

# **Faces of Economic Inequality in the Iraqi Kurdistan (2004-2010): The Role of Regulation**

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## **1. Abstract**

This thesis sheds light on the main aspects of economic inequality in the Iraqi Kurdistan. The main objective of this journey is to determine the reasons for the growing inequality in the period under study (2004-2010) in Iraqi Kurdistan, hoping to reach some conclusions which pave the way to researching it.

Within this long journey, it has been argued that inequality is firstly inherited. Families have left different stores of abilities and skills to their children. However, this is not the only type of inheritance inequality. Part of the inheritance inequality has been caused by the nature of the economy and the political system, which have dominated in Iraq and Kurdistan during the last three decades. In the past, government intervention and massive regulation have been responsible for corruption and expanding inequality as a consequence, left another period of chaos. After removing Saddam, the political system has shifted to a free market, but without bringing the promised fruits for people.

Corruption has a hand in expanding distances between individuals, social groups, and geographical areas. Though elements of corruption can be seen through distributing national incomes, an evaluation for the public policies tells us that even in the absence of corruption, inequality can be expanding.

The culture of the labour market does not let the individuals perform well. It does not offer equal opportunities for two agents of the same age who hold the same certification. The traditional division of labour, between the market and the home, can still be observing. This division has made two types of market: the labour market and the marriage market. Women are socially encouraged to spend their energy and time on collecting the abilities that are necessary to make a good choice in the marriage market. The skills of the marriage market are clear: to be an honoured wife, who has had no previous relations with men and able to prepare food and take care of their children. Nevertheless, when they enter the labour market, they see another division: some jobs are for men, others for women.

The official surveys, done by international organizations in accordance with the Ministry of Planning of both Iraq and Kurdistan, in addition to the two surveys conducted by the researcher, show that there has been a huge gap between urban and rural areas as well.

## **Acknowledgments**

The thesis has received help from many people. Therefore, my acknowledgement is going to be long, though I will certainly not be able to mention every single name.

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## **Dedication**

I dedicate this thesis to Professor Gerd Nonneman, and my little son Las.

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## **Chapter One: Introduction**

The social distance between individuals and authorities, social groups, families and members of the same family, men and women, and inhabitants of the countryside and urban areas has been a notable problem in the Kurdistan region during the last two decades.

The question of inequality, at least at the academic level, has largely been ignored. One reason of this might be lies in the fact that inequalities are given; it has been everlasting and eternal. Hence, blaming nature or God has replaced any attempt to understand these social distances. Another reason is the failure of Marxism in achieving what the ideology itself promised, including a better life for all. However, even in the capitalist world, there has been a hot talk about this question after failing socialist block one by one. Examples of these studies can be found in the theory of human capital and human capability.

According to human capital theory, education, on-the-job training, and experience are main sources of investment in human capital or depreciation. However, Human beings need more than having a good standard of living. Hence, human capabilities should be focused. The first measures inequality only by the income gap. This view has largely focused on the standard of living, ignoring the quality of life. This includes the classical Marxist and related schools of thought, who posit that the upper class loots the economic resources at the expense of working class.

One might defend the fact that the standard of living of people in the Kurdistan region has improved in the last few years, but still the quality of life is under question. Accordingly, the issue and concepts of inequality in the Kurdistan region should be revisited. Thus, a more equitable distribution has become both a national interest and a major concern for individuals.

### **1.1 Rationale, Research Questions, and Hypotheses**

Based on the central question, the rationale of this thesis is to raise the issue of inequality from a different angle. This analysis should be useful both for government officials and other agents of society. It might be of interest to any social institution to have knowledge about the role of the unjust distribution of income and opportunity at least regarding their members' motivations and how one may challenge the sources of

inequality. And hence, the role of corruption, which has become a main problem of Kurdistan, will be paid attention.

*The central question of the thesis is:*

- Which factors are mainly responsible for the distribution of economic resources and for economic inequality: education, work experience, age, hours of working and energy, or luck, unequal inheritance, public policies, connections to politicians, and corruption?

This central question entails a number of sub-questions, including gender inequality.

- What are the sources of gender discrimination?

Why do women have less skill compared to men? Has income encouraged them to sacrifice their homework time to market time? Has increasing their participation rate in the labour force changed the balance of power with their male counterparts? And are they victims of the system or of men? How can labour market policies negatively or positively affect them and their fate in the labour market?

- What is the role and what are the impacts of corruption?

Have education, training, and work experience been, or can they be, significant in getting an opportunity, or have connections to the authorities, decision makers and political elite been equally or more important? Has government intervention caused corruption; if so, is the market economy filling the gaps?

*The main hypotheses of the thesis are as follows:*

The second group of factors (luck, unequal inheritance, public policies, connections to politicians, and corruption) was more responsible for the huge gap between individuals, households, employees, income inequality, job opportunities, and access to public and basic services; in two words, because of “economic inequality”.

- 1- Lack of the labour market policies contributed to the worsening of the gap.

## 1.2 Objectives

The objectives of this research can be summarized as follows:

1. Documenting wage differentials and the gender gap between public and private sectors during the period under study.
2. Investigating the main aspects of economic inequality in the Iraqi Kurdistan region and searching for its roots.
3. Researching the role of corruption in expanding the social distances.
4. Helping to fill the gap that currently exists in the academic literature in this regard in the case of the Kurdistan region. In addition, there is a hope that the survey used in this dissertation also contributes to filling the gap of data.

Most of the literature has focused on measuring the gap between A and B by nominal variables. By this, they concentrate on, for example, how family “A” is affected by their income compared to family “B” who may have a little more money to spend. Conversely, though this study will not ignore this aspect, this thesis will try to look at the picture from another dimension: inequality in human capabilities. In addition, market economy is almost always accepted as a solution to get rid of the social, political, and economical tensions; however, this study criticizes this view and says that we are victims of government intervention in the past and market economy in the present.

Any attempt which aims to maximize the welfare of society and tackle the issue of corruption in Iraq and the Kurdistan Region should first look at the quality and standard of living of social groups and individuals and try to make the gaps narrower; otherwise, we even cannot avoid violence. Recovery should start from the alleviation of the divisions between social groups and individuals. After living at war, including civil war, nothing would be more suitable for Iraqis than a just society that can offer different groups and individuals the same opportunities. Furthermore, moving from a closed society to an open society may raise the question of equality to a higher level. It is a vital priority for the Region to turn to this issue.

### 1.3 The Profile of the Region

For over seven decades, Iraqi governments denied the Kurds effective participation in governing Iraq or the Kurdish cities until the 1991-92 uprising which changed this shape of authority. The weakening of Ba'ath's power due to the U.S.A attacks during the Iraq against Kuwait invasion and the withdrawal of their administrative establishments in 1992 provided the Kurds further opportunity to govern their land. Since then, Kurdish people have had semi-independence from the central government. However, obtaining this dream did not guarantee a fair society.

The opportunity was translated into a semi-autonomous regional government through electing a parliament and forming a cabinet in 1992.<sup>1</sup> The government is called Kurdistan Regional Government (KRG). It constitutes about 44,000 square kilometres (25,000 square miles).<sup>2</sup> The KRG's hierarchy is comprised of the Presidency of the Kurdistan region, the Parliament of Kurdistan, The Council of Ministers, and 18 ministries as of 2010 (before, it was 40 ministries). Moreover, Kurds in Northern Iraq have shared authority with the central government. After Saddam's fall, the positions of the president of Iraq, the duty of Prime Minister, and the minister of Foreign Policy were, and still are, run by Kurds.

Nevertheless, this opportunity has not gone peacefully. Since the early 1990s, the vacuum left by Saddam has been filled by civil war, mainly between the Patriotic Union of Kurdistan (PUK) and Kurdistan Democratic Party (KDP) – the two major parties forming the KRG since the early 1990s. Although the Region was remarkably stabilized politically by 1997,<sup>3</sup> the KRG was divided into two cabinet administrations and has continued in this manner even though the direct fighting ended in 1998. This division has many consequences, such as spreading corruption activities and expanding the gap between social groups, because each party has tried to give more resources and offer the best opportunities to its supporters.

The 1990s as well as the 1980s were gloomy years for the Kurdistan region. The region was under fire everywhere. The UN sanctioned Iraq, including Kurdistan, but under the food-for-oil program and according to the Security Council Resolution (SCR)

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<sup>1</sup> Liam Anderson and Gareth Stansfield, *The future of Iraq: dictatorship, democracy, or division?*, (Palgrave Macmillan, 2004), p172.

<sup>2</sup> Statistical Abstract, Kurdistan Region-Iraq, Council of Ministers, Ministry of Planning, Regional Statistical Office, Number 1, 2007, p7.

<sup>3</sup> Gareth Stansfield, *Iraqi Kurdistan, Political development and emergent democracy*, First edition, (RoutledgeCurzon, 2003), p1.

1986, Iraq was allowed to sell and exchange its oil and use its revenues for humanitarian purposes between 1996 and 2003. Thirteen per- cent of the revenue was for the Kurdistan territory.<sup>4</sup>

In terms of a parliamentary system, in the early 1990s an attempt was made but ended in civil war. In 2005, in a second attempt, a new parliamentary election was held in Kurdistan alongside the national elections in the country. The PUK and KDP each won 41 seats of the 111 seats of the Kurdistan parliament – the rest of the seats were split among minor parties. In May 2006, a new unified KRG cabinet was sworn in. However, key ministries like Finance and Interior of the two cabinets are still scheduled to merge. Another election was held in mid July 2009. The main difference between this and previous elections was PUK was largely split into two parts. The part which was known as “reformists” emerged and has regulated a movement called Gorran, “Change.” Ironically, the basic slogan of this new group which was a former part of the PUK emphasizes their struggle against corruption.

Kurdistan is endowed with natural resources, such as petroleum, natural gas, phosphates, limestone, and marble. Oil reserves in Kurdistan are estimated to be about 45 billion barrels.<sup>5</sup> Moreover, the region has fertile land where people engage in agriculture by cultivating wheat, barley, rice, vegetables, and fruit and animal husbandry by raising sheep, cattle, and poultry.

Since the removal of the Ba’ath party in 2003, Kurdistan has become a formal region in Northern Iraq. This has been realized by the new Iraqi constitution. Now, the Kurdistan Region is comprised of three governorates (Sulaimaniyah, Erbil and Duhok), and includes a portion of Kirkuk. Erbil, where the KRG is based, is the capital of the Region, but Sulaimaniyah is the biggest governorate in terms of population. For decades now, Kurdistan has been attempting to reclaim a fourth province, Kirkuk; but there is still no official agreement with the central governments of Iraq to count it as a Kurdish city, though a portion of Kirkuk is under the KRG authority.<sup>6</sup>

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<sup>4</sup> Gareth Stansfield, 2003, *ibid*, p2.

<sup>5</sup> Gareth R. V. Stansfield, *Iraqi Kurdistan, Political development and emergent democracy*, 2003, *ibid*, p30-31.

<sup>6</sup> Further useful information and political arguments can be found in Gareth R. V. Stansfield 2003, *ibid*, and Liam Anderson and Gareth Stansfield, 2004, *ibid*.



## Map of Iraqi Kurdistan Region



Source: Annual statistics (1), Kurdistan Region-Iraq, Ministry of Planning, Regional statistical Office.

### 1.4 Conceptual Framework

Defining equality and inequality is anything but straightforward. Indeed, a wide variety of definitions exist. While we will employ a definition for the practical purposes of this thesis, a comparison with other related concepts will be necessary.

#### 1.4.1 Diversity versus Inequality

There has been a strong argument relating to natural inequality and nurture inequality: has our fate been given or is it humanly made?

“Human beings are thoroughly diverse,” Sen once wrote, “... not only in external characteristics... but also in our personal characteristics.”<sup>7</sup> This diversity can be in ability, talents, race and sex, etc., but societies have different understandings of these disparities.

According to the World Values Survey, 60 percent of Americans versus 29 percent of Europeans believe that the poor could become rich if they just tried hard enough; and a larger proportion of Europeans than Americans believe that luck and connections, rather than hard work, determine economic success.<sup>8</sup> In a brilliant paper, Sen also argues that personal heterogeneities and environmental diversities are only two sources of inequality.<sup>9</sup> The original diversity refers to the arbitrary distribution by nature or God. However, while men and women are not identical, the fate of women in social life is not a product of nature. Likewise, being blind by nature cannot be considered fair or unfair. What is possible to be judged is how human beings interpret the given features, being female and blindness in this case, into real life. If there is little choice for a blind person to be involved in the labour market, then we should not look for two eyes, at least in the short term, to return the individual into social activities. We should search the social environment that restricts his entering into the market either as consumer or employee. That does not mean, of course, we should ignore the natural roots of the disease, blindness in this example. Developing the scientific researches and technological instruments to prevent the diseases is at the top of the priority list. Dreze and Sen put it properly into content when they say:

Blaming nature can, of course, be very consoling and comforting. It can be of great use especially to those in positions of power and responsibility. Comfortable inaction is, however, typically purchased as a very heavy price – a price that is paid by others, often with their lives.<sup>10</sup>

Along the same line, the level of organizing society does determine the degree of any natural catastrophe. The earthquake happened in early 2010 in Haiti, which killed

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<sup>7</sup> Amartya Sen, *Inequality Reexamined*, First Edition in paperback, (Oxford University Press, 1995) p.1.

