosts 15 per cent of the construction workforce, then Babil with 8 per cent, and Kirkuk and Diyala, which each hosts 6 per cent of the construction workforce. As for the KRI, the construction workforce is almost equally distributed between Al Sulaymaniyah/Halabja (59 per cent) and Erbil (41 per cent).

⁴ The capital – Baghdad – attracts 29 per cent of overall employment across all economic sectors (i.e. 2,044,922 working individuals), hence it is expected that Baghdad will be the governorate with the highest employment share for the different sectors.

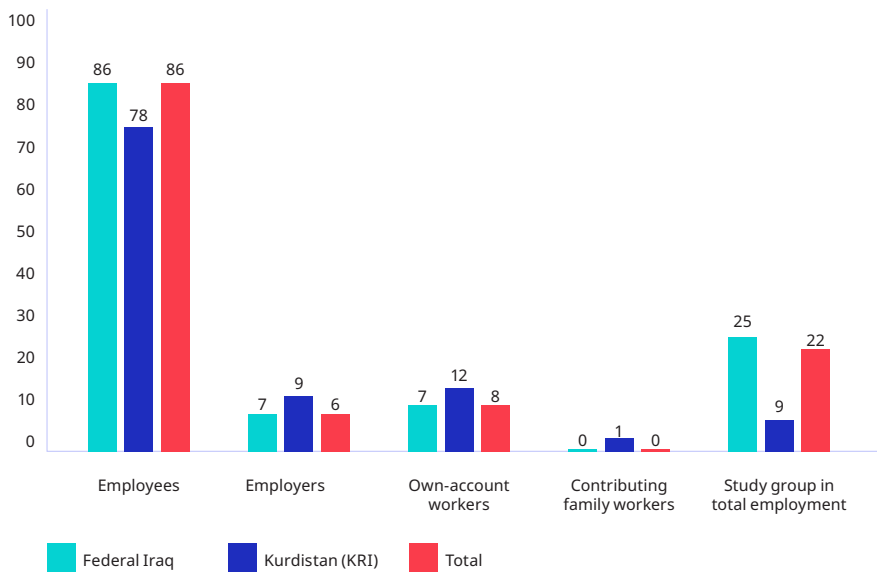
► **Figure 3. Geographical distribution (%) of overall construction employment in Iraq**



3.2. Size of the study group

Before exploring the size of irregular/casual wage employment, it is important to examine the size of wage work in the construction sector. Wage work (that is employment for pay) represents the primary type of employment in the construction sector, despite some regional differences between Federal Iraq and the KRI. Figure 4 shows that employees in Federal Iraq represent on average 86 per cent of the construction workforce in the private sector (1,089,037 workers), and slightly fewer – 78 per cent – in the KRI (97, 434 workers). Construction wage workers make up around one quarter of total employment in the private sector in Federal Iraq, but only 9 per cent in the KRI.

► **Figure 4. Distribution of employment status in the construction sector, private sector employment**

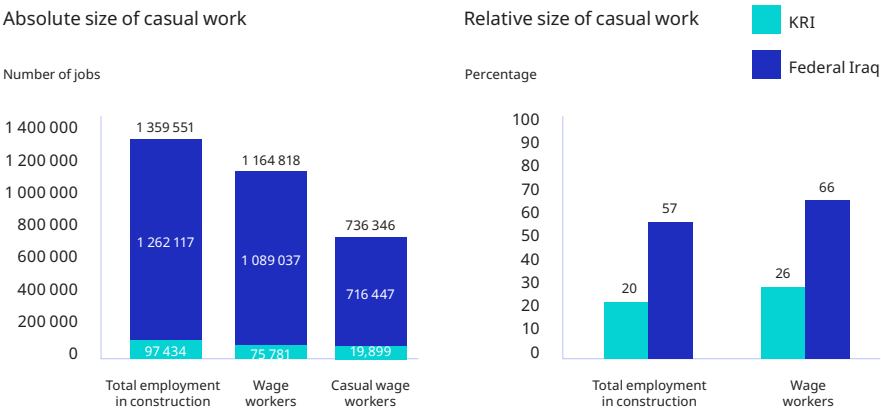


Source: Authors’ own compilation, based on LFS 2021

The type of employment that is the focus of this study – casual/irregular wage work – is much more prevalent in Federal Iraq than in the KRI, representing more than half of construction private sector employment in Federal Iraq (57 per cent of overall employment in the sector), but only one fifth of employment in the KRI (20 per cent of overall employment in this sector).

Among wage workers only, two out of three workers are hired on a casual basis in Federal Iraq (63 per cent of employees/wage workers in the private sector). This means that their contract is either a daily one, or is for less than three months. This compares with one casual worker for every four wage workers in the KRI (26 per cent of employees/wage workers). However, in the KRI, 28 per cent of wage workers report that they ‘don’t know’ the duration of their contract, as shown in Appendix I, figure 1, which may indicate that their work is unstable or casual. If this is the case, it means that in total around 54 per cent of wage workers in the KRI (the sum of 28 per cent and 26 per cent) are casual workers, and that the prevalence of irregular work is similar in both regions. It is not possible to clarify from the available data the exact type of contract that workers reporting ‘don’t know’ actually have. This reveals that construction wage workers in Federal Iraq are vulnerable, since two thirds of them are hired on a casual basis. These descriptive findings also reveal that construction workers appear to be more vulnerable in Federal Iraq than in the KRI, given the extent of casual work (66 per cent compared with 26 per cent, respectively). This has crucial policy implications, given the size of the construction workforce in Federal Iraq’s labour market, which makes up almost one quarter of the private sector workforce, and means that a large part of this workforce has precarious jobs.

► **Figure 5. Relative size (in absolute and percentage terms) of casual work in the construction sector, private sector**



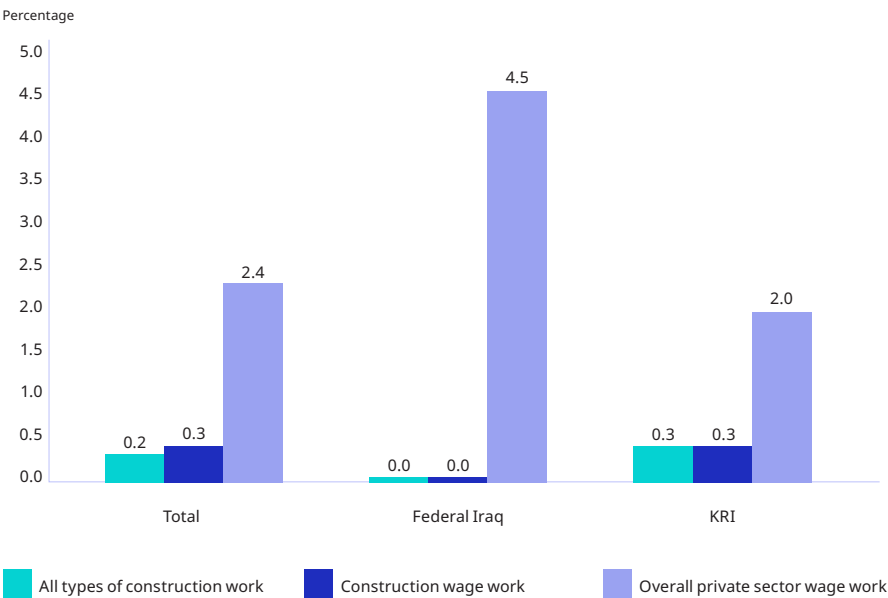
Source: Authors’ own compilation, based on LFS 2021

3.3. Characteristics of the study group in the construction sector

This section examines the characteristics of construction wage workers, including gender, age, education level, occupation, industry, hours of work and workplace. The focus of the section will be on wage workers overall, without distinguishing between regular and irregular work, since LFS data (that was provided to the team) was aggregated for both regular and irregular wage workers.

In line with the evidence on the Iraqi labour market and that of many countries of the region, women are not likely to work in the construction sector in any type of work. Women occupy only 0.3 per cent of waged jobs in Federal Iraq in the construction sector, compared with an average of 2 per cent of the total private sector workforce. Women do not contribute at all in the construction sector in the KRI, although they are more present in the workforce in the KRI (4.5 per cent of the total private sector workforce) than in Federal Iraq.

► **Figure 6. Proportion of women in the construction sector and among wage workers versus proportion of women in overall employment, private sector**



Source: Authors' own compilation, based on LFS 2021

The majority of employees in the construction sector in both Federal Iraq and the KRI work as Craft and related trade workers (90 per cent).