<sup>8</sup> Alberto Alesina and George-Marios Angeletos, ‘Fairness and Redistribution’, *The American Economic Review*, Vol. 95, No. 4 (Sep., 2005), p960.

<sup>9</sup> Amartya Sen, ‘From Income Inequality to Economic Inequality’, *Southern Economic Journal*, Vol. 64, No. 2 (Oct., 1997), pp385-386.

Stable URL: <http://www.jstor.org/stable/1060857> (Accessed: 14/02/2009 08:38)

<sup>10</sup> Jean Dreze and Amartya Sen, *Hunger and public action*, Clarendon Press, (Oxford, 1989), p47.

hundreds of thousands of people,<sup>11</sup> may have caused fewer victims if it had happened in developed countries. In short, “[T]he societies and the communities to which we belong offer very different opportunities as to what we can or cannot do”<sup>12</sup> Therefore, the egalitarian approach should go beyond natural disparities to focus on its roots in a social life.

Thus, the concept of inequality properly interpreted should not refer to the original diversity, which might be experienced as a positive. In Butler’s expression, “[E]quality would not be the equalization of given differences...[and] the proliferation of differences is the precondition for the expansion of the logic of equality”.<sup>13</sup> Butler adds that

[T]o say that two things are equal-i.e., equivalent to each other in some respects-presupposes that they are different from each other in some other respects (otherwise there would be no equality but identity). In the political field equality is a type of discourse which tries to deal with differences; it is a way of organizing them, if you want.

In other words, claiming equality is not a claim for homogeneity. The latter concept is in contradiction to the difference concept or tolerance while equality is at war with inequality.

To more precisely seize the concept as it has been defined, inequality is “the unfair difference between groups of people in society when some have more wealth, status, or opportunities than others.”<sup>14</sup> As Butler points out, the term “exclusion” is useful to define inequality. Any individual or group who is excluded from an activity that is available for someone else shows an unequal distribution of resources. In contrast, the term “difference” is therefore problematic and hard to judge whether it is interchangeable with “inequality.” A numerous number of researchers have used the term “differences” to indicate the unfair gap between social groups and have even put it into the title of their papers.<sup>15</sup> Differences in income are largely acceptable because they

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<sup>11</sup> Haiti quake death toll rises to 230,000, <http://news.bbc.co.uk/1/hi/world/americas/8507531.stm> (Last accessed 10 April 2011)

<sup>12</sup> Amartya Sen, *On economic inequality*, (Oxford University Press, 1973), p.7.

<sup>13</sup> Judith Butler *et al.*, *The Uses of Equality*, (The Johns Hopkins University Press, Spring, 1997), p.5. Stable URL: <http://www.jstor.org/stable/1566266> (Accessed: 08/10/2009)

<sup>14</sup> Oxford Advanced Learner’s Dictionary, 7<sup>th</sup> edit, (Oxford University Press, 2005), p.793.

<sup>15</sup> See, for example, Aysit Tansel, *Public-Private employment choice: wage differential and gender in Turkey*, working papers, No. 199913, (1993), available at: [http://www.erf.org.eg/cms.php?id=publication\\_details&publication\\_id=217](http://www.erf.org.eg/cms.php?id=publication_details&publication_id=217). See also: Paul Chen and Per-

do not necessarily represent “fairness” or “unfairness.” As Atkinson mentioned, “[J]ust as we should not assume that any difference implies injustice, so too we should not conclude that the difficulties of comparison mean that distributional questions should be ignored.”<sup>16</sup> One can say that differences are moving on the same ground of diversity.

Equality is a demand for just distribution and provision of economic resources and social opportunities for every single individual regardless of sex, race, age, ideas, nationality, etc. “...the distribution of income and wealth has therefore to be assessed in the light of individual differences in needs.”<sup>17</sup>

#### **1.4.2 Income Inequality versus Economic Inequality**

Until the last quarter of the twentieth century, economists had substantially focused on income inequality. Thereafter, the term ‘economic inequality’ has become more prominent. Each represents a specific model of economic thinking.

Income inequality is largely used to refer to the wage gap between workers or households. In addition, it indicates the income distance between geographical areas and gender. Wage inequality is a discrimination against a group of workers in comparison to another. In other words, “income inequality represents interpersonal income differences within a given population.”<sup>18</sup> Economists try to link the wage gap with investment in human capital. They seek for causes of wage inequality in particular. Broadly speaking, there is a level of discrimination against each group of workers. These discriminations can be due to race, sex, or religion. However, it usually shows a MONEY gap. Nevertheless, it is possible to have social distances without having wage discrimination. In other words, “...differences in income do not necessarily imply the existence of injustice. It is possible that differences in income may reflect differences in needs.”<sup>19</sup>

This led to efforts to coin a more appropriate term in the field of economics which would encompass all elements of inequality. Sen is one of those attempting to develop alternative models to understand the social distances. He argues that the pen of

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Anders Edin, ‘Efficiency wages and industry wage differentials: A comparison across methods of pay’, *The Review of Economics and Statistics*, Vol. 84, No. 4(Nov.2002). Stable URL: <http://www.jstor.org/stable/3211722> (Accessed: 17/12/2008).

<sup>16</sup> A. B. Atkinson, *The Economics of Inequality*, second edition, (Oxford University press, 1983), p5.

<sup>17</sup> A. B. Atkinson, *The Economics of Inequality*, 1983, *ibid*, p4.

<sup>18</sup> Satya R. Chakravarty, *Inequality, Polarization and Poverty: Advances in Distributional Analysis*, (Springer, 2009), p1.

<sup>19</sup> A. B. Atkinson, *The Economics of Inequality*, 1983, *ibid*, p17.

income inequality model can draw only a part of the picture of unfair distribution of economic resources. Equality in income may cause inequality in other areas. Also, inequality in income does not explain inequality in some aspects, such as life expectancy.<sup>20</sup> Although the paper does not offer a clear definition, it is still possible to put the argument into one definition: ‘economic inequality’ stands for the social *distance* between individuals in terms of income, bequests, opportunities, and access to public goods and services, capabilities in one word. For example, the reason for undernourishment depends on the person’s access to food, health care, elementary education, sanitary facilities, and so on.<sup>21</sup> Thus, due to deprivation, the society fails in providing certain human capabilities to its members to achieve a decent well being.

This approach is more focused on the factors that lead to income inequality, not the other way round. Here, capability refers to freedom the people enjoy to pursue “valuable activities or functioning.”<sup>22</sup> The serious disease is with the inequalities in human developments made by human beings. This definition allows finding at least one of the keys to answer the question, like “Why has A achieved more than B?” Thus, and based on this definition, it is safe to say that the most important kind of inequality is in capabilities. Inequality in this respect is the failure of social and economical institutions to equally provide what a man or a woman needs to stand on his or her own feet with potential resources available within a period of time.

These two definitions, income versus economic inequality, explain two main camps of economic thinking and methodologies that have been powerful at least since the mid 1950s. I return to them in the following chapters.

### **1.4.3 Gender or Sex inequality?**

In the literature, there are mainly two words to describe differences between men and women: Gender and Sex. The word “gender” is a metaphor connecting “non-biological phenomena with a bodily experience of biological differentiation.”<sup>23</sup>

The term “sex” refers more to biological difference between men and women. Jacobsen suggests that there are two sorts of differences; one is biological, and the other

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<sup>20</sup> Amartya Sen, ‘From Income Inequality to Economic Inequality’, 1997, *ibid*, pp388-389.

<sup>21</sup> Jean Dreze and Amartya Sen, *Hunger and public action*, 1989, *ibid*, p13.

<sup>22</sup> Jean Dreze and Amartya Sen, *ibid*, p42.

<sup>23</sup> Julie Nelson, *Feminism, Objectivity and Economics*, First published, (Rutledge, London and New York, 1996), p5.

can be psychological, social, or cultural. The biological division is related to nature as it can be noted in gender differences: women have got two X chromosomes which help them produce children while men have got Y and X chromosomes.<sup>24</sup> He explains

[T]he nature side says that gender differences are sex differences: all observed gender differences are biological differences and are therefore traceable to the genetic and hormonal differences between women and men. The nurture side says that gender differences are separable from sex differences and that they are determined by cultural influences.<sup>25</sup>

Within gender, masculinity and femininity appear. The image we have within masculinity is men are often stronger and more rational while femininity refers to women as being emotional, soft, and weak. Culturally, as the latter represents the “weak” part of society, no one would like to be weak. The opposite is true for men.<sup>26</sup> Gender is concerned with the ascription of social characteristics, such as ‘womanly’, ‘manly’, ‘feminine,’ and ‘masculine’, all of which can be seen as culturally variable and not necessarily associated with the sex of an individual. At the core of ‘gender analysis’ is a concern with unjust inequalities between men and women.<sup>27</sup> Hence, the phenomenon investigated in this thesis is gender inequality as the outcome of social interactions.

Accordingly, gender discrimination in income terms exists “whenever the relative wage of males exceeds the relative wage that would have prevailed if males and females were paid according to the same criteria.”<sup>28</sup> By this, Oaxaca means that workers may work the same amount of hours, serve in the same capacity, have the same talent, and still receive different wages. But Oaxaca did not distinguish between direct and indirect discrimination. Mincer and Polachek suggest that

[D]irect market discrimination occurs when different rental prices (wage rates) are paid by employers for the same unit of human capital owned by different persons (groups). In this sense, the wage-gap residual is an upper limit of the direct effects of market discrimination. Indirect effects occur in that the existence of market

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<sup>24</sup> Joyce Jacobsen, *The economics of gender*, second edition, (Blackwell,1998), p7.

<sup>25</sup> Joyce Jacobsen, *ibid*, p7.

<sup>26</sup> Julie Nelson, *Feminism, Objectivity and Economics*, 1996, *ibid*, p7.

<sup>27</sup> Jude Browne (eds.), *The future of gender*, Jude Browne: Introduction, (Cambridge University press, 2007), pp1-2.

<sup>28</sup> Ronald Oaxaca, ‘Male-Female wage differentials in urban labor markets’, *International Economic Review*, Vol. 14, No. 3 (Oct., 1973), p694.

Stable URL: <http://www.jstor.org/stable/2525981> (Accessed: 01/12/2008)

discrimination discourages the degree of market orientation in the expected allocation of time and diminishes incentives to investment in market-oriented human capital. Hence, the lesser job investments and greater depreciation of female market earning power may to some extent be affected by expectations of discrimination.<sup>29</sup>

Accordingly, the profile of earnings among married and unmarried women in comparison to men as well are obvious: “[G]reater investment ratios imply a steeper growth of earnings, while declining investment profiles imply concavity of earnings profile.”<sup>30</sup>

However, as discussed previously, this definition covers only one part of the issue. Income inequality is only one measurement to show the social position or market discrimination against women in comparison to men. Other measurements should be attached to obtain a broader image of this kind of inequality. The Human Development Report already stressed that in 1995 “[I]n no society today do women enjoy the same opportunities as men. This unequal status leaves considerable disparities between how much women contribute to human development and how little they share in its benefits.”<sup>31</sup>

Overall, the freedom men enjoy is often broader than women’s. Nevertheless, both men’ and women’s identity are socially constructed, as will be discussed in the coming chapter. So the picture is more complex. Still, the comparison is an excellent indicator to show how far women as a part of society are deprived from basic freedom and capabilities.

#### **1.4.4 The Definition of Corruption**

The last few years have produced several empirical studies on corruption, particularly its links with inequality. Corruption is as complex as inequality; therefore, it is not an easy task to define it.

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<sup>29</sup> Jacob Mincer and Solomon W. Polechak, ‘Family investments in human capital’, (Mar-Apr. 1974), p.S104.

<http://www.nber.org/chapters/c3685.pdf>

<sup>30</sup> Jacob Mincer and Solomon W. Polachek, *ibid*, p.S86

<sup>31</sup> Human Development Report 1995, Still an equal world, p.29.  
[http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap2.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap2.pdf)

The act of corruption can vary from country to country; but, unlike Edward L. Glaeser and Raven E. Saks,<sup>32</sup> its definition should be the same. According to one definition, corruption is “the unsanctioned or unscheduled use of public political resources and/or goods for non-public ends.” However, it is not clear what these authors meant by “public political resources.” It might be plausible to say “public resources”. In another definition, they say that “corruption also involves efforts to secure wealth or power through illegal means- private gain at public expense, or a misuse of public power for private benefit” and that “violations of the common interest for special advantages are corrupt.”<sup>33</sup> The term “misuse of public power” may help us to give a proper definition elsewhere. In another definition, corruption is better understood as a private gain from public office use.<sup>34</sup> Hence, I borrow the term “private gain”.

Stealing from a private shop, for instance, should not be classified as corruption. Rent-seeking behaviour is not particular to politicians or bureaucrats; less advantaged, private individuals exhibit the behaviour too; but the motivations may be different. The last note about corruption defines it as “dishonest or illegal behaviour, especially of people in authority.”<sup>35</sup> According to this definition, any illegal behaviour is considered as a rent seeking activity. What is missing here is a “misuse of public resources” term, because one might do the activity at the expense of private resources, such as unfaithful behaviour within family life, but still cannot be classified as corruption.

Rearranging the definitions, corruption, in this thesis, is defined as: a misuse of political power and/or public resources for special gain during a specific time. It is also possible to define it as “an illegal way of affording self-aspirations by using public resources.” Job-shirk and tax evasion are examples of corruption.

Returning to the central question of the thesis: as Alesina and Angeletos put it, individuals originate incomes through two basic sources: a standard productive activity and a non-market, rent-seeking activity. Hence, differences produced by the productive activity are considered fair, converse to the inequality generated by the rent-seeking

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<sup>32</sup> Edward L. Glaeser and Raven E. Saks, ‘Corruption in America’, *Journal of Public Economics* 90, issues 6-7(August, 2006), p. 1054.

<sup>33</sup> Kwadwo Konadu-Agyemang and Judith Shabaya, ‘What has Corruption Got to do with it? Understanding the Persistence of Rural-Urban and Inter-Regional Inequalities in Ghana and Zimbabwe’, *GeoJournal*, Vol. 62, No. 1, ( 2005), p131.  
<http://0-ejscontent.ebsco.com.lib.exeter.ac.uk>

<sup>34</sup> Kwabena Gyimah-Brempong, ‘Corruption, economic growth, and income inequality in Africa’, *Economics of Governance*, Vol. 3, No. 3, (2002), p186.

<sup>35</sup> Oxford Advanced Learner’s Dictionary, 7th edition, p.344

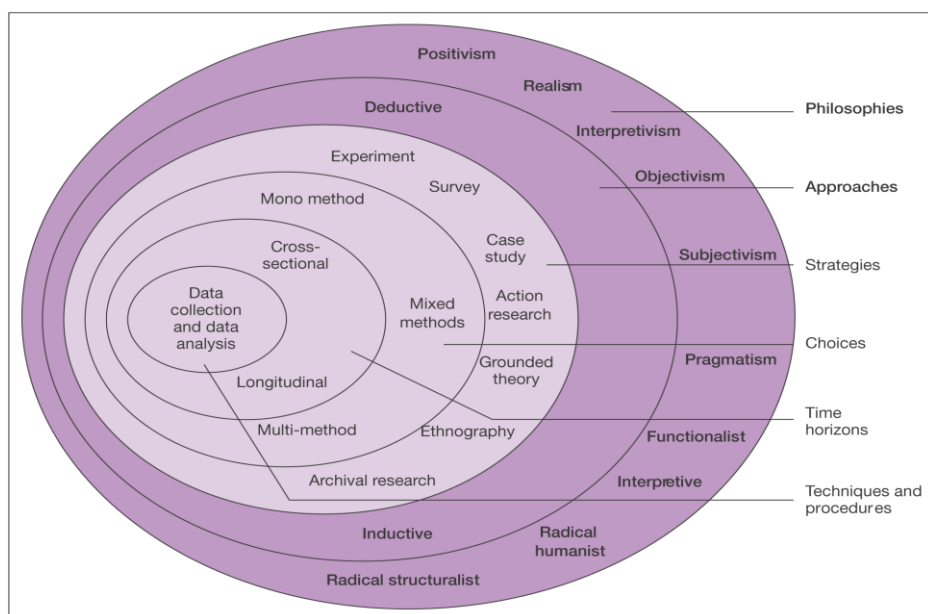


activity which should be considered unfair. Also, “people are more willing to accept inequality of outcomes generated by what is perceived as effort or ability than luck or connections.”<sup>36</sup>

In summary, corruption is not a concept that can be used to illustrate any illegal behavior. It is a specific concept for a specific activity, but it has a close link to inequality. Each supports the other as will be discussed in detail later.

## 1.5 Methodology

Different statistical tools will be used in this thesis. But the methodology goes beyond economics or, indeed, positivism. The first method is quantitative, while whatever methodology which cannot help to illustrate the gap issue is filled by a qualitative one. To illustrate this, the 'research onion' of Saunders *et. al.* (2007) is useful.<sup>37</sup>



Few notes can be drawn on this onion as follows:

- The first layer of the onion is devoted to the philosophy of the research. It consists of four major schools. The research methodology is considered positivist if it has some hypotheses to be tested in a laboratory. It seeks exact numbers, therefore uses a quantitative method. Sociologists and economists, such as Marx among others, tried to

<sup>36</sup> Alberto Alesina and George-Marios Angeletos, ‘Corruption, inequality, and fairness’, *Journal of Monetary Economics*, Vol. 52, Issue 7, (October, 2005), p1228. <http://lib.exeter.ac.uk/search> (last accessed 11 May 2010)

<sup>37</sup> Mark Saunders, *et. al.*, *Research Methods for Business Students*, Fourth Edition, (Prentice Hall, 2007), pp102-121.

implement this philosophy in social science but were not successful as social variables differ from natural phenomenon. This gap has been filled by realism, which deals with social variables as objects occur in the real world not in the human mind. But as things change, interpreting them according to researcher's objectives is necessary. Hence, interpretivism is applied. Interpreting is necessary for the researcher to "conduct research among people." This methodology is more related to the qualitative method; that is to say, words not exact numbers. Finally, every researcher may follow pragmatism because when he or she adapts "between one position and the other," it will be "somewhat unrealistic in practice." A level of pragmatism philosophical methodology appears based on the questions of the research. The questions tell which methodology is to be used to investigate.

Hence, it is hard to say that this thesis uses positivism or realism. As it works on regressions, it enjoys elements of positivism which is objectivist to some extent. But as it refers to perception of people, it uses qualitative data, so is subjective at the same time. In any case, elements of each approach can be found in every social studies, including the one under study.

- For the second layer, this research uses both. On the one hand, it is deductive research in a sense that it tests the hypotheses through finding the relationships between the variables. In other words, to reach some conclusions, it tries to find exact relationships between the variables that affect growing inequalities. On the other hand, it is inductive research because it interviews people in their shops and takes experiences from their real lives to understand the reality in details.
- One more important note is with the fifth layer. This research uses a cross-sectional technique instead of a time series. The reason is the latter is likely to be impossible to get in a country which passes through war and involves corruption. In addition, the cross-sectional takes a point in a year but is still useful in investigating the questions. The rest of the onion is clear and can be illustrated in the coming titles.

### **1.5.1 Official Data**

The data and statistical indicators used for the analyses are obtained from a range of sources. The main ones are the following:

- The Iraqi Living Conditions Survey (2004), available at: [http://cosit.gov.iq/english/cosit\\_surveys.php](http://cosit.gov.iq/english/cosit_surveys.php)

- The Youth Attitude and Activities in Iraq, 2006.
- Iraq Households socio-economic Survey 2007(IHSES-2007), available at [http://cosit.gov.iq/english/cosit\\_surveys.php](http://cosit.gov.iq/english/cosit_surveys.php)
- The Report of Poverty Line and Faces of Poverty in Iraq, March 2009.
- Iraq National Report on the Status of Human Development, 2008.
- Multiple Indicator Cluster Survey 2006 (MICS3).
- Iraq Rapid Household Budget Survey 2005
- Utilizing from data of the Ministry of Labour and Social Affairs in the Kurdistan region and the Ministry of Planning in the Kurdistan region and Iraq.
- The Database of International Labour Organization (ILO), [www.ilo.org](http://www.ilo.org).
- Other sources: Documents on the Kurdistan Regional Government's Budget 2009.
- Survey about "A study on labour market and vocational training in Kurdistan" by the Ministry of Education in Sulaimaniyah city in 2002.

The focus of the thesis pertains to the period after the invasion of Iraq in 2003. The reason is not to check what has been changing since then. The available official surveys left the researcher little choice, as there were no valid official surveys, to the best of his knowledge, prior to 2003. Therefore, the study deals with the period before 2003 as a background to show inherited factors that still run the present society. This division of periods, the 1990s and very early 2000s as a background, also allows us to understand the changes which have taken place in the last two decades.

For example, there has been a good level of political stability since 1998, the year announcing that the cease-fire between the main two parties had been started. However, the 1999 variables may have been more affected by civil wars and sanctions. Later, after 1998, the civil war was changed to political conflicts between the two biggest main parties (PUK and DPK). Since 2003, the Region has entered a new circumstance after the integration of the Erbil administrative authorities with the administration of Sulaimaniyah. Thereafter, the Kurdistan government has chosen Erbil as the capital of the Region, and most of the administration establishments have been

moved to the capital. In the meantime, Kurdistan has officially become a part of the Iraqi state, affected by the central government's decisions and open to the world competition as well. Since 2008, for instance, the central government has increased the public sector wages.

Returning to the core of the methodology, the study first tries to use indicators of standard of living (e.g., income inequality among social groups or according to territories), then indicators of education level, such as illiteracy rate according to territories (e.g., cities compared to rural areas or comparing cities with each other), or according to sexes of the same city or the surrounding areas. In addition, unemployment rate and the labour force participation of both sexes are considerably used to show the geographical gap in terms of standard and quality of living and regarding gender gap. Of course, health care indicators are among the significant tools. Generally, indicators on education and health care may widen our understanding about the quality of life in Kurdistan and how it is divided among individuals and households, while others tell us the standard of living and income gap among them. In short, the Human Development Index and Labour Force Index will be the main indexes used in investigating faces of economic inequality.

The official data and surveys have suffered from lack of providing sufficient information about the secrets of the picture. For example, they do not directly offer us information about the role of family background or the family tree which can be considered among the most vital factors that cause inequality to be expanded. In addition, they do not give a strong clue to understanding the gap between men and women regarding their wages, although other indicators (e.g., the labour force participation rate) might be helpful. In any case, a questionnaire imposes itself on the thesis.

In regard to corruption methodology, Glaeser and Saks have used registered numbers of government officials who are involved in corruption activities and have been convicted of it by the Federal justice department. Also, they do not expect that the probability of being caught and punished can be close to zero even among leaders.<sup>38</sup> Although it gives a piece of evidence for the availability of this activity, as Blackburn and Forgues-Puccio point out, the method suffers from lack of providing information

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<sup>38</sup> Edward L. Glaeser and Raven E. Saks, 'Corruption in America', 2006, *ibid*, p1054.

about only on a fraction of corruption activity.<sup>39</sup> Alternatively, they argue, by comparing the exact revenue the government received with what must be received, as the government knows the rate of tax on income, we may have a way to show that corruption is occurring and how much income can be lost.<sup>40</sup> It is possible to interpret this idea into a mathematical function:

$$\text{Tax revenue corruption} = \text{estimated tax revenue} - \text{actual tax revenue}$$

According to this simple equation, in the absence of corruption, estimated tax revenue should nearly be the same as actual tax revenue received by government. This is an indicator to show a level of corruption, though it tells us little about the real rent, money for example, collected by bureaucrats and other agents. For example, it does not tell us how much real revenue is being lost. In addition, counting the tax revenue that was lost through illegal importing of commodities or through smuggling is a difficult task. Finally, how can we know that a piece of land, for instance, is sold for less than its market value by a policymaker? More important, there are signs of corruption that can be observed without having sufficient evidence on “how much” income the government misplaces.

Other techniques developed by international organisations, such as Transparency International, are more inclusive and proper. These techniques were highly relied on in questionnaires about bribes and other activities sent to people of the corrupted country. By using correlated socio-economic variables, these technique instruments have greatly provided an acceptable measurement of rent-seeking activities.<sup>41</sup> Through this procedure, the Corruption Perception Index (CPI) comes out. For example, the CPI 2010 is calculated to “standardise the data provided by the individual sources (that is, translate them into a common scale),” then “tak[ing] the ranks of countries reported by each individual source.” After this step, performing what is called a beta-transformation on the standardized scores” will start. This procedure “makes it possible to differentiate more precisely between countries that appear to have similar scores...Finally, the CPI

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<sup>39</sup> Keith Blackburn and Gonzalo F Forgues-Puccio, ‘Distribution and development in a model of misgovernance’, *European Economic Review*, Vol. 51, Issue 6, (2007), p.1535  
<http://0-www.sciencedirect.com.lib.exeter.ac.uk/science/article/pii/S0014292106001292>

<sup>40</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, ‘Distribution and development in a model of misgovernance’, 2007,ibid, p.1541.

<sup>41</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, ‘Distribution and development in a model of misgovernance’, 2007,ibid, p.1535-1536.

scores are determined by averaging all of the standardised values for each country.”<sup>42</sup> Recently, a survey has arranged countries from 1 to 180 according to the level of corruption with number 1 being the least corrupted country. Iraq has ranked number 177 among 180 countries.<sup>43</sup>

### 1.5.2 Questionnaire

As Saunders *et al* explain interviews and other kinds of observations do not usually come up with the results that a researcher looks for because the observers may not want to talk frankly. Therefore, questionnaire is helpful in achieving the outlined goals.