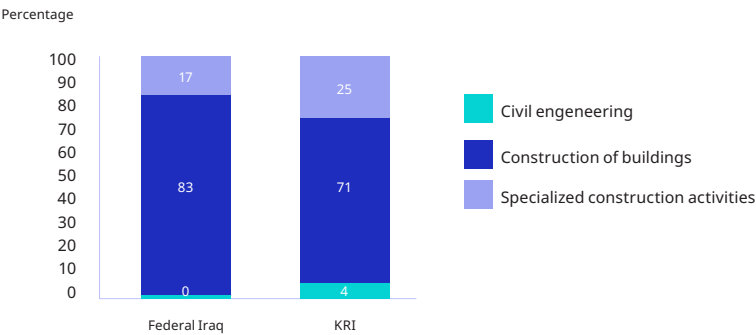
Most employees in the sector are concentrated in the construction of buildings as a subindustry, which accounts for 83 per cent of construction wage workers in Federal Iraq (around 900,528 individuals) and 71 per cent in the KRI (around 53,505 individuals), as shown in figure 7.

► **Table 1. Distribution of occupation (1-digit level) for total workers versus employees**

Occupation	Numbers		Structure %	
	Total	Employees	Total	Employees
Craft and Related Trades Workers	1 224 434	1 043 365	90	90
Elementary Occupations	88 330	86 700	6.5	7
Other occupations	46 786	34 752	3.5	3
Total	1 359 550	1 164 817	100	100

Source: ILO calculations
Note: Data was provided aggregated for both the KRI and Federal Iraq.
Disaggregated data by region was not provided to the research team.

► **Figure 7. Distribution of construction employees by subindustry, private sector**



Source: Author's compilation and data from the Iraq Labour Force Survey (LFS) 2021.

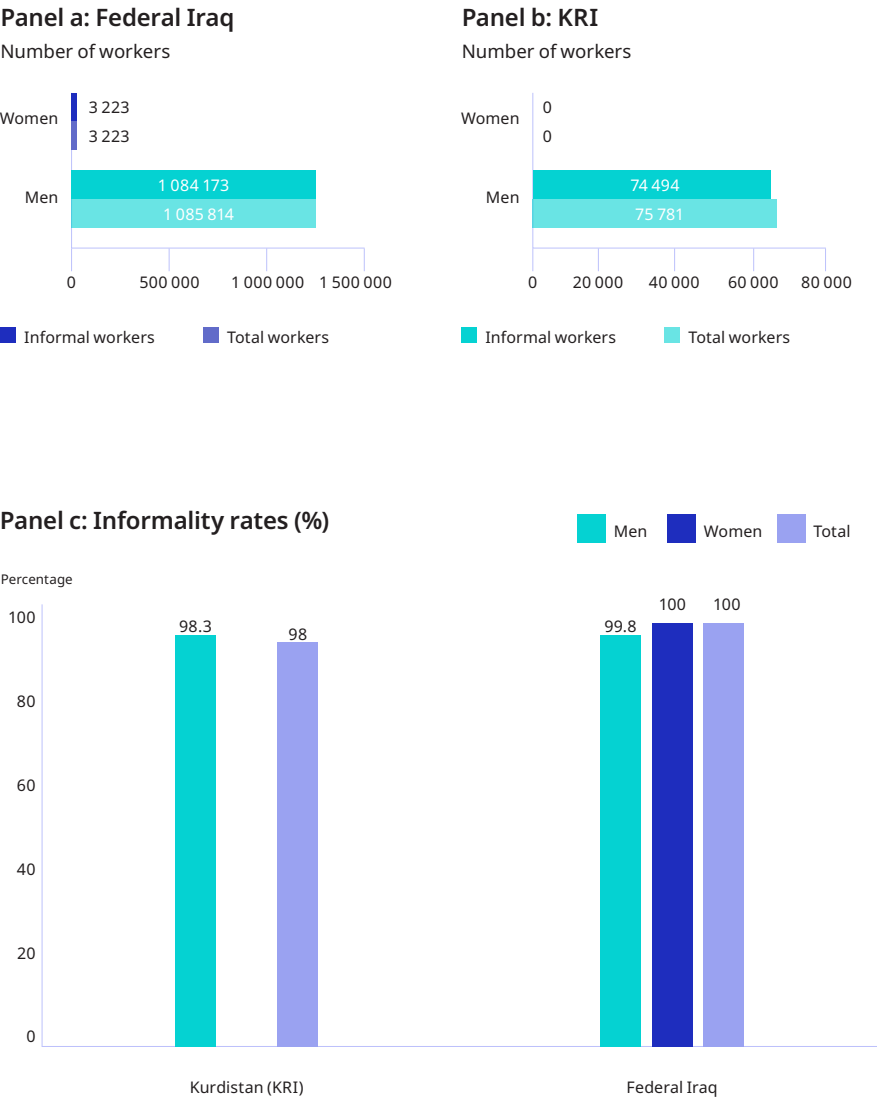
Lack of social security coverage, which is one of the primary factors in defining an informal job, according to the 21st ICLS (ILO 2023b), is universal among all wage workers (regardless of whether regular or not).

In Federal Iraq, 100 per cent of wage workers do not have social security coverage, while in the KRI the figure is 98 per cent. The mean age for wage workers in the construction sector (employees) is 29 years old in Federal Iraq and 33 years old in the KRI. Wage workers are younger than workers in other types of employment in the construction sector, such as employers, whose average age is 42 years old in both regions. The young age profile for employees in the construction sector may indicate the role that the construction sector plays as a stepping stone for new labour market entrants, given the substantially high unemployment rate in Iraq, especially among youth aged 15-24 (35.8 per cent). Most jobs in the construction sector in Iraq, operated within micro firms in Federal Iraq or small firms in the KRI (as table 4 below shows in detail), are expected to be local subcontractors or households that undertake these construction activities on their own; they typically employ semi-skilled or unskilled workers (UNESCO 2019). This makes construction work an entry point and a last resort for labour market entrants who cannot afford being unemployed or not in employment, education or training. However, the question is whether or not they can transition from this job to more decent employment by acquiring relevant skills and experience, if they can adequate social security coverage in these jobs, or if they will end up trapped in low-end jobs that are not covered by social protection.

As in the case of agriculture, there is some regional disparity in the educational profiles of construction employees. In the construction sector, wage workers in Federal Iraq are on average less educated than those in the KRI.

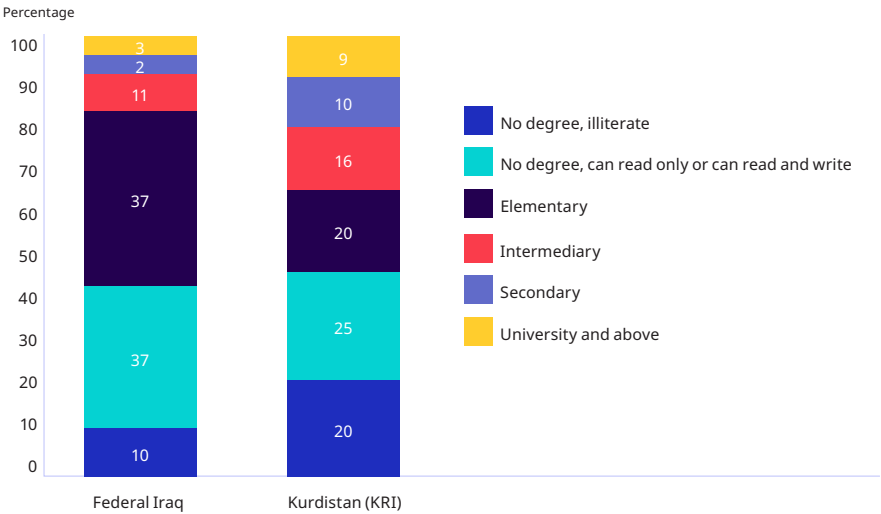
This is in contrast with the report on the agriculture sector, where the study group (own-account workers and contributing family workers) were more likely to have some education (primary or above) in Federal Iraq than in the KRI. Figure 9 shows the distribution of education levels among private sector wage workers in the construction sector. This report focuses on informal wage workers, since they represent the vast majority of workers (as shown in figure 8). For construction wage workers, almost half of workers (47 per cent) in Federal Iraq are illiterate (or can read and write), compared with 45 per cent of wage workers in the KRI. For the remaining half of workers, each region exhibits a different distribution of education levels. In the KRI, construction workers are more likely to have an education level that is above primary, with 35 per cent of workers having an intermediary or above education, compared with only 16 per cent of workers in Federal Iraq. While analysing these patterns, it is important to note that casual work is much more prevalent among wage workers in Federal Iraq (66 per cent) than in the KRI (26 per cent), so these different education profiles in the two regions could be associated with the dominance of casual work in the sector.

► **Figure 8. Informal employees (number and %) in the construction sector, private sector**



Source: Authors' own compilation, based on LFS 2021

► **Figure 9. Education level of employees (informal) in the construction sector**



Turning to the usual working hours per week, wage workers (focusing on informal ones, since they represent the vast majority) do around 40 hours of work per week in Federal Iraq and around 46 hours of work per week in the KRI. Weekly hours of work are on average higher in the KRI than in Federal Iraq, regardless of the employment status in the construction sector. This finding is also consistent with other sectors such as agriculture, where own-account workers and contributing family members (the study group for this sector) work more hours in the KRI than in Federal Iraq, as shown in table 2.