The questionnaire survey covers the private and public sector employees' wages, working environment, firms' problems with the employment of females and skill shortages, families allocating time and money, etc. Further, since income inequality is a main instrument of measuring inequality, the study tries to use available indicators created by the formal surveys. However, these are insufficient for the purposes of an academic research project such as this.

A randomly distributed questionnaire with some 650 individuals from both sexes across sectors in Sulaimaniyah city was administered in July 2010. The samples of the official surveys mentioned previously were 1,000 families in each city. However, this is might be hard to conduct alone. Instead, two kinds of questionnaires have been distributed. One of them concentrated on corruption, which handed out among people, either in urban or in rural area, randomly as the issue of corruption is related to every individual of the society. The inhabitants were included workers of the public and private sectors, or the self-employed. Thus, for example, an employee chosen from the private sector helps to understand the size of corruption activities in this sector. The same is true for the public sector employees. The self-employed people, who might be working in the agriculture sector as those people who live in Qaradakh or Derbendikhan and filled the forms, tell the general perception of people about corruption. In addition, and for this survey only, the illiterate people were taken help in filling the forms by the

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<sup>42</sup> Corruption Perceptions Index 2010, Short methodological note, transparency international, the global coalition against corruption. Available at [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/in\\_detail](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/in_detail) (last accessed 10th January 2010)

<sup>43</sup> The most and least corrupt nations, International Transparency Organization, (2008). <http://www.infoplease.com/world/statistics/2008-transparency-international-corruption-perceptions.html>

researcher<sup>44</sup>. The other survey paid attention to aspects of inequality and people's perception on this issue. This one was only conducted in the private and public sector. The private companies were mainly Asia Cell, a telecommunications company based in Sulaimaniyah, and Homma Company for Travelling. The public directories were many, including the Directory for Selling Oil Products and Mortgage Tax. However, the researcher avoided to give the forms to other people outside the private and public sector. The corruption questionnaire was randomly given to the public, but the inequality questionnaire was only given to public and private sector employees. The reason for this is that the first one is more general in which everybody may present his or her voice, but the latter is more complex and needs to be for an individual with no institutional support, put into a narrow space with specific social groups. It was not also easy to access to an individual who passes by in a street or drinks a tea at a cafe and ask him/her to answer tens of questions. It could also raise the question of reliability, in addition to increasing the probability of risk and safety that might have been faced the researcher due to the nature of the subject (e.g. questions relates to gender inequality). In other words, the public and private employees are easier to access and deal with compared to the other unknown people outside of these two sectors.

Two hundred and thirty one completed forms were returned from the first questionnaire and 314 from the second. Fifteen forms from the first questionnaire and 19 forms from the second one were taken out of the survey as there were no sufficient answers by the correspondents. These numbers give us a clear idea about how big the issue is in the Kurdistan region. The first questionnaire asked 33 central and sub-questions, and the second one asked 42 central and sub-questions. Thus, in total, 75 central questions and sub-questions were asked. I have tried to avoid those questions for which the official data already had answers.

Most of the questions that have been proposed found either in the previous surveys done in other countries, such as Egypt or the International Corruption Index, or I personally took out from the literature and theories used in this thesis as some questions might be come out from the reality of the place that the researcher would like to focus on (see section 1.5.1). In this regard, I can claim that few questions in the corruption form have been asked even in the International Corruption Index. One more

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<sup>44</sup> Ironically, when it had come to the issue of corruption, the correspondents were likely to be happy in expressing their opinion as they thought that might help to pass their messages, through the forms, to other people, or authorities, living in the Western countries, such as the UK.

important point to note: respondents had some difficulty with the kind of coding that uses “scales ranking” from 1 to 5. I opted for a 1-5 scaling system to make it easier for people, instead of a 1-10 scaling system, but most of them could not answer without my help. Although I relied on some friends and relatives in distributing some forms, I often personally administrated the process and involved with most of the steps. I managed to explain the questions, the complicated ones in particular, in Kurdish language either to those friends and relatives who were helping in filling the forms, or directly to most of the correspondents, individually or as a group; although they would return to me and ask for more explanation in many cases. There might be some difficulties made by myself and a few mistakes. For instance, in the Inequality questionnaire, I asked a question about educational level, and I assigned the number 1 to the answer “illiterate” even though the questionnaire was only given to educated individuals. Although such difficulties limited the evidence obtained, the data remain nevertheless reliable.

Furthermore, people are not used to filling out questionnaire yet, and the difficulties were mostly related to their poor educational background. The correspondents had also problem with the time they needed to fill the form. These difficulties had also caused me to cancel some crucial questions related to gender inequality.

Now, it is possible to claim that more than 560 unknown individuals, including interviewees from public and private sectors and informal sectors, have expressed their opinions and participated to shape the idea of this thesis. Without these questions, for instance, it would be hard to understand how a citizen who comes from a village to work in a city achieves less than one who comes from a city.

These questions will allow us to estimate some relationships. For instance, we will try to collect information on: final educational level, job experience, and nonparticipation of the labour force because of marriage, childbearing, or parental education. These are to estimate the impact of discontinuity at work on the fate of the individual, especially the earnings of married women.

The methodology for wage and gender gap comes from the traditional earnings function that has been used by Becker and Mincer. The questions regarding wage gap is written based on the information given by these two outstanding economists.



Mincer provides information to express the earnings function which is either in dollars or in natural logs. Because log earnings can be expressed in units of time -years of schooling and years of experience- then it is preferable to use logarithmic formulation. This function can illustrate the relationship between schooling and post-schooling investments, too.

In the traditional specification, returns to education are estimated as follows:

$$\ln W = B_0 + B_1EDU + B_2EXP + B_3EXP^2 + u$$

Where EDU is the number of years of schooling, EXP is years of experience (experience = age – years of schooling- six or five, the age of entry into school), EXP<sup>2</sup> is experience squared (the interrelations between work experience and education) and u is a random disturbance term.

Adopting the methodology from Oaxaca (1973) and others, researchers have used the following logarithmic wage equation to find the differences between public-private sector workers' wages and male-female wages:

$$\Delta \ln W = \ln \hat{W}_m - \ln \hat{W}_f$$

where the operator  $\Delta$  represents the mean difference between male and female wages. Separate wage equations are estimated for men and women. One of the main ways to understand the issue is to look through public-private, and male-female workers. The data gathered may help to find the public-private wage gap as well as gender gap. In addition, there will be an attempt to find the relationship between family background and their sons and daughters' wages.

I have also tried to follow the indicators developed in the Human Development Report. As the Human Development Report has pointed out, Access to knowledge and resources and living a long but healthy life are essential elements of human development. Human beings cannot be creative without these basic capabilities. The unjust distribution of freedom is the main reason for the gender gap.<sup>45</sup> The Human Development Report in 1995 criticizes the way of looking at human development from the perspective of economic theories of development. It recognizes that the aim of human development is to enhance a human being's quality of life instead of only

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<sup>45</sup> Human Development Report 1990, p.9.  
[http://hdr.undp.org/en/media/hdr\\_1990\\_en\\_chap1.pdf](http://hdr.undp.org/en/media/hdr_1990_en_chap1.pdf)

expanding economic growth. These developments can be measured through an index called the Human Development Index which contains three indicators: “life expectancy, representing a long and healthy life; educational attainment, representing knowledge; and real GDP (in purchasing power parity dollars), representing a decent standard of living”.<sup>46</sup> However, the HDI only captures selected areas. Therefore, the Report suggests more comprehensive or supplementary indicators being used to complete the picture.

One of the supplemental indicators proposed by the Report is the gender-related development index (GDI). Simply, it is similar to HDI but with some adjustments. While HDI constructs the average achievements of all people, the GDI concentrates on inequality according to gender or sex. The Report also introduces other aspects of gender disparities, such as women’s participation in political decision making and access to professional opportunities and earning power, which are all measured through “gender empowerment measure” (GEM).<sup>47</sup> Nevertheless, many more indicators should be used to show the size of the gap.

Hence, the role of the researcher's surveys had come to implement. The questionnaires are helpful in guiding us to understand the human capital accumulation and development under both public and private sectors. Information on demographic characteristics, including changes in education and training programs that have been taken by the worker, has been collected. The questionnaire is also interrelated, although each section gives a clue to understanding some aspects of the agents’ life, such as educational background. Therefore, a question raised in the opening of the form may get its results in the latter questions or in the other questionnaire. The questionnaire is analyzed, using SPSS program. The first questionnaire mentioned above is simple, but the second is more complex. This program helps to find the relationships, using proper statistical techniques. The corruption questionnaire was analyzed by the Data Science Centre in Sulaimaniyah city, located in the Salm Street, but the second one was done by the researcher with support received from the school of psychology at Exeter University.

I expect that the first and second tools of the methodology allow us to show the gaps using cross-sectional and over-time analyses. As such, we will use them for

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<sup>46</sup> Human Development Report, 1995, *ibid*, p.11.

<sup>47</sup> Human Development Report, 1995, *ibid*, p.72.

indications of where we stand and where we are going. Finally, even though education is free in Iraq, it does not satisfy people's aspirations in terms of quantity and quality. Thus, although there is no sufficient official data, the results might be different from a society in which people pay for education.

### **1.5.3 In-depth-Interviews**

In-depth-interviews are another tool. The interviews also cover a range of topics, including working patterns, marriage status and decisions within family framework, discontinuity of working, payments, training, labour relations, and reasons for choosing the public sector.<sup>48</sup>

This tool is also important for two reasons. First, the researcher, as a journalist here, can try to encourage the interviewee to say what cannot be said in the questionnaire. By this, the researcher expects to shed light on the spaces that have been ignored in other tools of the methodology. Second, the participants can be counted as witnesses. So, as we are in court, I need some witnesses to confirm that something is wrong in Kurdistan and needs to be paid attention to regarding inequality and injustice.

Some important questions are missing both in the official one and my own questionnaires. Here is an example. In the main questionnaire, what I call the inequality questionnaire, I did not ask a question like "Have you ever participated in a training course, or has this directorate ever offered you an opportunity to attend a training course?" but I asked whether there is discrimination against workers in terms of giving equal opportunity to take a development program or not.

If it is not known whether they were offered equal opportunity, or whether there was any course offered by the directorate, then it is hard to know how they were discriminated against. That does not mean that I should eliminate the question; it is already done. I have tried to fill this gap by in-depth interviews with groups of workers. Again, I confronted another problem in this respect. I did not ask, "If the directorate provides an opportunity for you to go to a development course, do your family, your

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<sup>48</sup>: I have tried to record some interviews, but no one was ready due to cultural pressure and political threats to women and men in this small region.

husband, or your father and brothers allow you to go or not?” In the interview part, I have also tried to get this answer.

For this purpose, I arranged two groups of employees. One of them was all males; the other was females. Their ages were nearly between 25-45 years. One of the group interviewees was in Sulaimaniyah, at the Directory of Selling Oil Products and in the Administration department. This group was all women. The other group was interviewed in Qaradakh, at the Directory for Fire-fighter. This group was all men. I tried to arrange these two groups with two geographical background and two different sexes mostly as an attempt to investigate the question of gender inequality. In answering the above question, as we shall see in the coming chapters (see chapter four), many women have claimed that there was neither a chance nor family acceptance. Thus, the decision may not be made within the “work place” but within the family framework. I expect that the interviews properly explained this issue. Again, in the corruption questionnaire, I have confronted some kind of mentioned problem; but I could, more or less, control them through interviews, too.

Another tool of interview is to do it individually. The researcher satisfied with finding a few people to understand other aspects of the topic and get more support to the idea of the thesis.

One of the interviews was living in Qaradakh, works for a political party at the time of the interview. He was suspected of the interview until I made him sure that this is only for a research that will be submitted outside of Kurdistan. He had also a problem with asking social questions related to gender inequality might be due to his poor educational background. He was shying in answering any questions regarding the choices of marriage and study given to his daughter. However, it is not impossible to build a bridge with people of rural areas as they are simple persons and have a special respect for gusts. The other two or three persons were all men and lives in Sulaimaniyah city. They were discussed individually and could speak frankly as they were known persons by the researcher. However, both limited time and energy of an individual, a researcher, and the nature of a close society, such as Kurdistan, are prevented to expand the circle of the interviews to reach women individually. In addition, what was in mind of the researcher have nearly answered; thus there was no reason to take more samples.

### 1.5.4 Obstacles and Potential Errors

Any research confronts avoidable obstacles. Some might be tackled, others may not. The absence of official and large data will be limited to our ability to state all other factors affecting the dependence variable, earnings.

For example, although workers' educational levels and their parents' backgrounds greatly affect their wage levels, her or his wages are also affected by the wealth or income of other family members. These variables are likely to be difficult to control in a model. Moreover, collecting information on years of working or job experience was another source of unavoidable errors. Putting the size of the sample aside, and to avoid some errors, and to avoid some errors, potential experience is used instead of actual work. For men, because they may start working even before the completion or leaving school without too much interruption, potential experience may reflect their experience profile adequately. In his study, Daniel Munich (2003) used years of working after the completion or leaving school. However, one can argue that even the experience from childhood, since the age of 8 years for instance, will certainly have impact on the child's future job. These impacts can be positive or negative, though children must spend their time and energy on non-market activities or the activities that may help them in their future life. A child who has worked in a technical shop may get a deeper knowledge about fixing a car than the one who started the job later in his life. Again, women who are prevented from market activities may get less experience than men who accumulate market skills from childhood. Conversely, women's experience profile is even more interrupted due to early marriage and getting used to childbearing and household activities. They also, like men, face the waves of being unemployed. Of course, these difficulties cause bias of estimation.

Nevertheless, researches have tried to handle the problem through controlling the variables. Oaxaca is one of them who has tried to control the variables through adding the number of children born to the family. He points out that "the linear children variables reflects the cost of lost experience due to child care, including the costs from the depreciation of skills during the periods of absence from the labour force".<sup>49</sup> In fact, it is not clear what the net effect would be on our estimates of discrimination, but studies confirm that only the first child has a great effect on the mother's earnings.

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<sup>49</sup> Ronald Oaxaca, 'Male-Female wage differentials in urban labor markets', 1973, *ibid*, p698.

Mincer and Polachek<sup>50</sup> point out that potential work experience is not an adequate measurement for those for whom “the length and continuity of work experience varies a great deal. Direct information on work histories of women is, therefore, a basic requirement for the analysis of their earnings.”

To conclude, education (degree in our sample), experience, class or category of worker (dummy variables for government and private employed and for women and men), family background (father and mother’s education background) are main variables that have been given attention to get through the questionnaire. It should also be said that measuring inequality needs to take many variables that can be out of control of an individual.

### **1.5.5 Case Study**

The case study work was carried out in Sulaimaniyah governorate, which was hardly affected by the Anfal campaign and chemical attack on Helebja in 1988, and where privatization is well progressed above all. In addition to its status as a tourist centre, at least for the rest of Iraq, it has always been more open culturally than the other two cities, Erbil and Duhok. This has led to an increase in the number of women employed in the service sector, such as retail and hotel and catering, relative to other cities. Although the integration in 2004 of both governments, PDK’s government of Erbil and PUK’s government of Sulaimaniyah, caused the former city to grow faster than the latter, overall, the characteristics of employment are not much different between the cities, though Sulaimaniyah is more open to Western societies. The only thing that is possibly worth mentioning is if women are suffering from being engaged in market activities in Sulaimaniyah, then they may be in a worse situation in other cities.

### **1.5.6 The Limitation of the Study**

The model has been restricted to formal-urban workers. More important, the analysis has been limited to full time workers of public-private sector in some selected industries (telecommunications, education and service sectors). Furthermore, the interviews have been mainly conducted with two groups of employees: a female group in the Directory of Distributing Oil Products in Sulaimaniyah and a male group in the Directory of Fire

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<sup>50</sup> Jacob Mincer and Solomon W. Polachak, ‘Family investments in human capital’, 1974, *ibid*, p.78

Fighters in Qaradakh, in addition to individually interviewing some other employees in formal and informal sectors.

Both questionnaires have been done in the governorate of Sulaimaniyah, my home city, and its countryside. The institutions that were chosen for the first one were few and city based. The Directory of Translation, belong to the Ministry of Culture and Youth, and The Directory of Mortgage Taxes at the Ministry of Finance and the Economy. However, many more institutions, which are listed below, participated in the other questionnaire:

- The Ministry of Natural Resources, the Directory of Distributing Oil Products, Sulaimaniyah city.
- The Ministry of Culture and Youth, the Directory of Public Libraries, Sulaimaniyah City.
- The Ministry of Endowment & Religious Affairs, the Directory of General Libraries in Sulaimaniyah.
- The Ministry of Municipalities and Tourism, the Directory of Electricity, Qaradakh.
- The Ministry of Agriculture and Water Resources, the Directory of Water, and the Directory of Agriculture, Qaradakh.
- The Ministry of Education, the General Directory of Education, Derbendikhan.
- The Ministry of Agriculture and Water Resources, the Directory of Agriculture, Derbendikhan.

## **1.6 Thesis structure**

The thesis consists of six chapters. The first chapter is devoted to giving general information about the Region. It also describes the main definitions of the idea and the methodology of investigation. The main concepts are to compare income inequality with economic inequality as well as gender inequality and corruption. Furthermore, both quantitative and qualitative methods, with the detail of using them within the thesis, have been explained. The main tools are official data, surveys, and interviews. Both

questionnaires and interviews are mainly done with public-private employees. The chapter concludes with potential errors and difficulties faced the researcher.

Chapter two discusses the theories that guide the thesis. Regarding the perspective, it explores Marxist theory, starting with *Dass Capital*. Marx and his followers have spent an incredible effort. They have been aware that the capitalist mode of production does not let equality exist. Thus, they propose radical change. The weakness of this theory, at least regarding the inequality question in the Kurdistan region, encouraged the researcher to return to the human capital theory. Although this model has been used to investigate the relationship between wage and some variables (e.g., certificate, family background), the theory still lacks the theoretical tools to understand other dimension of the picture of inequality. To fill this gap, the human capability theory, developed by Sen, is relied on. Hence, the attention is on inequality in abilities and human developments. Nevertheless, without the help received from Identity Economic founders, Kranton and Akerlof, it is not possible to discuss choices and unequal opportunities. The chapter does not ignore gender inequality either.

By using the telescopes provided by these theories, chapter three turns to the Kurdistan region and shows aspects of inequality in general. Throughout the chapter, the reader is able to get a general sense about inequality in wage, ability, access to education and health, etc. The chapter pays particular attention to the social and economic distances between urban and rural people.

Up to now, the gender question is neglected. Chapter four aims at filling this space. It shows that there is a huge gap between men and women. This gap might be seen in wages. However, wage inequality is a symptom of having inequality in other areas. Therefore, the chapter hopes to raise the question in a broader sense. It finally reaches the conclusion that there have been two types of division of labour. On the one hand, the traditional division of labour lets men be the breadwinner, collecting the skills of the labour market. On the other hand, there has been a division with the labour market. Women are mostly told to do female work. As the consequence, they have been deprived of many types of jobs they could do.

Throughout the last two chapters, the reader is directed to look at economic inequality from the perspective of society. In chapter five, there has been an attempt to show the role of government intervention. Any talk about interventionists should be



parallel to free market advocates. Each from their perspective discussed the question of economic inequality but reach a different conclusion. Both have also discussed the link between regulation and corruption. At one level, inequality is a product of corruption. The chapter concerns evaluating public policies mainly for the period under study.

Finally, the chapter comes up with some conclusions and recommendations. Most notably, it shows that inequality in opportunity is much more important than income inequality.

## Chapter Two

### Inequality: A Literature Survey

This chapter discusses the dynamics of economic inequality, studying the theoretical background and comparative literature on the subject. On the one hand, it surveys key theoretical approaches. On the other hand, it moves to the comparative evidence from other places.

The chapter is organized as follows: First, consequences of inequality upon society are laid out. Second, the theoretical background will be reviewed and evaluated. Third, some evidence regarding inequality from both developed and developing countries is presented.

#### 2.1 What is wrong with Inequality?

Some scholar has acknowledged inequality as a positive social distance, although a few cautiously support this argument.

On the positive side, Alan Krueger argues that “differential rewards provide incentives for individuals to work hard, invest, and innovate.”<sup>51</sup> However, it is the only statement found throughout his investigation in this text, although he repeats on many occasions. The whole of his work is in fact devoted to showing how bad inequality is. In any case, when we acknowledge inequality and see it as a positive sign, we realize that parents, state officials, parties, etc. are allowed to mistreat their children, employees, members, and so on, by providing them with unequal opportunities and freedom. Of course, differences can be positive; but that does not indicate unjust social distance between two individuals or groups. It is inequality, not differences, which shows that some are excluded from decision making or access to resources in favour of some others.

On the negative side, more than two centuries ago Adam Smith acknowledges that “no society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.”<sup>52</sup> With Marx, we will see the same idea. However, Marx develops a radical approach. Krueger also points out that it harms society and

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<sup>51</sup> Benjamin M. Friedman (eds.), *Inequality in America: What Role for Human Capital Policies?*, Alan B. Krueger, *Inequality: Too Much of a Good thing*, (MIT press, 2005), p.1.

<sup>52</sup> Kathryn Sutherland (eds.), *Adam Smith: Wealth of Nations*, (Oxford University Press, 2008), pp23-24.

leads to misallocated resources and has a hand in committing crimes, let alone disabling the process of voting and democratisation.

We can find support for helping poor in religion. In Krueger's expression, "religious tenets reflect the demand for equality among people".<sup>53</sup> He argues that from Roman Catholicism to Middle Ages Christianity, passing through the Jewish *Siddur* and reaching to the Koran, all urge supporting the poor, orphans, and captives, but by proposing different ways of understanding and challenge it. It has been emphasized that inequality does affect health, education, commonness of crime, and violence. In addition, it influences collecting taxes, and accordingly public revenue decreases. High levels of poverty reflect high rates of inequality.<sup>54</sup>

Finally, people tend to be happier in a just society and accept differences produced by effort and talent. To borrow a few sentences,

[T]here is a lot of experimental evidence suggesting that people have an innate desire for fairness and are ready to punish unfair behavior. What is more, the existing evidence rejects the hypothesis that al-truism merely takes the form of absolute inequity aversion. People instead appear to desire equality relative to some reference point, namely what they consider to be "fair" payoffs.<sup>55</sup>

People also do enjoy a great amount of happiness when they feel that they live in a fair society where hard work and good behaviour are respected. Alesina and Angeletos state that different effort may produce different destiny. This is perceived as justifiable inequality, better to say differences.

## **2. The Theoretical Framework of Inequality**

The roots of economic inequality have been searched from different perspectives for centuries. Long before Marx, economists had searched for the roots of inequality. They acknowledged it as a product of social relations more than nature.

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<sup>53</sup> Benjamin M. Friedman (eds.), *Inequality in America: What Role for Human Capital Policies?*, 2005, *ibid*, p13.

<sup>54</sup> Satya R. Chakravarty, *Inequality, Polarization and Poverty*, 2009, *ibid*, p1.

<sup>55</sup> Alberto Alesina and George-Marios Angeletos, 'Fairness and Redistribution', (Sep. 2005), *ibid*, pp964-965.

As it is not the purpose of this chapter and this thesis to review what all economists have said, suffice it to quote the most famous statement of the master of economics, Adam Smith, in his *The Wealth of Nations*, with regard to inequality:

The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were, perhaps, very much like, and neither their parents nor play-fellows could perceive any remarkable difference.<sup>56</sup>

From this, it is understood that Smith referred to the social roots of inequality. Samuel Fleischacker explains the fact that according to Smith, “the division of labour does not reflect natural divisions of talent among human beings, but is merely a way by which people can most productively use their talents for the greater good of everybody.”<sup>57</sup>

Later developments of economics have paved ways to offer a more comprehensive approach. Four well known approaches, among others, in the field of economics are of particular interest for this thesis. Taken all together, they were trying to understand inequality, determine its causes and consequences, and arrive at some suggestions. This is what this section turns to.

## **2.1 Karl Marx’s Approach to Inequality**

One of the most powerful and controversial theories written in the field of economics, particularly regarding labour and inequality, since *The Wealth of Nations* in 1776 is Marx’s approach. However, it is the most pessimistic work ever written in regard to capitalism.

The concept of social classes is in the core of Marx’s approach. According to this view, the capitalism system ultimately is divided into two classes: the working class, or the proletariat, and capitalists or the bourgeoisie. The basic assumption here is the second class possesses the significant means of production and lives at the expense

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<sup>56</sup> Kathryn Sutherland (eds), *Adam Smith: Wealth of Nations*, 2008, *ibid*, pp23-24.

<sup>57</sup> Samuel Fleischacker, *On Adam Smith’s Wealth of Nations: A Philosophical Companion*, (Princeton University Press, 2004), p75.

of the first class. This division has various consequences on culture, politics, and society in general.<sup>58</sup>

Marx has started his analyses with commodities by looking at two processes. At first glance, the process of exchanging commodities started with commodities for commodities, in other words, to the satisfaction of wants. In this stage, there was no exchange-value, only use-value. People exchanged commodities to money to buy commodities again. This is concisely expressed as Consumption-Money-Consumption (C-M-C). What has been changed in the capitalist mode of production is the place of M, of money. It has shifted towards the beginning of the function, altered it into Money-Consumption-Money (M-C-M). The former case, C-M-C, is still available but for the working class. The latter case shows the interest of the capitalist, of putting money into the pool of investment with the hope of returning in a bigger amount; therefore the first M is not as big as the second M. Of course, it should not be the original one, what Marx calls 'surplus-value'. Within this blind circulation, money converts into capital. Consequently, the capitalist is born. Within M-C-M, the objective aim of circulation has been replaced by the subjective aim of the capitalist.<sup>59</sup> However, this aim,

turned into the process by which the capitalist consumes labour-power, exhibits two characteristic phenomena. First, the labourer works under the control of the capitalist to whom his labour belongs; the capitalist taking good care that the work is done in a proper manner... Secondly, the product is the property of the capitalist and not that of the labourer, its immediate producer.<sup>60</sup>

Regarding the first point in this quotation, Marx analyzes the origin of exploitation in capitalism. He divides the working day of the labourer into two parts: necessary and unnecessary labour. It is true that part of the working day is to produce the commodity, but the rest of the day, the "unnecessary labour-time" in Marx's terminology, is to produce surplus-value for the capitalist. The rate of surplus-value exactly represents "the degree of exploitation of labour-power by capital, or of the labourer by the capitalist."<sup>61</sup> Regarding the second point, while commodities are nothing but "definite masses of crystallised labour-time"<sup>62</sup>, later on, workers are deprived of

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<sup>58</sup> Terrell Carver (eds.), *The Cambridge Companion to Marx*, Richard W. Miller: Social and political theory: Class, state, revolution, (Cambridge University Press, 1991), p55.