► **Table 2. Weekly hours of work for informal workers in the construction sector, by employment status, private sector**

	Federal Iraq		Kurdistan (KRI)	
	Weekly hours of work	Informality rate (%)	Weekly hours of work	Informality rate (%)
Employees (informal)	40	100	98	94
Employers (informal)	43	99	100	2
Own-account workers (informal)	32	98	96	2
Contributing family workers (informal)	37	100	100	2

Monthly wages in the construction sector are relatively low, as previously indicated by the sector’s highest proportion of low-paid workers. Table 3 shows that in Federal Iraq, the average monthly wage of employees is 374,754 dinars (for informal workers), which is only marginally higher than the minimum wage of 350,000 dinars. Since this monthly wage is an average, it means that a significant proportion of workers may be receiving much lower wages. Future research is needed to examine the percentage of workers receiving wages below the minimum wage. As for the KRI, the average monthly wage is even lower than the minimum wage, at about 309,517 dinars. It is, however, important, to examine the hourly wage, as the hours are different between regions. The hourly wage for construction employees in Federal Iraq is higher at 9,367 dinars per hour, compared with 6,740 dinars per hour for employees in the KRI (see table 3). The low wage earnings in this sector represent an important challenge to promoting regular contributions to the social security scheme, as workers often have to prioritize immediate needs over future benefits.

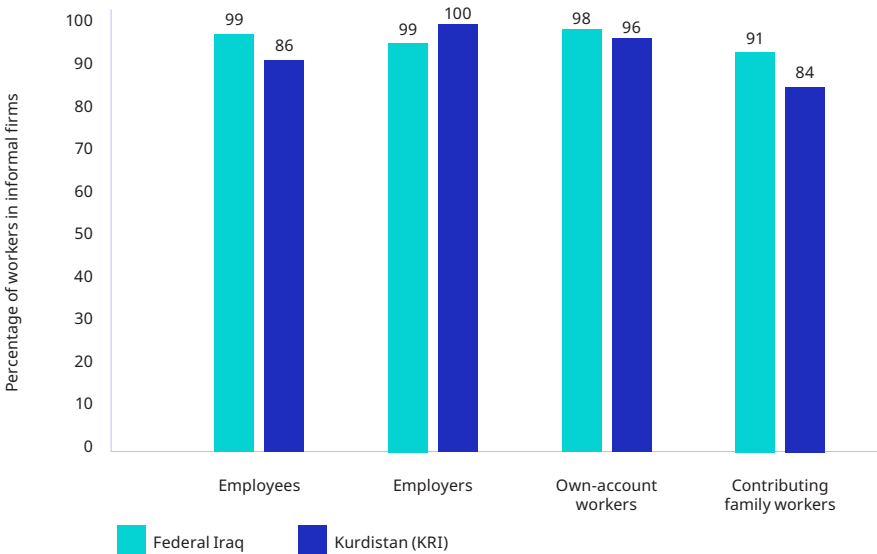
► **Table 3. Average monthly and hourly wages (nominal values in IQD) for construction employees**

		Average monthly wages (IQD)	Usual working hours/week	Average hourly wage (IQD)
Total	Total	371 911	40	9 201
	Persons with informal main job	370 737	40	9 179
KRI	Total	321 915	46	6 981
	Persons with informal main job	309 517	46	6 740
Federal Iraq	Total	375 245	40	9 375
	Persons with informal main job	374 754	40	9 367

Source: Authors' own compilation, based on LFS 2021

Firm characteristics in terms of formality and size (number of workers) are two important factors in understanding job characteristics for construction wage workers. Some 99 per cent of waged jobs in the construction sector in Federal Iraq are provided by informal firms, while the figure is 86 per cent in the KRI. Looking at the study group (employees), figure 10 shows that 99 per cent (around 1,074,228 workers) of construction employees in Federal Iraq (1,088,299) work in informal business units/firms. As for the KRI, around 86 per cent (65,317 workers) of employees in the construction sector (75,780) work in informal firms.

► **Figure 10. Proportion of construction sector workers who work in informal business units, by employment status, private sector**



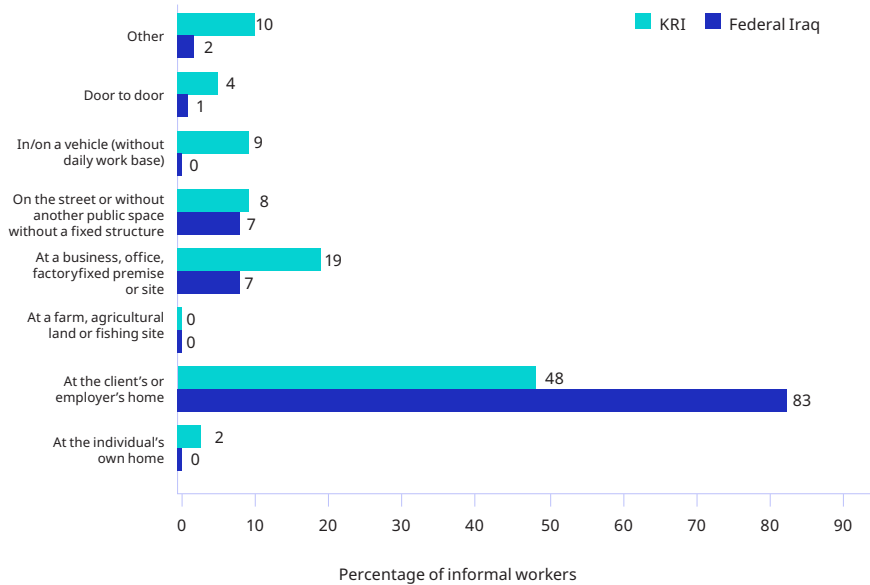
Interestingly, most waged jobs in the construction private sector are in micro firms (1 to 4 workers) in Federal Iraq, but in small firms (5 to 9) in the KRI. Also, informality of micro firms is universal in Federal Iraq, and that of small firms is nearly universal in the KRI. Table 4 shows that in Federal Iraq, around 931,803 workers, representing 86 per cent of total employees in the construction private sector, work in micro firms with 1 to 4 workers. Almost all workers in these micro firms reported that their firm is informal, indicating that micro firms are almost entirely informal. In the KRI, firm size in general is larger than in Federal Iraq, as no wage workers reported working in micro firms, but rather 85 per cent of workers, making up around 64,200 waged jobs, reported working in a small firm (5 to 9 workers). Moreover, 94 per cent of the KRI workers in small firms reported that their firm is informal, which indicates that small firms are also entirely informal, as is the case with micro firms (as well as small firms) in Federal Iraq. The difference between Federal Iraq and the KRI in the size of firms engaged in construction could be attributed to the nature of construction work in each region. Construction waged jobs seem to be booming in Federal Iraq and scattered in micro firms (1 to 4 workers), amounting to 25 per cent of total employment (as shown in table 4). In the KRI, construction waged jobs are not that prevalent (accounting for only 9 per cent of total employment) and are more concentrated in relatively larger entities (mainly small firms) than in Federal Iraq.

► **Table 4. Distribution of employment by firm size, and percentage of employed in informal business units by size, wage workers**

Region	Firm size (number of workers)	Total employed (numbers)	Composition of firms by size (%)	Employed in informal units (Numbers)	Percent working in informal units (%)
Federal Iraq	1-4	931 803	86	927 950	100
	5-9	146 880	13	142 279	97
	10-19	4 426	0	2 156	49
	20-49	5 926	1	2 579	44
	50+	0	0	0	0
	Total	1 089 035	100	1 074 964	99
Kurdistan (KRI)	1-4	0	0	0	0
	5-9	64 200	85	60 609	94
	10-19	4 826	6	3 028	63
	20-49	2 742	4	684	25
	50+	4 012	5	996	25
	Total	75 780	100	65 317	86

The workplace of these informal wage workers in the construction sector represents a key factor to further understanding their working conditions. Figure 11 shows that 83 per cent of informal construction employees report working at the client's or employer's home. This is quite different from the KRI, where only half (48 per cent) of informal employees work inside a house (whether the client's or the employer's). In line with the fact that construction work is concentrated in relatively larger firms (i.e. small firms) in the KRI than in Federal Iraq, 19 per cent of employees work at fixed premises, i.e. a business, office, factory, fixed premise or site, compared with only 7 per cent in Federal Iraq.