<sup>59</sup> David McLellan(eds.), *Karl Marx: Capital: A new abridgement*, Second edition, (Oxford University Press, 1999), p.97-98.

<sup>60</sup> David McLellan (eds.), *Karl Marx: Capital*, 1999, *ibid*, p.120.

<sup>61</sup> David McLellan (eds.), *Karl Marx: Capital*, 1999, *ibid*, p.147.

<sup>62</sup> David McLellan (eds.), *Karl Marx: Capital*, 1999, *ibid*, p124.

them. Not only this, but the commodities “appear as fetishes endowed with their own will and soul; it is finally the fact that commodities figure as buyers of people”.<sup>63</sup>

The surplus-value has become the subjective aim of the capitalist; therefore, Marx’s suspiciousness starts with every single action of the capitalist. Starting with the workers payment, he believes that it is not from the benevolence of the capitalist that wages increase; but, it is either a law of capitalism’s mode of production that reinforces the capitalist to give an amount that covers the workers and/or his family living expense or the capitalist responds under the pressure of working class (e.g., demonstrations). In addition, even the recognition over decreasing working hours by the State is referred to class struggle.<sup>64</sup>

The capitalist needs the worker to only be alive, no matter what the quality of his life and his family is. Within this context, as in many other aspects in capitalism, Marx believes that training and education are two related conditions of the developing workers’ abilities in order to make more money for the owners of the means of production. From this perspective, it is clear that Marx has not only criticized the capitalist system but also completely taken a reverse position. In short, capitalism’s mode of production has changed the meaning of many things, including freedom and inequality; or at least, he does not believe that these concepts can work within this system. In this respect, he writes

[B]oth buyers and sellers of commodity, say of labour-power, are ... contract as free agents, and the agreement they come to, is but the form in which they give legal expression to their common will. [And, they are equal] because each enters into relation with the other, as with a simple owner of commodities, and the exchange equivalent for equivalent.<sup>65</sup>

Alex Callinicos, precisely explains this: “the equality between them is only formal; really they are unequal... The worker enjoys political and legal freedom.” Unlike slaves, the workers are protected from imposing personal disabilities. But the pain is the workers are denied the access to the means of production. Thus, once they enter into a relationship with the other party, the capitalist, they do not enjoy the same power. In other words, Callinicos argues, “once employed, the worker produces commodities for

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<sup>63</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, *ibid*, p.385.

<sup>64</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, *ibid*, p.168.

<sup>65</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, *ibid*, p113.

the capitalist under the latter's control in exchange for a wage that represents only part of the value he creates."<sup>66</sup> In one way or another, Callinicos advocates Marx's view regarding the main source of exploitation and inequality which excludes workers from the means of production. And this, he claims, cannot be challenged by the tax system or wage increase. It is the aim of revolution to remove this exploitation and mode of production radically.<sup>67</sup> It can be said that for Marx an equal society is not a society that can provide every single individual with a means of production but to remove the ownership of the means of production and make it under the control of commons or society.

However, arriving at one stage of thinking, Marx has not only rejected the capitalism's mode of production but worked against capitalists. From the quote below, it can be observed that Marx defines the capitalist's power over the worker and shows that the former group, the minority, is not from the species of human beings while the latter group, the majority, is no more than victims. The "wolf hunger for surplus-value [the capitalist]"

usurps the time for growth, development, and healthy maintenance of the body.

It steals the time required for the consumption of fresh air and sunlight... food is given to the labourer as... coals [are] supplied to the boiler, grease and oil to the machinery... Capital cares nothing for the length of life of labour-power.<sup>68</sup>

The argument also tells us that in Marx's point of view, there is a negative relationship between the length of the working day and the life expectancy of the working class in a sense that the latter is dependent on the former. Thus, capital and its owner are "vampire-like, only lives by sucking living labour, and lives the more, the more labour it sucks"<sup>69</sup>.

Before critiquing this approach, it is worth noting that part of Marx's theories is to understand ideologies. In interpreting Marx's approach, Miller writes that

[A] society characterized by such dominance will not last for long unless most people believe that its continued existence is in their interest or that there is no realistic alternative to it, or unless they are crippled, as a social force, by internal

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<sup>66</sup> Alex A. Callinicos, *Equality*, (Polity Press in association with Blackwell Publishers Ltd, 2000), pp27-28.

<sup>67</sup> Alex Callinicos, *Equality*, 2000, (ibid), p29.

<sup>68</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, ibid, pp163-170.

<sup>69</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, ibid, p.149.

divisions... A class that controls the means of production, disposing of the surplus left after the material goods producers needs are met, will have the means to dominate the output of idea-producing institutions.<sup>70</sup>

Thus, ideologies are instruments in the hands of capitalists to convince people that this is the best system ever. However, because of all these oppressions, and by the revolt from the bulk of society which increases day by day, Marx expects that “capitalism would inevitably be overthrown as a result of its internal dynamics and that socialism would be established.”<sup>71</sup>

Let us start our evaluation of Marx's approach with McLellan. In his introduction to *Capital* (1999), he points out that Marx's critique of “dehumanizing effects of money” during the age of capital is fairly strong. Within capitalism, humans no longer exchange commodities for money for the purpose of getting new commodities to satisfy their needs; instead, the final aim of this exchange is to increase their money.<sup>72</sup> At least, two of McLellan's suggestions in regard to Marx's approach and the concept of capital are true. First, this concept needs to be revised to take into account contemporary international exploitations. Second, “Capital is firmly based on a class analysis which tends to ignore other social divisions such as those of gender and race which have achieved considerable prominence in recent social analysis.”<sup>73</sup> Although Marx's achievements are in many ways remarkable, and although there have been considerable revisions to, and reinterpretations of, his approach.<sup>74</sup> There are many chronic weaknesses with this approach. Roemer claims that

[P]erhaps because the classical Marxist model assumed that workers were homogeneous in skill (as proposed in *Capital*, Volume 1), socialists have tended to associate the elimination of exploitation with the achievement of income equality. But this is a false association, because in reality—certainly today, if not when Marx wrote — the distribution of skills is extremely heterogeneous. If, per socialism, the product were to be distributed in proportion to the value of labor expended, there would still be considerable income inequality.<sup>75</sup>

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<sup>70</sup> Terrell Carver (eds.), *The Cambridge Companion to Marx*, Richard W. Miller, 1991, *ibid*, pp74-75.

<sup>71</sup> Terrell Carver (eds.), *The Cambridge Companion to Marx*, Richard W. Miller, *ibid*, p.80.

<sup>72</sup> David McLellan (eds.), Introduction, Karl Marx: *Capital*, 1999, *ibid*, p.xvii.

<sup>73</sup> David McLellan (eds.), Introduction, Karl Marx: *Capital*, 1999, *ibid*, p.xxvi.

<sup>74</sup> See, for example, Slavoy Zizek and Costas Douzinas (eds.), *The Idea of Communism*, (Verso, 2010).

<sup>75</sup> John E. Roemer, Socialism vs Social Democracy as Income-Equalizing Institutions, *Eastern Economic Journal*, 34 (2008), p.15.

available at: [www.palgrave-journals.com/eer](http://www.palgrave-journals.com/eer)



Taking the Gini coefficient of income into account, Roemer argues that with the given distribution of skills in the United States today, and after-tax distribution of income, income inequality is slightly less than socialist allocation. More importantly, “[I]f markets [in capitalism] are used to implement the socialist allocation, will they not import with them all the old psychological baggage?”

For Roemer, there is an opportunity to eliminate income inequality in democracy because it provides the institutions and principles the cause to offer equal opportunities, although he claims that even democracy may not be able to eliminate the Marxian exploitation. Thus, the statement like “From each according to his abilities, to each according to his needs!” which has been stated in “Critique of the Gotha Programme”,<sup>76</sup> cannot guarantee an equal distribution of resources since human beings are already unequal in having the basic capabilities and skills.

From the above argument, it becomes apparent that Marx was remarkably pessimistic towards capitalism. Marx moved from focusing on the mode of production to focusing on a group of human beings. Had he stayed on the mode of production, his developments would be more humanistic and might be “for everyone.” Furthermore, Marx’s approach does not have the capacity to be in favour of everyone. It divides society into two classes and two camps. The only camp that defends freedom and fights against equality is communism. Rejecting this approach means accepting capitalism. Yet not only communists criticize capitalism. Discussing an alternative society to capitalism is not reserved for Marxists, or communists.

Moreover, capitalism should not take the whole responsibility for what has happened to humanity since the system’s birth (e.g., World War I and World War II). Barriers to human developments are inherited throughout history. Also, it was previous societies which were participating into polluting the environment. By contrast, it is within capitalism where human beings for the first time sought of a way of recycling soil wastes. It was under capitalism, under surplus-value system, that human beings could invent something new for the rest of history, such as the computer and Internet. Thus, despite its chronic illnesses as well as facing inherited tensions, the coming societies, no matter whether they are communist or not, are indebted to human beings of the age of capitalism. Moreover, the absolute power of capitalists over workers is not fixed. In this respect, Drucker has argued that the position of the "knowledge workers"

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<sup>76</sup> Alex Callinicos, *Equality*, 2000, *ibid*, p29.

is totally different than the rest of workers, the cleaners in the hospital or drivers for instance. Workers of the industrialisation era had totally relied on the machine, but in the post-industrialisation era, “the employees and the tools of production are interdependent. One without the other cannot function. And while the tools of production are fixed in place, the technician who knows how to run them and how to interpret their readings has mobility.” In addition, “Knowledge employees cannot, in effect, be supervised<sup>77</sup>, because they know more than everyone in the organisation about the product, new designs, and marketing.

More importantly, the approach reduces inequality into money and surplus-value, ignoring other sources and sorts of inequality. The point here is Marx himself connected the well being of human beings to the amount of money the agent has got. In addition, why should one not believe that surplus-value is also an ideology that capitalists live on? In fact, it is an ideology because capitalists may get it, but it never guarantees a peaceful and cheerful life.

Even though Marx believes that one is innocent while the other is guilty, the system, indeed not the capitalists, is responsible for what has happened to humanity in the last three centuries. Capitalism is a way of living, an inherited system of belief that was a product of centuries and now produces itself through interacting with its forces, workers and capitalists, not only one class at the expense of the other.

That does not mean the terminology used by Marx and his followers and the models that have been developed by him and at least classical Marxists are no longer useful in analysing the dynamics of political economy. Indeed, they provide one useful lens and can underpin a critique of the system. At least due to containing chronic antagonism of capitalism, the great philosopher Slavoj Zizek argues that the communist idea will remain with us. The main threats are the gap between Included minorities and the Excluded mass and ecological catastrophe. These threats share “the potential for destruction...if the capitalist logic of enclosing the commons is allowed a free run”.<sup>78</sup> Yet Roemer is surely correct when he says: “Today, egalitarians must go beyond socialism.”<sup>79</sup>

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<sup>77</sup> Peter E. Druker, *Post-capitalism Society*, (HarperBusiness, 1993), p58.

<sup>78</sup> Costas Douzinas and Slavoj Zizek (eds.), *The idea of communism*, Slavoj Zizek: How to Begin From the Beginning, (Verso, London-New York, 2010), pp212-213.

<sup>79</sup> John E. Roemer, ‘Socialism vs Social Democracy as Income-Equalizing Institutions’, 2008, *ibid*, p25.

To look at the gender question in this theory, Marx and Engels are among the earliest economists to discuss this complex phenomenon, claiming that the sexual division of labour is the outcome of existing social classes in a capitalist system. Let us read what Marx says about gender inequality first.

In so far as machinery dispenses with muscular power, it becomes a means of employing labourers of slight muscular strength, and those whose bodily development is incomplete, but whose limbs are all the more supple. The labour of women and children was, therefore, the first thing sought for by capitalists who used machinery. That mighty substitute for labour and labourers was forthwith changed into a means for increasing the number of wage-labourers by enrolling under the direct sway of capital, every member of the workman's family, without distinction of age or sex.<sup>80</sup>

This long passage consists of two main ideas. First, it emphasises that Marx believes in muscular power; the fact that men are naturally stronger than women. Second, Marx raised an important point: Culture is under the attack of the greed for surplus-value.