► **Figure 11. Distribution of the workplace among informal wage workers in the construction sector, private sector**



In brief, the quantitative profiling of the study group (casual wage workers), based on the LFS, showed that they represent a larger share of the construction workforce in Federal Iraq than in the KRI, with casual workers representing slightly more than half of the construction workforce in the former, compared with one fifth in the latter. The analysis of characteristics of workers and jobs was based on the whole sample of employees, without distinguishing between casual and regular workers, due to the lack of data availability. The analysis shows that the size of the construction sector as a share of total employment in Federal Iraq is much greater than in the KRI. In both regions, the vast majority of wage workers are informal and work in informal business units. However, the informality of enterprises, as indicated by the percentage of workers who reported working in an informal business unit, is higher in Federal Iraq (99 per cent) than in the KRI (86 per cent).

The most common occupation for construction wage workers in both regions is 'Craft and related trade workers', and these work primarily in the construction of buildings. Construction wage workers are less educated in Federal Iraq than in the KRI, but they are young in both regions. Construction wage work is mostly

concentrated in micro firms (1 to 4 workers) and is performed at the client's or employer's home in Federal Iraq, suggesting that these are mostly households that undertake construction activities (UNESCO 2019). In the KRI, construction wage work is concentrated in small firms (5 to 9 workers) and is less likely to be performed at the client's or employer's home – although this is still the most predominant workplace, followed by fixed premises. This suggests that local subcontracting might be the prevalent type of construction work in the KRI. These characteristics indicate the heightened vulnerability of workers in the construction sector and the critical importance of social security schemes for these types of work, which is not only precarious and volatile, but also hazardous. In the next section, the results of the qualitative findings will shed light on the barriers and obstacles that construction wage workers experience to accessing social security coverage.



4



Qualitative findings



► Qualitative findings

4.1. Notes on sampling and methodology

The qualitative analysis relied on FGDs (five in Baghdad and Basrah in Federal Iraq; two in Erbil and Duhok in the KRI) and in-depth individual interviews (IDIs) with casual construction workers in Federal Iraq (four in Baghdad and Basrah) and regular (non-casual) informal construction workers in the KRI (five in Erbil and Duhok). Employers' perspectives were also covered through 10 in-depth individual interviews in the construction sector (five in Baghdad and Basra; five in Erbil and Duhok). The analysis was supplemented by 10 KIIs with representatives from the Iraqi Federation of Trade Unions, the Labour Committee in Parliament, senior staff from the Ministry of Labour and Social Affairs in Federal Iraq and a legal expert, and nine KIIs in the KRI with relevant parliamentary committee members, implementers and government officials from the Ministry of Labour and Social Affairs, representatives of workers' organizations, namely the Kurdistan General Workers Syndicate Unions, construction workers' unions and Erbil trade and crafts unions, in addition to academic experts on social security. Aside from the latter two categories, the rest of the KIIs were not sector-specific. The fieldwork was conducted between November 2023 and January 2024. Appendix I, Table 2 shows further details of the individual characteristics of respondents (sex, age and education) in the qualitative fieldwork.

The data collected for this research was analysed using coding and thematic analysis techniques, in alignment with the study's objectives. However, the analysis encountered challenges. Conducting KIIs took several rounds of communication and involved some waiting, particularly in Baghdad, to arrange interviews with policymakers and senior government officials. Another challenge was that many questions were left unanswered due to the limited information that the majority of workers and employers participating in this research had about social security in general, and the Government's initiative to expand social security coverage to irregular workers in particular. This made it difficult to discern patterns in the views of workers and employers and the approaches of key stakeholders shared during the interviews.

Moreover, researchers obtained fewer analytical informed discussions with policymakers from Federal Iraq than from the KRI. It is important to note that responses from KIIs in the KRI on the importance of social security schemes appear to be influenced by the political preference for an autonomous Kurdistan scheme. Also, the different nature of samples between both regions, which drove potentially different responses, should be taken into consideration when

interpreting many of these results in this report. For instance, even though there were no clear differences found between the views of construction workers in Federal Iraq and those in the KRI, it was stressed by policymakers, as well as by implementers in the KRI, that the Kurdistan Regional Government (KRG) should localize the laws and design its own policies, including the design of its own social security system, which is currently under way. However, even though most stakeholders in the KRI advocate for a region-specific scheme, participants in this research also expressed considerable trust in the federal Government's ability to manage the financial aspects of social security. Another important limitation to the fieldwork that is specific to the construction work is that there were no female participants, given their absence from the sector, as shown in the LFS descriptive analysis.

The following section examines the key barriers to enrolment in social security coverage from the viewpoint of construction workers, separately for Federal Iraq and the KRI. The report then discusses the different perceptions of the importance of social security schemes, before drawing recommendations based on these challenges and different perceptions.

4.2. Key challenges to enrolment in social security coverage

The key challenges identified by workers included access to registration facilities, limited information, bureaucratic obstacles, lack of trust and transparency, and irregularity of income. These challenges were highlighted in both regions – Federal Iraq and the KRI. Many reported facing challenges in engaging with the registration process online.

Responses from workers show that access to registration facilities and the costs incurred to reach these facilities, such as time and travel expenses, are among the most important barriers to participation in the social security scheme. Workers, both in Federal Iraq and in the KRI, expressed concerns about losing a workday to register in person.



Traffic jams (in Baghdad), costs of travel and time. For example, I return home at six in the evening, so how will I be able to go to the government office to register?

FGD-2, Construction worker, Baghdad

It is not possible to leave work to go to a government department, as I work in two jobs

FGD-2, Construction worker Baghdad

I do not want to spend days, back and forth, to pay the contributions

IDI-4, Construction worker, male, Erbil

Equally important as the desire for ease of access to registration facilities, workers in both regions emphasized their need for clear information about the scheme. Construction casual workers, paid daily, said that limited information about the registration process represents an important challenge. They reported being unfamiliar with the procedures for first-time registration, adding that lack of information extends to regular contribution payments and their entitlements, as illustrated by the following quote.

They must explain to us how to register, how much, where and to whom we should pay, and how we can claim and get benefits.

FGD-2, Construction worker, Baghdad

Having clear information is crucial to overcome mistrust of the social security system and to recognize its benefits, as stated by workers in the KRI. Workers also emphasized the need for (and importance of) showcasing success stories of individuals who have benefited from social security, to reassure others and encourage participation.

Corruption, bureaucratic obstacles, the lack of transparency in financial processes and the administration of benefits were among the challenges faced by respondents in both regions. These challenges can further complicate the registration process and hinder the optional participation of workers. They can also disincentivize employers from enrolling their workers. Many informal workers (whether casual as the case in Federal Iraq or regular as the case of the KRI) struggle with the bureaucracy involved in registering for social security, and they perceive a significant lack of transparency in the financial process.

■ ■ All workers face risks, so they should all have equal access to social security. The main problem is that many people lack awareness about social security and its benefits. I want to fully understand its importance, and seeing others benefit from it would help convince me and others to participate.

FIDI-2, Construction worker, male 32 years,

■ ■ I tried to register myself in Al-Swairah (a district located 55 kilometres south of Baghdad city, and part of the Baghdad Governorate), but then an officer removed my name from the list, as he asked me to pay him money for registering me. [I didn't pay], then he removed my name.

IDI-3, Construction worker, male 21 years, with no education, Al-Latifiya, Baghdad

■ ■ Employers may be hesitant to enrol their workers due to concerns about the financial burden or bureaucratic processes.

IDI-2, Construction worker, male 32 years, with Bachelor's degree, Erbil

Among the bureaucratic obstacles that workers across different sectors perceived is the way that government employees often treat them. Although this is not sector-specific, it contributes to the overall experience of construction workers with government employees. An FGD participant in Baghdad stated the following, which was also backed up by others in the group:

■ ■ Government employees often treat us [workers] with contempt. This behaviour is not limited to the Ministry of Labour and Social Affairs staff; many public servants treat workers this way and sometimes deliberately complicate procedures for them.

FGD-1, Construction worker, Baghdad

Research participants from both regions spoke of their lack of trust in government mechanisms and insurance funds. They expressed doubts that the amount they contributed would ever be returned to them.

The findings revealed that both workers and employers view the mandatory social security registration as part of business registration as a bureaucratic formality, rather than a meaningful process. They believe that its primary purpose is to ensure that businesses operate formally. However, to gain their support and trust, it is crucial to demonstrate the concrete benefits that social security provides to subscribers. A KII participant with MoLSA in Erbil further supported this perception among workers and employers, observing:

■ ■ Workers and employers think that the social security registration of workers, as a requirement for business registration, is merely a bureaucratic procedure aimed at guaranteeing business formalization. They need to see tangible benefits provided to subscribers.

KII-7, MoLSA, male 48 years, with Bachelor's degree, Erbil

Interestingly, among workers, the mistrust is not only perceived vis-à-vis the Government, but also vis-à-vis employers. Participants in an FGD in Baghdad were unsure about how the money that employers have collected from them as social security contributions was being used. However, workers did not provide any concrete evidence or proof that employers misused their contributions.

Yes, private sector jobs promise an insurance coverage, but all of this is a lie. They take the money without registering us for social security.

FGD-1, Construction worker, Baghdad

There are also sector-specific challenges, such as the nature of irregular work and its payment frequency. The payment frequency for irregular or casual workers in the construction sector is on a daily basis, which poses both a design and an implementation issue regarding enrolment in social security coverage. Among workers interviewed for this research, there were instances where some only worked one in every ten days (based on FGD-5 with construction workers, Basra). This complicates their ability to maintain regular insurance contributions, but also raises questions regarding what level of income (and frequency, i.e. hourly or monthly) should be used to calculate their contributions. The irregularity of wage payment and instability of income hinder the ability of casual workers in the construction sector to maintain regular (monthly) contributions, as expected to be stipulated in the executive bylaws to Law No. 18 in Federal Iraq. Indeed, if a monthly frequency of contributions is assumed, workers may have to plan their contributions well in advance and have savings for the months when their income is insufficient to cover the defined 5 per cent of the income. However, savings capacity for the working poor is usually limited. This is particularly true for casual workers in construction in Iraq, who are frequently paid daily. Hence, these casual workers are likely to miss their monthly contributions and may not be able to repay them until the end of the fiscal year, which will also require them to pay the Government's portion of contributions for the months when payments were delayed. Therefore, the procedure for collecting contributions should be adjusted to suit the context and contributing potential of casual workers, whether it be bimonthly, annually, or at another suitable frequency. In the particular context of casual construction workers in Iraq, the 'pay-as-you-go' approach towards the total annual sum seems worth exploring and testing, provided that delay penalties are withdrawn. Accurate actuarial valuations should also be made to maintain the sustainability of the scheme.

Issues of affordability exacerbate the challenge of irregular payments. Many workers in the informal sector earn low incomes, as mentioned in section 2. This is in addition to having irregular work, making it challenging for them to afford regular contributions to social security. In addition, as discussed earlier in the paper, their enrolment in social security will result in automatic exclusion from the SSN, affecting their individual and household income security. Inclusion in the SSN signifies that a household has been identified by MoLSA as living below the poverty line – a status that is determined through a proxy means test. Registering for social security, even under the lowest income bracket, essentially incurs immediate costs and is rarely perceived by workers as a future investment. For instance, in 2024, an informal worker would need to pay approximately 17,500 dinars per month to enrol in optional social security under Category I, which is based on an income equivalent to the minimum wage of 350,000 dinars. Coupled with an automatic withdrawal of SSN benefits, this is likely to aggravate the immediate financial situation of workers and their households. Therefore, to ensure that social security participation is affordable for all informal workers in the construction sector, including those earning below the minimum wage and those experiencing working poverty, it is imperative to revise the rule of exclusion from the SSN upon enrolling in social security. Revising these disqualification criteria is crucial in order to distinguish between the social protection rights and entitlements of households and individuals, which, according to the rights-based approach to social protection, should not be seen as mutually exclusive.

The role of trade unions and sector-specific worker associations is weak. Most construction workers who participated in this research confirmed that they are not registered with trade unions or any other sector-specific workers' organizations, such as construction workers unions, or trade and crafts unions. They also noted that they are unfamiliar with the activities of trade unions. Among all the workers interviewed, just one (in a focus group discussion in Baghdad) admitted being registered with a trade union, but he found that it could not effectively represent him before employers or companies, leading him to discontinue his membership. Furthermore, employers stated that employers' organizations have not made efforts to introduce and promote social security law. Workers expressed the opinion that trade unions have also failed to play their role in encouraging participation. A worker in the construction sector confirmed that they had never encountered a trade union officer at their workplace.

It is important to note that, based on the KIIs, trade unions are aware of the new law and its inclusion of all workers, including those in informal sectors. However, not enough details are available for these unions about the mechanisms and specific processes that will be implemented (KII-2, Trade and Crafts Unions, male 61 years, Bachelor's degree, Erbil).

4.3. Key implementation issues

In addition to perceived obstacles to participation among workers, there were several questions on implementation of the scheme.

Social security fund management was a common issue raised regarding implementation of the policy. Despite lack of trust, the private sector is not seen as a viable alternative to managing the social security scheme, primarily due to financial issues. Although workers and employers interviewed did not trust the Government, they did not see the private sector as a viable alternative. This view was echoed in both Federal Iraq and the KRI, as respondents said they believed that the Social Security Department had to remain under government control as at present, rather than be managed by the profit-driven private sector. More specifically, in the KRI some KII participants and employers who were interviewed expressed the view that the KRG should not facilitate mass social security registration/subscription at this time, due to the critical financial situation in the KRI. This position highlights a limited understanding of social security, its design, administration and financial aspects. Being contributions-based, social security, when well designed and administered, can help to better redistribute available resources, balance public expenditures, and enable broader risk-sharing (ILO 2021b). Indeed, the challenging financial situation in the KRI underscores the need for a stronger contributory social security system that could alleviate or optimize certain expenditures and make social protection system in the KRI more equitable.

Employers' potential reluctance and lack of compliance poses another challenge to the extension of coverage to wage workers in the construction sector. This question is more relevant for wage workers whose enrolment to the system is mandated by their employers. While the issue of employers' reluctance is not directly related to the new voluntary social security scheme for the self-employed and casual workers, it should be taken into consideration given that the descriptive analysis based on the LFS showed that lack of social security coverage is widespread among all types of wage workers (whether casual or not).

Someone here was insured and paid contributions for 3 months. All of a sudden, the employer decided to cut it. He tried to find out the reason, but they did not listen to him, and he did not know what to do.

FGD-1, Construction worker, Erbil

Employers may be hesitant to enrol their workers due to concerns about the financial burden or bureaucratic processes.

IDI-2, Construction worker, male 32 years, Bachelor's degree, Erbil

It is important to note that the voluntary social security scheme introduced in the new law in Federal Iraq could inadvertently create a loophole for informality. This is due to the higher state subsidies offered under the voluntary scheme (15 per cent compared with 8 per cent under the mandatory scheme) and the absence of an employer contribution requirement. Consequently, this could encourage employers to avoid registering their regular workers in the mandatory scheme when labour relations cannot be proved or tracked. This may be particularly the case for micro, small, and medium-sized enterprises (MSMEs), which form the core of the construction sector in both Federal Iraq and the KRI. A complex social security registration process (both for businesses and workers), limited access to credit and business development opportunities, and liquidity constraints may compel MSMEs to exploit this legal loophole. As a result, they may forego business registration, while leaving the social security registration to the discretion of their workers, exclusively in the capacity of self-employed workers under the voluntary scheme.

In Federal Iraq, this voluntary scheme only insures against old age and survivorship, and does not provide healthcare coverage, sickness benefits, or protection from occupational injury or work-related disability. On the one hand, this may make the voluntary social security scheme less appealing for casual construction workers compared with the regular scheme. However, the question is how much bargaining power casual workers in the construction sector have to put pressure on their employers to register them for social security under the mandatory scheme. On the other hand, most workers in the construction sector work in micro and small firms that may be unable to enrol them in the mandatory scheme of social security due to various reasons (such as debt or liquidity constraints). The possibility of benefiting from certain health and occupational injury protections within the voluntary scheme would thus be critical for workers in a sector with one of the highest risks of occupational injury. While policymakers should be mindful of this unintentional loophole regarding informality and continue to enforce enrolment in the mandatory social security scheme in sectors where labour relations can be proven – particularly in the construction sector – consideration should also be given to expanding the scope of social security within the voluntary scheme. This expansion would enable workers, especially those in hazardous and injury-prone sectors, to benefit at least from basic coverage against occupational health risks.

Employers' potential reluctance to enrol their workers was often attributed to the temporary nature of the workforce. Employers in the informal construction sector, such as one in Erbil, expressed concerns related to the temporary nature of the workforce, which deters them from registering employees: "My workers are temporary; they leave as soon as they find a better job. They learn the work and then leave me. This doesn't encourage me to register them" (IDI-3, Construction employer, male, Erbil). The employer also commented that: "My work is not stable. I have to be certain about its stability before I can support the system" (IDI-3, Construction employer, male, Erbil). This statement also highlights the fact that employers may not perceive social security coverage as a benefit for them or their families, but rather as a payment to 'support the system'.

Compliance challenges appear to differ by firm sizes. Small businesses may struggle with limited resources and administrative capacity, while larger firms may deal with complexities in managing a larger workforce. This finding calls for tailored solutions, especially for micro and small businesses, which dominate employment in the construction sector in Federal Iraq and the KRI. As confirmed by KIIs in both Federal Iraq and the KRI, the concept of social security for the private sector in Iraq is not new. However, there has been very limited information available about social security coverage for the informal sector/informal workers. The same holds true for workers and employers in the private sector in both Federal Iraq and the KRI. KIIs in Federal Iraq and in the KRI revealed that there is limited knowledge about how the new social security scheme policy will be set up across public and private sectors, including informal and irregular ones. The technical information about the scheme's implementation needs to be clarified and conveyed clearly by the Department of Social Security (DSS) to potential subscribers.