Elsewhere in *Capital*, he claims that "natural diversity, the difference between the labour-power of men and women" is an element of determining the value of labour-power.<sup>81</sup> It seems that he condemns nature for the first division that was present between men and women until the emergence of new machines in the Marx's era. However, that does not explain why women were doing indoor jobs while there were job opportunities incompatible with their abilities even at the time of Marx. In addition, a different ability itself is under question: Why one (man) is more talented and stronger than the other (woman)? As we will see, the answer does not always lie within nature.

It is true that "money" reinforces men to be silent in pulling their wives into the labour market; but that has never happened without, say, a "struggle for women's rights." In other words, it is not a natural development of society which allows women to sacrifice housework for working outside the home. As Becker argued, privileges such as high income or a pressure due to financial shortages are a force over the cultural structure. One more point, Marx does not explain why "capital" discriminates in paying unequal wages for equal ability. All he recognizes is that the capitalist buys not only the

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<sup>80</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, *ibid*, p.244.

<sup>81</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, *ibid*, p.303.

labour of the head of the family but also its members. Hence, it is machinery which paves ways for changing this division; though it “raises the degree of exploitation.”<sup>82</sup>

Engels was trying to fill the gap but never succeeded in introducing a powerful theory. He distinguishes between the form of the proletariat family and the bourgeoisie family, claiming

[T]means are absent; bourgeois law, which protects this domination [the domination of men over women], exists only for the propertied classes and their dealings with the proletarians... personal and social relations of quite a different sort are the decisive factors here. Moreover, since large-scale industry has transformed the woman from the house to the labour market and the factory, the last remnants of male domination in the proletarian home have lost all foundation-except, perhaps, for some of that brutality toward women-which became firmly rooted with the establishment of monogamy.<sup>83</sup>

Here, the emphasis seems to be on two main issues. First, the legal framework could only give the right of separation. Second, along the same line as Marx, large-scale industry has pushed women out of their houses.

Engels is right when he argues that the inequality in front of law is not the cause of general inequality between men and women; it is the product of economic situation. In today's economics terminology, the inequality in human capabilities is a main source. Law cannot remove the oppression of one class by the other. Like regulating the relationship between workers and capitalists, women and men are allowed to enter a contract and abolish it under certain conditions.

However, to conclude, the Marxist arguments dismiss the fact that at least equality before the law is a way to minimize the inequalities. It also focuses on the structural weaknesses of the capitalism and proposes a radical shift to communism to put any types of oppressions among human beings, including inequality, into the museum of history, which might unfortunately be not seen even for the generation that will be born at the time of writing this thesis (in 2011). In addition, it ignores the roles of social institutions by using class division as the exclusive prism for observation and analysis.

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<sup>82</sup> David McLellan (eds.), Karl Marx: *Capital*, 1999, *ibid*, p.145.

<sup>83</sup> Frederick Engels, *The Origin of the Family, Private Property, and the State*, First edition, (Pathfinder Press, 1972), p100-101.

## 2.2 Inequality from the Perspective of the Human Capital Approach

From the mid-1950s onwards, Jacob Mincer, known as the father of modern economics, and Gary Becker, the 1992 Noble Prize Winner in economics, have drawn the lines of a more comprehensive approach, compared to Marx's approach, known as the “Human Capital Theory”, to study the roots of inequality.

Unlike Robert Solow who has mostly concentrated on factor of physical capital to accelerate the process of growth, these and other scholars have raised the issue of human capital.<sup>84</sup> The core of the theory is built on a rule: agents either accumulate their human capital or it depreciates. It is expected that wages go hand in hand with the accumulation of human capital, while it decreases with the depreciation of this capital. This accumulation relies on education, experience, and on-the-job training.<sup>85</sup>

Investing in human capital has different positive consequences. For example, decreasing costs of acquiring information about job opportunities and the efficient management of household are two basic impacts of education. It also positively affects farmers' techniques of production and their quality and cost of products. Consequently, the price of the product decreases which favours consumers and income is distributed more efficiently in favour of low-income families.<sup>86</sup> This supports the balance sheet of total cost facing firms, causing them to invest more. Firms may hold higher costs with low-skill employees as it increases the cost of training. Those firms which have a long-term strategic investment in the new technology and innovation are expected to remain stronger in the long-term competition.<sup>87</sup> Human capital investment helps to increase national income and productivity, and finally the quality of life will be raised by improvements in product quality and the development of new products.

In the age of globalisation, which is an age of greater mobility, one can say societies should try to create universal skills which help workers to find a suitable job wherever he or she wants. However, the focus here is on the impact of the human

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<sup>84</sup> Takatoshi Ito and Andrew K. Rose, *Introduction, Growth and productivity in East Asia*, The National Bureau of Economic Research, (The University of Chicago Press, 2004), pp1-2.

<sup>85</sup> Jacob Mincer and Solomon W. Polechek, ‘Family investments in human capital’, 1974, *ibid*, p.S86.

<sup>86</sup> William Theodore Schultz, ‘The Value of Children: An Economic Perspective’, *The Journal of Political Economy*, Vol. 81, No. 2, Part 2 (Mar., 1973) p.S11-13.

Stable URL: <http://www.jstor.org/stable/1831247> (Accessed: 15/01/2009)

<sup>87</sup> Derek Bosworth *et al.* (eds.), *Skill shortages: causes and consequences*, Jackie Lewis: Technological change and skill shortages, (Avebury, England, Ashgate Publishing Limited, 1992), pp73-76.

capital investment in decreasing social distances. As we see below, in many ways, this investment increases the ability of workers, narrowing the gap between social classes.

### **2.2.1 Years of Schooling, job Experience, Sheepskin effect, and Job Segregation**

According to this method, there are in essence three factors that affect the stock of human capital: Education, training, and working experience. This triangle is strongly interconnected with each other.

Initially, the theory was explore using mainly two variables: years of schooling and experience. The essence of this point is that in the life cycle, the employees pass through many suspensions and discontinuing periods in their jobs. Any suspension or intermission leads to collecting no experiences and involves interruption from time to time.

Using mathematical language, Mincer shows there is a positive relationship between years of schooling and wages: those who attend more grades of education will earn more than those who attended less. More importantly, factors causing a shorter working life negatively affect earnings power (e.g., bearing children). Further, he suggests:

...since earnings are a return on cumulated net investments, they also rise at a diminishing rate over the working life, and decline when net investment becomes negative, as in old age....Hence, to expand the schooling model into a more complete earnings function, the linear schooling term must be augmented by nonlinear, concave, years of experience term.<sup>88</sup>

This means that the previous factors coinciding with age, reflecting on the earnings gap among agents. An elder employee perhaps receives less training by firms. To put in another way, firms would invest less in elderly people. As much as time (t) increases, Polachek and Mincer argue, the remaining working time (T-t) shortens. Because the remaining time "is the length of the payoff period on investments in (t)," therefore, "the incentives to invest and the magnitudes of investment decline over the (continuous) working life".<sup>89</sup> However, it has been argued that age is not a powerful

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<sup>88</sup> Jacob Mincer, *Schooling, Experience and earnings: Modern Revivals in Economics*, (National Bureau of Economic Research, 1974), p129.

<sup>89</sup> David Lam and Robert Schoeni, 'Effects of Family Background on Earnings and Returns to Schooling: Evidence from Brazil', *Journal of Political Economy*, Vol. 101, no. 4, (August, 1993), pS79.

variable as the income level of any individual is changeable during a life cycle.<sup>90</sup> In other words, it is not clear when the individual has suffered from a period of poorness and when has he enjoyed a richness.

In later researches, other variables have been added. A degree or certificate, which is known as the “Sheepskin effect,” is one of them. Jaeger and Page explain that the “sheepskin” effect largely reflects on earnings inequality. The reason is firms choose workers according to their marginal productivity, and certificates are one of the most important signals of that. Therefore, those who hold diplomas, for instance, may earn more than those who have the same years of schooling but do not receive diplomas.

They add that “{B}ecause some individuals do not earn degrees, and others take different amounts of time to complete them, sheepskin estimates based only on individuals' years of education will be biased estimates of the true effects”.<sup>91</sup> Hence, information on actual degree receipt is a necessary condition to find out the educational impact on earnings. In addition, they find that “a substantial part of the total return to education appears to be due to sheepskin effects.” In this regard, Bedard confirms that although education can augment “natural abilities that are subsequently sold in the labour market”<sup>92</sup>, students’ preferences of an educational level may signal their skills to employers. Thus, he argues, we are in front of the signalling model instead of a pure human capital theory. Yet, it is not quite an opposite side of the human capital theory. Clearly, firms concentrate on certificates as a “signal” to the workers’ “human capital accumulation.” In other words, they are more optimistic about one who has got a certificate or a qualification than one who has not.

Needless to say, an educated individual, who can read and write, above all, can achieve more than an uneducated one. The amount of ability gained is obviously dependent on years of schooling as well as the quality of schools and universities. If a person, for any reason, could not get through the educational steps, or could successfully pass even higher education, he or she should remain in the process of learning and be covered by training programs.

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<sup>90</sup> A. B. Atkinson, *The economics of inequality*, 1983, *ibid*, p5.

<sup>91</sup> David A. Jaeger and Marianne E. Page, ‘Degrees Matter: New Evidence on Sheepskin Effects in the Returns to Education’, *The Review of Economics and Statistics*, Vol. 78, No. 4, (Nov. 1996), p.733. Stable URL: <http://www.jstor.org/stable/2109960>, (Accessed: 17/12/2008)

<sup>92</sup> Kelly Bedard, ‘Human Capital versus Signalling Models: University Access and High School Dropouts’, *Journal of Political Economy*, Vol. 109, number 4 (2001), p.749 <http://0-ejournals.ebsco.com.lib.exeter.ac.uk/Issue.asp?IssueID=488766> (last accessed 15 May 2008)

It is true that agents are able to collect human capital in the course of working, but this must be supported by training programs which are helpful in adjusting the agents' abilities with the needs of the market.<sup>93</sup> Nevertheless, that quantity of all levels of education system, including pre-schools, is important as well as their quality. Any constraints (e.g., financial, geographical, and insufficient universities compared to the number of high school graduates) which make people unable to attend educational levels, postsecondary schools especially, influence students' choices and their future earnings.<sup>94</sup> Hence, human capital depreciation will increase.

Turning to the gender side, work experience has a key role in creating the distance between men and women. Gary Becker has developed a model under the name of "The Optimal Allocation of Energy and Time" regarding activities. While economists had concentrated on time or working hours, he also focuses on "energy."

Following Becker's approach, anything that affects "energy" would affect earnings. Becker concludes:

Earnings in some jobs are highly responsive to changes in the input of energy, while earnings in others are more responsive to changes in the amount of time. That is, some have larger effort intensities, and others have larger time intensities. Persons devoting much time to effort intensive household activities like child care would economize on their use of energy by seeking jobs that are not effort intensive, and conversely for persons who devote most of their household time to leisure and other time-intensive activities.<sup>95</sup>

The model also deals with the consequences of the traditional sexual division of labour regarding the fate of women in the labour market. According to this model, the time and energy allocated by women for housework is twice as much as the energy and time used by men for their recess and non-market activities, i.e. leisure time. Housework, bearing children and preparing food is not like studying, reading a book, or listening to a radio programme. The former add nothing to women's stock of human capital while the latter activities are more energy suppliers. Bearing children pulls women into the home, causing interruption in their working experience.

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<sup>93</sup> William Theodore Schultz, 'The Value of Children: An Economic Perspective', 1971, *ibid*, p16.

<sup>94</sup> Kelly Bedard, 'Human Capital versus Signalling Models', 2004, *ibid*, p757.

<sup>95</sup> Gary S. Becker, 'Human Capital, Effort, and the Sexual Division of Labor', *Journal of Labor Economics*, Vol. 3, No. 1, Part 2, (Jan., 1985). pS49.



Becker asserts that the supply of women in the labour market will be restricted by these pressures, but the reflections would not only be on the supply side. On the demand side, firms need a complete energetic package instead of scattered and intermittent energy. As much as an individual can supply more energy and working hours, the firm will be encouraged to invest in his or her human capital, which means spending more money and effort for the sake of developing them, especially through training programs. Along this line, the energy package of the men is less intermittent than women. In contrast, women get into the labour market; but suddenly, and due to 'marriage market forces,' they disappear without any choice. As a result, the most investable amount will remain with the character that stays in the market for a longer period; the males. Hence, one may condemn the taskmasters or the employers who are often males. Indeed, even if that taskmaster or employer is a woman, she may discriminate against her gender, the female employees. The final result is women are less in demand for work by managers or owners of the factories.