Regardless of the sector, KIIs in of the DSS in Baghdad revealed views about shortages in human resources. According to KIIs, the Social Security Department's workforce is limited to around 1,000 employees, with 400 stationed in Baghdad. Despite receiving 150 new employees, this number is perceived to remain insufficient to manage existing projects, let alone the expansion into a new programme. A senior member of the Social Security Department in Baghdad emphasized the need for additional staff to cover more projects and manage the optional guarantee (KII-3, SSD, female, Bachelor's degree, Baghdad). However, it could be argued that the real concern is not the shortage of staff, but rather limited institutional capacities, unclear processes and inadequate systems to operationalize the new voluntary scheme, and the new social security law in general. The successful implementation of the scheme hinges on properly trained staff and clear and efficient processes, supported by well-functioning systems. Without those, an increase in the number of staff alone will not encourage registration.

Data deficiency was perceived in KIIs as another implementation challenge. The KIIs highlighted a significant data gap regarding the informal construction sector, as stated in KII-10 (SSD, male, legal consultant, Bachelor's degree, Baghdad): "The only available data in Federal Iraq is from the Central Bureau of Statistics, but it is outdated, which makes it challenging to understand the current landscape of the labour market." The LFS, Enterprise Survey and similar national data collection exercises are an essential step towards bridging this data gap on informality. The LFS is of particular significance, as it offers nationally representative data on the labour market, encompassing both formal and informal employment situations. The LFS conducted in Iraq in 2021 also provided a valuable opportunity to assess the informal economy, according to the latest definitions of informality established by the 21st International Conference of Labour Statisticians (ICLS) in 2023 (ILO 2023a). Consequently, it is recommended to undertake a new round of the LFS, with a focused approach on comprehensively understanding informality within Iraq.

Difficulties in reaching workers in remote areas may also hinder the collection of data and the process of convincing these workers to register. This is compounded by logistical challenges, as DSS employees struggle to reach these areas. Implementing digital solutions or establishing mobile DSS centres can mitigate these challenges by providing remote workers with accessible platforms for registration and support, ensuring broader coverage and inclusion.

According to the KIIs with trade and crafts union members, the idea that the Government should subsidize employers, by lowering either taxes or customs costs, is widely supported and viewed as an effective approach to increase their registration in the system and that of their workers. The KIIs revealed that these respondents believe that no pressure should be placed on employers when implementing the new social security law, as this might lead to their departure, causing detrimental consequences for many (KII-2, Trade and Crafts Unions, male, 61 years, Bachelor's degree, Erbil). Therefore, a balanced approach is needed, where incentives encourage compliance and penalties deter non-compliance, ensuring that informality is not promoted. Additionally, law enforcement and labour inspection must be strengthened to ensure the law is effectively applied. Simultaneously, the Government should improve the business environment and highlight the benefits of formality to encourage employer compliance.

4.4. Perceptions of the importance of social security schemes

Despite the challenges that respondents highlighted, including inadequate registration accessibility, limited information about the scheme, and the implications of corruption for enrolment prospects, many workers are still prepared to enrol in social security, acknowledging its potential benefits for themselves and their families.

Social security is particularly crucial for the construction sector, where many workers have sustained employment/workplace injuries. Compared with other sectors, such as agriculture, construction workers who participated in this research were more supportive of expanding social security and were eager to participate due to their high risk of exposure to work accidents. Many of them confirmed that they had previously incurred injuries and had to bear the costs themselves.



Registration is very necessary because it benefits me when I get injured.

FGD-1, Construction worker, Baghdad

In the absence of social security, coverage of injury costs by employers is often voluntary, and lacks any legal obligation, which exposes construction workers and their families to increased financial vulnerability, on top of their health conditions. While one respondent had financial support from his employer, three participants in one focus group discussion reported that they received no support after injuries.



I was exposed to falling building materials that hit my face. It required surgery, and the employer covered the costs as an in-kind assistance to me, not as an insurance/compensation.

FGD-1, Construction worker, Baghdad

 I broke my leg at work two years ago and I paid the costs out of my own money.

FGD-1, Construction worker, Baghdad

This willingness or readiness on the part of workers to register and enrol in the social security schemes is observed despite a generally perceived mistrust. Nevertheless, there are some regional variations in perceptions of mistrust. When asked if they were willing and ready to register, most construction workers in Federal Iraq answered along the lines of: “Yes, we will register, but who will guarantee the return of our money?” (FGD-1, Construction workers, Baghdad). In the KRI, all

responses based on FGD-6 and FGD-2 with construction workers showed their readiness to participate, despite the mistrust. In the words of one of them: “Social security is good, not only for us as workers, but for our families” (IDI-4, Construction worker, male, Erbil). Although there is significant mistrust among workers regarding the social security system and government efforts to extend coverage to the informal sector, and despite regional differences, recognition of the hazardous nature of construction work serves as a unifying factor. This underscores the importance of social security, and particularly health insurance, occupational injury, sickness and work-related disability benefits. When FGDs addressed occupational safety and health benefits provided by social security, workers showed a willingness to participate, in contrast to when discussions were centred on social security in general. Workers interviewed were ready to contribute between 2 per cent (for those making 20,000 to 25,000 dinars per day) and 10 per cent (for those making over 750,000 dinars per month) of their monthly income.

In Federal Iraq, workers participating in FGD-2 in Baghdad indicated a willingness to contribute up to 10 per cent of their monthly income, which exceeds the new law's stipulation for the voluntary scheme (5 per cent of monthly income for the old-age pension pillar). In another FGD-4 with construction workers in Baghdad, participants echoed their readiness to contribute between 5 and 10 per cent of their monthly income. Interestingly, in the KRI, most workers interviewed indicated a willingness to contribute 10 per cent of monthly income or more, showing that they are generally willing to pay a higher percentage compared with their counterparts in Federal Iraq. In addition to the healthcare benefits that sparked interest in contributing, trust was another critical factor.

Employers only mentioned 5 per cent and below, indicating that employers were willing to contribute less.

IDI-1 Construction employer, male 55 years, Erbil

The more trust, the more willing (I am) to pay up 15 per cent.

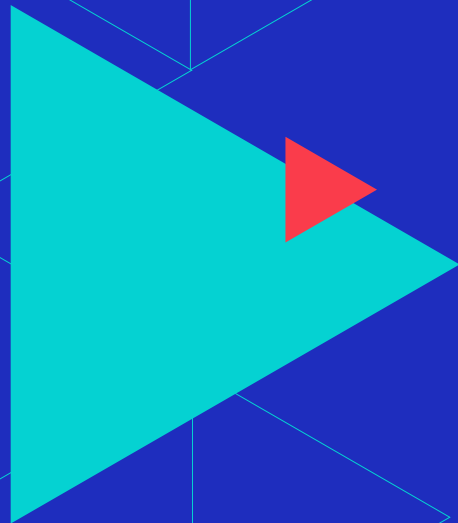
FGD-1, Construction worker, Erbil

Thus, as discussed above and confirmed by the qualitative research, when designing the strategy for extending social security coverage to casual workers in the construction sector, it is important to consider adding protection against health risks to the optional social security scheme. This may stimulate interest among certain categories of informal workers, particularly in the construction sector. However, it is important to ensure that participation remains affordable and that the contribution rate for workers under the mandatory social security pillar remains equitable. One potential approach to funding informal workers' contributions to social health insurance, sickness and occupational injury benefits is to distribute government contributions between old-age pensions and health and safety benefits, with a larger share going to the former.



5

Policy options for the extension of coverage for construction workers



► Policy options for the extension of coverage for construction workers

5.1. Sector-specific recommendations

When formulating strategies for extending social security to informal workers in the construction sector, it is crucial to consider the sector's inherent complexities. Policymakers must be cognizant of the intricate relationships between contractors and various levels of subcontractors, the often-disguised employment relationships between firms and their workers, and the general uncertainties surrounding employment and labour relations within the construction sector. The more nuanced the understanding of the sector, the more tailored and effective the extension strategies are likely to be.

Given the volatility of income, it is crucial to define earnings levels for contributions and to establish appropriate payment frequencies. To ensure the sustainable participation of casual construction workers in social security, including a voluntary scheme, the contribution rates set by the law must be affordable. Additionally, the frequency of payments and their modalities should align with the nature of earnings to prevent workers from becoming trapped in working poverty. It is important to ensure income protection for casual workers in the construction sector during periods of unemployment or inactivity. In this regard, it is critical to initiate policy discussions on the progressive transition of the working poor from the SSN system to social security, with a particular focus on workers in the construction sector.

Consideration should be given to progressively extending the branches of the voluntary scheme in Federal Iraq to include occupational injury benefit, work-related disability allowances, and contributory health insurance. Occupational injury and healthcare benefits are among the most relevant social security pillars to workers in the construction sector, given the hazardous nature of work and the high risks of occupational injury. However, it is important to ensure that the progressive introduction of these benefits does not increase workers' contribution rates or impact their ability to contribute. Therefore, alternative financing options should be explored, including the possibility of redirecting a portion of the Government's contribution to health protection pillars.

For construction workers whose participation should be initiated by their employers, such as regular wage workers, it is essential to encourage employer compliance through effective government monitoring and streamlined enrolment procedures. The adoption of electronic systems for payments and registrations

can save time and reduce the need for physical visits to social security offices, thereby addressing common complaints about bureaucratic obstacles as the main barriers to blame for employers' not enrolling their workers.

Where labour relations are obvious and can be proved, it is crucial to develop measures to promote the regularization of casual wage workers, facilitating their transition from casual to more permanent employee status, and from a voluntary to a mandatory social security scheme. To achieve this, a range of incentives, such as tax breaks, low-interest loans or subsidies, could be offered to employers in the construction sector who formalize labour relations and register their workers under the mandatory social security scheme. Conversely, a system of penalties could be implemented to address the concealment of labour relations and to discourage forcing casual construction workers into a voluntary social security scheme. Trade unions and labour inspectorates should be actively involved in supporting this workforce transition. This recommendation is particularly pertinent for Federal Iraq, where the new social security law is already in effect. The recommendation may also be applicable to the KRI, provided that the new draft law on social security and pensions for private sector workers is adopted in the near future.

Establishing a registration board specifically for construction workers would help to develop and implement effective methods to engage and register workers within the construction sector. By simplifying the registration process, tailoring it to the unique needs of construction workers and clarifying each of its steps, the board could ensure that registration is both accessible and convenient. Additionally, the board should offer clear guidelines and support to assist employers and workers in completing their business and social security registration. The board should also oversee and update the registration process to address any challenges or procedural bottlenecks that may arise. Overall, the registration board would be crucial in enhancing the organization and management of construction workers, ensuring that they are accurately documented and can access the necessary resources and support.

Government assistance programmes for micro and small businesses in the construction sector can help to alleviate financial and liquidity constraints, facilitating easier compliance with social security policies. Tailored solutions could include subsidies (such as reduced utility or rental costs), moratoriums on inspections, lower or deferred taxes, and other forms of financial assistance, including easier access to credit, loans and land. Along with an overall simplification of administrative processes and guidance for micro and small businesses, these measures could support financial stability, thereby encouraging participation in social security by reducing the costs associated with providing coverage.

5.2. Further general recommendations for expanding social security coverage

The following are cross-sectoral recommendations:

First, there is a need to enhance institutional and human capacities within the social security systems in both Federal Iraq and the KRI. Strengthening institutional capacities involves improving organizational structures, processes and resources to effectively administer and manage social security programmes. This includes investing in infrastructure, upgrading technology, and ensuring that institutions have the necessary tools and systems to operate efficiently. Enhancing human capacities involves building the skills and competencies of personnel working within the social security systems. This can be achieved by creating institutional theories of change, designing staff training and development programmes, and offering other professional development opportunities.

Addressing questions about the fairness and equity of the system is crucial. Issues include whether long-term and short-term contributors will receive proportional benefits. The general uncertainty regarding these questions needs addressing to ensure a fair and effective social security system that is trusted and valued by all participants.

Enhancing the effectiveness of the inspection process and improving inspection procedures and capacities. Participants in KIIs expressed the opinion that the Government should consider dividing inspectors based on their assigned areas: (1) health and safety inspectors; (2) social security inspectors; and (3) labour inspectors. These three types of inspection should be conducted separately from each other. (KII-1, trade union expert with 25 years' experience, male, Duhok) and (KII-11, Pension Department, Ministry of Finance-KRG, male 56 years, BA degree, Erbil). However, this approach should be piloted before turning it into a policy action to avoid unintended consequences such as, for example, an inspection burden, especially for MSMEs. The immediate focus should therefore be on enhancing inspection procedures and systems. It is also recommended to continue enhancing the capacities of inspection teams through ongoing training and knowledge-sharing initiatives.

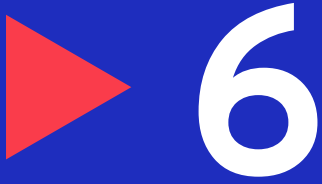
Increasing transparency and providing clear information about the benefits of social security are essential and can lead to higher participation levels. Additionally, demonstrating clear accountability for how social security funds are used and the benefits provided can build trust and encourage further engagement. Insufficient information on the part of workers and employers about the programme's existence, features and benefits further contributes to a general mistrust in the initiative. To address this mistrust, the Government should improve its communication strategies and transparency, ensuring that citizens are well-

informed about the social security programme and related processes, including fund management. Promotional strategies, including information campaigns, leveraging social media, and engaging community leaders, are recommended to enhance awareness and increase participation in social security.

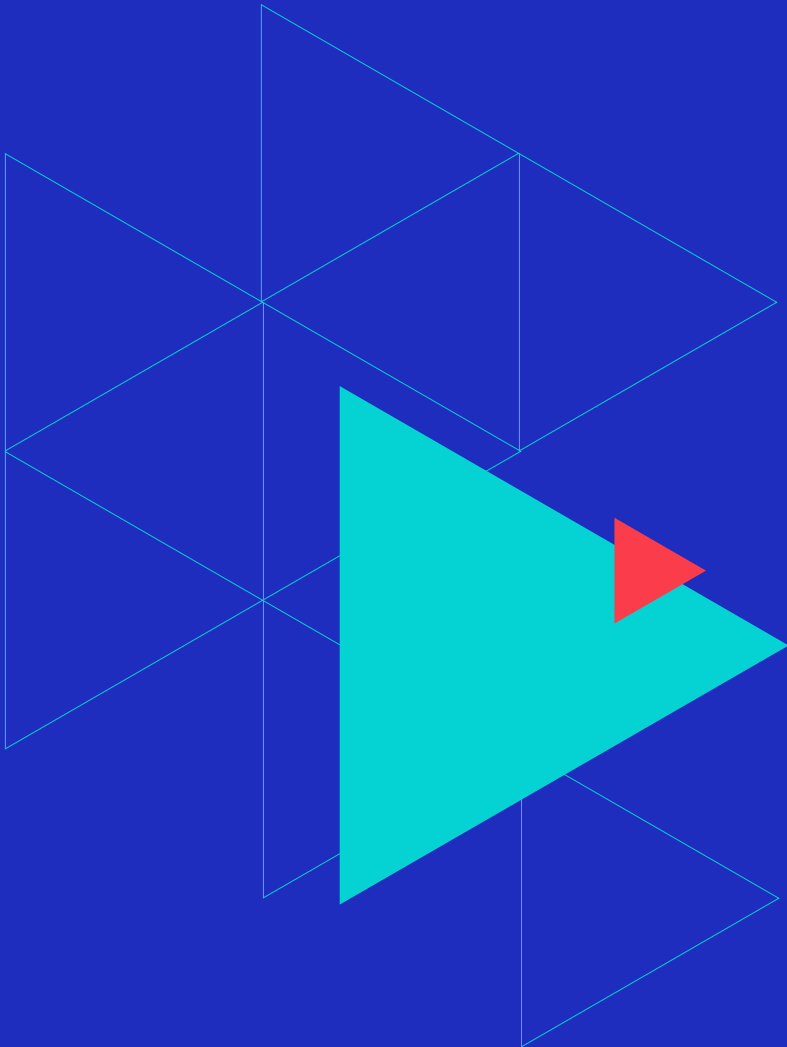
Improving transparency in registration, subscription collection, participation management, benefit calculation and disbursements is crucial to ensure trust and accountability. Streamlining these business processes, along with their subsequent automation and digitalization, represents a viable pathway forward. The primary issue with registration and subscription is lack of digitalization, which impedes the efficiency of the process for both employers and self-employed/informal workers. Digitalization can offer a clearer path for individuals to navigate and ensure that their participation in either the mandatory or voluntary scheme is accurately recorded and monitored. It also enhances transparency, as certain technologies enable tracking of the history of operations. Pursuing automation and digitalization of social security business processes will help to address existing bottlenecks, facilitate information exchange between different state institutions and improve the overall efficiency of operations.

The Ministry of Labour and Social Affairs in Federal Iraq and the KRI recognize the need for digitalization, but also acknowledge that they cannot achieve this alone. The KIIs highlighted the importance of inter-agency collaboration, with suggestions that, for example, the Ministry of Housing and Reconstruction (in both Federal Iraq and the KRI) assist in registering construction workers. This collaboration can streamline the registration process and provide a comprehensive approach, covering different subsectors of the workforce (KII-3, SSD, female, Baghdad), (KII-1, trade union expert with 25 years' experience, male, Duhok) and (KII-2, Trade and Crafts Unions, Erbil).

Amending the laws to allow workers to register for social security without losing their SSN entitlement. Clearly differentiating between individual and household social protection rights and entitlements and ensuring a sufficient period for workers to transition from social assistance to social security will ensure that all workers, regardless of income level, have access to essential social protections, thus fostering a more inclusive, equitable and right-based social protection system.



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► Appendix I

Figure 1. Distribution of wage workers by casual and non-casual work status in the construction sector

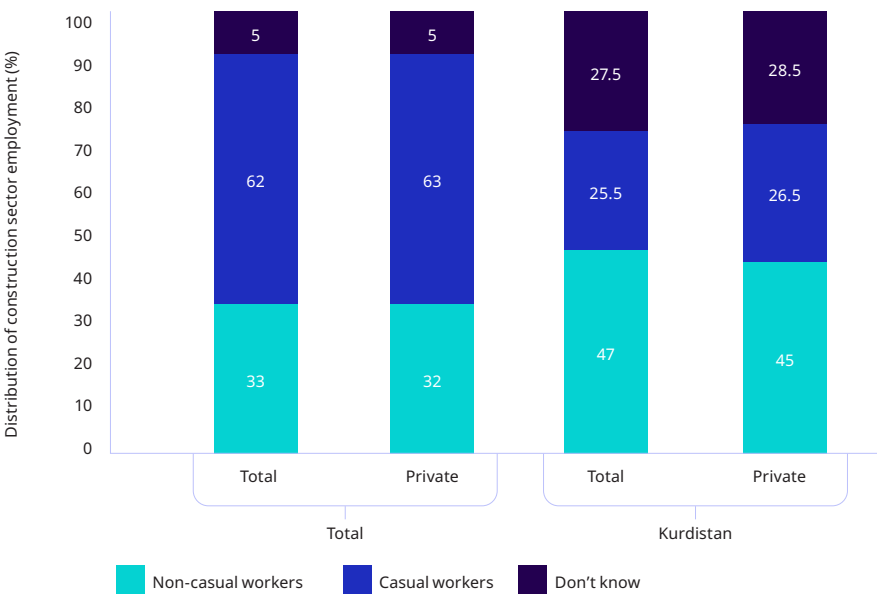


Table 1. Informality and age by employment status

Region	Employment status	Total workers (Numbers)		Informal workers (Numbers)		Informality rate (%)		Average age in years, informal workers	
		Men	Women	Men	Women	Men	Women	Men	Women
Federal Iraq									
	Employees	1 085 814	3 223	1 084 173	3 223	100	100	29	26
	Employers	76 736	0	76 120	0	99	0	42	
	Own-account workers	92 558	0	90 326	0	98	0	35	
	Contributing family workers	3 786	0	3 786	0	100	0	23	
	Total	1 258 894	3 223	1 254 405	3,223	99.6	100.0		
Kurdistan (KRI)	Employees	75 781	0	74 494	0	98		33	
	Employers	8 860	0	8 860	0	100		42	
	Own-account workers	11 233	0	10 777	0	96		36	
	Contributing family workers	1 126	0	1 126	0	100		22	
	Total	97 000	0	95 257	0	98.2	0.0		

► **Appendix II**

Table 2. Demographic information of the qualitative sample

Type	Locations	Gender	Age in years	Education	Duration	Code/Area of Work
KII-1, FI	Baghdad	male	N/A	Bachelor	65 mins	KII-1, Human Resource Department, MoLSA, Baghdad
KII-2, FI	Baghdad	female	N/A	Bachelor	27 mins	KII-3, SSD, MoLSA, Baghdad
KII-3, FI	Baghdad	male	N/A	Bachelor	38 mins	KII-4, Worker's Social Security and Pension, Baghdad
KII-4, FI	Basrah	male	N/A	PhD	No record	KII-5, Consultant in the General Federation of Trade Unions
KII-5, FI	Baghdad	male	N/A	Bachelor	36 mins	KII-6, Legal Advisor - MoLSA, Baghdad
KII-6, FI	Baghdad	male	N/A	Bachelor	No record	KII-7, Parliament's Social Affairs Committee, Baghdad
KII-7 FI	Baghdad	male	N/A	Bachelor	32 mins	KII-8, PSSD, MoLSA, Baghdad
KII-8, FI	Baghdad	male	N/A	Bachelor	N/A	KII-9, Iraqi Federation of Trade Unions, Baghdad
KII-9, FI	Baghdad	male	N/A	Bachelor	29 mins	KII-10, Legal Consultant, PSSD, Baghdad
KII-10, FI	Baghdad	male	N/A	Bachelor	32 mins	KII-11, Inspection Department, SSD, Baghdad
KII-11, FI	Baghdad	male	N/A	BA	32 mins	KII-11, Inspection Department, SSD, Baghdad
KII-1, KRI	Duhok	male	60	Bachelor	45 mins	KII-1, Trade union expert with 25 years' experience, Duhok
KII-2, KRI	Erbil	male	61	Bachelor	74 mins	KII-2, Trade and Crafts Unions, Erbil
KII-3, KRI	Erbil	male	37	Bachelor	30 mins	KII-4, Legal Affairs, SSD, Erbil
KII-4, KRI	Erbil	male	34	Bachelor	30 mins	KII-5, Department of Labour, MoLSA, Erbil
KII-5, KRI	Erbil	male	53	Bachelor	25 mins	KII-6, MoLSA, Erbil
KII-6, KRI	Erbil	male	48	Masters	64 mins	KII-7, MoLSA, Erbil
KII-7, KRI	Erbil	male	51	Bachelor	48 mins	KII-8, Legal Advisor, MoLSA, Erbil
KII-8, KRI	Erbil	male	40	Bachelor	20 mins	KII-10, Supervisor of Labour Inspection, MoLSA, Erbil
KII-9, KRI	Erbil	male	56	Bachelor	14 mins	KII-11, Pension Department, Ministry of Finance-KRG, Erbil
IDI-1, FI	Al-latifia	male	26	Bachelor	9 mins	IDI-1, Construction worker, Baghdad

IDI-2, FI	Al-latifia	male	22	No education	5 mins	IDI-2, Construction worker, Baghdad
IDI-3, FI	Al-latifia	male	21	No education	5 mins	IDI-3, Construction worker, Baghdad
IDI-4, FI	Baghdad	male	42	N/A	9 mins	IDI-4, Construction worker, Baghdad
IDI-5, FI	Baghdad	male	29	N/A	28 mins	IDI-5, Construction employer, Baghdad
IDI-6, FI	Basra	male	58	N/A	14 mins	IDI-6, Construction employer, Basra
IDI-7, FI	Baghdad	male	56	N/A	23 mins	IDI-7, Construction employer, Baghdad
IDI-8, FI	Baghdad	male	60	N/A	16 mins	IDI-8, Construction employer, Baghdad
IDI-9, FI	Basra	male	65	N/A	64 mins	IDI-9, Construction employer, Baghdad
IDI-1, KRI	Erbil	male	55	N/A	35 mins	IDI-1, Construction employer, Erbil
IDI-2, KRI	Erbil	male	32	Bachelor	14 mins	IDI-2, Construction employer, Erbil
IDI-3, KRI	Erbil	male			30 mins	IDI-3, Construction employer, Erbil
IDI-4, KRI	Erbil	male	N/A	N/A	27 mins	IDI-4, Construction employer, Erbil
IDI-5, KRI	Erbil	male			60 mins	IDI-5, Construction worker, Erbil
IDI-6, KRI	Erbil	male			46 mins	IDI-6, Construction worker, Erbil
IDI-7, KRI	Erbil	male	53	High school	13 mins	IDI-7, Construction worker, Erbil
IDI-8, KRI	Duhok	male	22	Bachelor	11 mins	IDI-8, Construction worker, Erbil
IDI-9, KRI	Erbil	male	44	N/A	13 mins	IDI-8, Construction worker, Erbil
IDI-9, KRI	Duhok	male	54	Primary	28 mins	IDI-9, Construction employer, Duhok
FGD-1, FI	Baghdad	4 males	N/A	N/A	33 mins	FGD-1, Construction workers, Baghdad
FGD-2, FI	Baghdad	5 males	N/A	N/A	12 mins	FGD-2, Construction workers, Baghdad
FGD-3, FI	Basra	4 males	N/A	N/A		FGD-3, Construction workers, Basra
FGD-4, FI	Basra	4 males	N/A	N/A	18 mins	FGD-4, Construction workers, Basra
FGD-5, FI	Baghdad	6 males	N/A	N/A	13 mins	FGD-5, Construction workers, Baghdad
FGD-1, KRI	Erbil	5 males	N/A	N/A	30 mins	FGD-1, Construction workers, Erbil
FGD-2, KRI	Duhok	5 males	32	Primary	25 mins	FGD-2, Construction workers, Duhok
			28	Primary		
			42	No education		
			22	Primary		
			36	No education		

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