On the other hand, due to working at home and looking after children, women have less time or energy to use for engaging in market jobs or working outside the home (being employed). Traditional housework requires more energy. As a result, less energy remains for women to allocate to work in the labour market. Therefore, they are obliged to choose the jobs that require less energy. Moreover, they remain fewer hours working outside the home or performing extra duties; that is to say, they cannot manage both housework and work outside the home. In both cases, the social obligation will force them to choose the duties that need less energy and time. For these reasons, they face what is known as "job segregation," the duties that naturally have lesser incomes in addition to facing bad conditions of work. In this way, discrimination is choosing lower quality jobs and accepting lower levels of income. The same analysis explains the differentials of hourly earnings between single and married women. In contrast, single men may earn less than married men as the latter works more hours, accordingly, accumulating more human capital.<sup>96</sup>

Becker clearly differs fundamentally from Mincer with Polechak in one important point. Becker refers to the part of that background regarding the physical inheritance, believing the physical abilities that men possess are genetically out of the humans' power. Accordingly, men naturally have more physical power than women.

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<sup>96</sup> Gary S. Becker, 'Human Capital, Effort, and the Sexual Division of Labor', (Jan., 1985), *ibid*, p. S54.

The traditional labour division then put women into a household framework while freeing men from staying at home.

By contrast, according to the argument developed by Mincer and Polichak, if the skills and energy of males and females are different even in their genetics, perhaps it only has an impact on that gap in the short term. The energy and the talents any individual enjoys are changeable in the long-term according to the changes which occur as a result of investment in human capital: it could be increased positively with the accumulation of capital and rise if that capital depreciates. They believe that human capital accumulation is a life-long process: studying at first, then working and training contribute to most of the capital accumulations at the same time increasing the wage power. Moreover, they believe any positive net investment paves the way to increasing the wage in a life cycle. If the net investment is negative, that is when the individual market skills depreciate; the wage power and other sources of the gap (e.g., participation rate of labour) are also decreasing.

Admittedly, men at least as an average may be more suited for certain kinds of jobs than women. However, that is not because they have gotten two different inherited energies from nature, or God; but, it is mostly due to the investment in human capitals that has been more for men throughout history, not even in a life cycle as Mincer and Polechak mentioned. The root of this tree in history is deeper for women than men.

The bequest in terms of physical and human capital left for women was far behind what was left for men. Consequently, it is not surprising that males have enjoyed a better position in the labour market. Because women, especially married women, spend less “than half” of their lifetime at work, taking less training than men or accumulating less human capital, their earning power decreases.

### ***2.2.2 Family Background and Earnings***

Income inequality or low earnings of individuals are partly inherited from the past or parental investment. Parental investment is a proxy used to measure this. In terms of wealth and education, it is a fundamental factor in determining the child’s returns from education and making distance between individuals and social groups.

Any agent starts with a level of human capital. In this stage, family as a basic unit is in a vital role that determines a fraction of the agents’ fate. Lam and Schoeni

argue that this factor is more powerful in determining the value of wage than returns from education. It is true that private returns from schooling are higher in less developed countries compared to an advanced economy such as the U.S.A, but earnings are more affected by lower mobility and family background in the less developed ones.<sup>97</sup> Omitting family background, they argue, is a reason for high returns from schooling in some studies.

Assad and Elbadawy demonstrate that an individual who grows up in a high-income family can spend more on education, consequently, achieving more income than an individual who grows up in a poor family. Children, girls particularly, are more affected by their mothers. A more educated mother tries to invest more in her children's skills which positively affects their future participation in the labour force and their earnings.<sup>98</sup> Therefore, ignoring these variables increases the probability of errors in estimation.

Although the financial abilities of parents certainly allow their children to spend time on education, which means investment in human capital, the children or adults may not accept their parents' offer and may decide to work instead of studying. Also, the opposite is sometimes true for those families that do not have sufficient income to support their children. In other words, because the "child is the only capital of the poor" and in some respects, investing in them "is just like investing in a tree that is raised up in a house only for being beautiful and having fruit"<sup>99</sup>, the motivation among low-income parents to encourage their children to complete educational stages might be stronger than high-income parents. Low-income families have less choice to be rich or make their standard of living better unless they invest in their children. However, there is no doubt that the educational background of parents is likely to be considered as a direct variable that may affect the amount of human capital investment.

Connecting the family background with the gender issue paves the way to tackling the puzzle. There is no doubt that poor families have less income to spend on their children, and that makes an obstacle in investing in their children's capital.

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<sup>97</sup> David Lam and Robert F. Schoeni, Effects of Family Background on Earnings and Returns to Schooling'. (August, 1993), *ibid*, p.711.

<sup>98</sup> Ragui Assaad and Asmaa Elbadawy, 'Private and Group Tutoring in Egypt: Where is the Gender Inequality?', *Economic Research Forum*, No 112004007, (2004), p.3. URL:[http://www.erf.org.eg/cms.php?id=publication\\_details&publication\\_id=563](http://www.erf.org.eg/cms.php?id=publication_details&publication_id=563) (Accessed: 14/01/2009, 21:33)

<sup>99</sup> Theodore Schultz, 'The Value of Children: An Economic Perspective', 1971, *ibid*, p.9.

However, if a family has got two children, one boy and one girl, and if there is only one choice to invest in one of them, that is to say, send only one of them to school, then the parents would prefer to give the chance to the boy, not to the girl. Assad and Elbadawy emphasize that parents invest more in sons than daughters; therefore, the gap between them gets bigger.<sup>100</sup> However, the problem is not only with unequal accession to the family budget, but also with any available opportunity in the life cycle. The question is why parents would prefer to invest in boys rather than girls. Why are boys more in the centre of parents' attention than girls? The roots can be found in the marriage market.

The principle of cost-benefit analyses might be helpful to understand this decision and the motivation behind it. According to Assad and Albadawy, the main principle in making that decision is the amount of income parents will get in the future through investing in their children's abilities in the present time. In a close society, particularly, sons have more choice to get the family's opportunities and budget. Parents believe that boys are more preferable in the perspective of the employers. They have more chances and more spaces to move wherever they want. They are socially allowed to find jobs across different markets, locally or internationally. Therefore, it is possible to get a return on their income that was spent on their boys in a short period with a fraction of revenue higher than their expenditure. In contrast, at least in the developing countries, there is a belief that girls are born to serve their husband. Parents believe that it is women's responsibility to do housework, and their living expenses will be provided by their husbands whose responsibility is bringing food and other necessities to their wives and children. The issue is thus related to parents' expectations, although this term has not been used in the presented literature. This point will be visited in the coming chapters, mainly in chapter four.

Arguably, the technological changes that have taken place in the last three decades may have positively influenced the allocation of time between the home and the market in two ways. Indeed, due to not having enough technological products in entire geographical locations around this planet, unfair distribution of these instruments as well as the weakness or better said the unavailability of the welfare programmes, resisting the most advantageous elite powers in this condition, and the difficulty of changing the history in sort-run, this division of labour between men and women and its consequences regarding labour participation and wages might last longer and may need

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<sup>100</sup> Ragui Assad and Asmaa Elbadawy, 'Private and Group Tutoring in Egypt', 2004, *ibid*, p.3.

more time to disappear all over the world forever. In all the cases, this can't hide the fact that the surge in investing in human resource means a rapid success in the income (wage) and other aspects of human development. On the contrary, lower investment means decreasing the income (wage) profile and the quality of life for women.

Despite the valuable theoretical tools developed by scholars from the perspective of human capital investment, they have still left spaces for others to look at the picture from other dimensions. This is the aim of the coming section.

### **2.3 From Human capital to Human Capability and beyond**

The focus of the two previous theories was in the income distance between individuals and social groups. The methodology relies on the cause-effect analyses. Here, wage is a dependent variable that moves according to the change of some other variables, such as certificates and qualifications, work experience and family background. However, other aspects of the inequality picture have been neglected.

Sen, among others, has sought to the other causes of the problem, concluding that freedom's impact on inequality can be as important as unjust distribution of income, if not the most crucial one. He writes

[F]ive distinct types of freedom, seen in an "instrumental" perspective, are particularly investigated in the empirical studies that follow. These include (1) political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees and (5) protective security. Each of these distinct types of rights and opportunities helps to advance the general capability of a person. They may also serve to complement each other. Public policy to foster human capabilities and substantive freedoms in general can work through the promotion of these distinct but interrelated instrumental freedoms.<sup>101</sup>

The method used by Sen is hugely influenced by the political philosopher John Rawls who argues that human being does not only live on physical goods (e.g. food or shelter), but also needs social goods. These goods consist of political liberty, economic rights, and social opportunity which institutions should offer to the individuals.<sup>102</sup> Equally important, these types of freedom are their rights that should be offered by the institutions.

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<sup>101</sup> Amartya Sen, *Development as Freedom*, First edition, (Oxford University Press, 1999), p10.

<sup>102</sup> John Rawls, *A Theory of Justice*, (Harvard University Press, 1971), pp43-50.

A significant point here is that deprivation of political liberty, economic facilities, social opportunities, transparency, and social security lead to depreciate or restrict capabilities of human beings. As much as an agent is deprived of these basic capabilities, from their rights in other words, it is expected to achieve little. “A child who is denied the opportunity of elementary schooling is not only deprived as a youngster, but also handicapped all through life.”<sup>103</sup> Consequently, the social distances between this child and others will increase; however, these distances happen in other spaces, not only in income.

[T]he helpless labourer without substantial means of earning an income are all deprived not only in terms of well-being, but also in terms of the ability to lead responsible lives, which are contingent on having certain basic freedoms. Responsibility *requires* freedom...The basic concern, ... is with our capability to lead the kind of lives we have reason to value.<sup>104</sup>

The concept of *economic inequality* arises here. Income is only an economic variable that allows us to measure these distances. Access to opportunities (e.g. education and health care services), to public services (e.g. electricity and water), and to information are the other faces of these inequalities. Different opportunities lead to different outcomes. The way in which these opportunities and hence outcomes in terms of how wealth is distributed, may be the result of a range of factors – linked to social status, geographic location, family or other networks, skills and level of education, among others. Here, however, I would draw attention to two elements in particular. The first is the role of the authorities, whether in terms of policy or in terms of the factor of corruption. I turn to the latter in particular in Chapter five. The second is the role of individuals’ family background, which is discussed in the previous section, and the “path dependency” of the historical path that has produced them.

Indeed, wages and incomes can be inherited from parents. But something is missing here: intergenerational connections. The fate of an agent is only partially determined by his or her parents; the entire family tree is responsible. The effect comes from generations or throughout interaction of family trees, not each family separately. This is brilliantly described by Alesina and Angeletos:

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<sup>103</sup> Amartya Sen, *Development as Freedom*, 1999, *ibid*, pp284-285.

<sup>104</sup> Amartya Sen, *Development as Freedom*, 1999, *ibid*, p285.

Since wealth in one generation depends on bequests and parental investment from the previous generation, which in turn depend on wealth in the previous generation, the wealth of any given individual depends on the contribution of talent and effort and the realization of luck, not only during a person's own lifetime, but also along his whole family tree.<sup>105</sup>

Therefore, a better term for this is “family tree” instead of “family background”. A large portion of income, talents and abilities in the present depends on what was left by previous generations. Thus, the roots of the inequality tree go deep into history.

Capabilities are not related to the present time only or what the society offers at the present time, but what is left by the family tree to a larger extent determines the fate of agents in the present time. Furthermore, it is not also offered by the family tree of a family, but by the interaction of all families and other social institutions (.e.g. mosque, school). This also means that the fortune of next generation is partially determined by what opportunities and bequests are left in the present time.

At this point, it is worth reminding ourselves why it is important to discuss inequality in terms of a ‘package’ rather than merely in terms of income. The theories discussed earlier, Marxism and human capital theories, concentrated more on the standard of living. But wage inequality is showing only as a dimension of the social distance occurring among social groups. To assess happiness, Sen moves from the quantity of life to quality of life, using life expectancy as one of the measurements. He noticed that income per capita was US\$ 1000 in Sri Lanka in 1994 against US\$ 3000 in Brazil while life expectancy was 73 years compared to 65 years respectively.<sup>106</sup> Still, in 2009, a per capita income in Sri Lanka was \$4,500 while enjoying a life of expectancy over 75 years; whereas life expectancy in a country like the United Kingdom is nearly 80 years with up to \$34,000 in 2009.<sup>107</sup> Certainly, income level influences the amount of years one can enjoy living. The results of a study, done in England show that “people on the poorest housing estates die, on average, seven years earlier than those in the grandest accommodation”.<sup>108</sup>

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<sup>105</sup> Alberto Alesina and George-Marios Angeletos, ‘Fairness and Redistribution’, (Sep., 2005), *ibid*, p973.

<sup>106</sup> Amartya Sen, ‘From Income Inequality to Economic Inequality’, (Oct., 1997), *ibid*, pp386-387.

<sup>107</sup> The World Factbook, Central Intelligence Agency, Country Comparison to the World. Available from <https://www.cia.gov/library/publications/the-world-factbook/fields/2079.html?countryName=&countryCode=&regionCode=!> (Accessed Feb 2011)

<sup>108</sup> *The Economist*, February 2010, p36.

Hence, Sen makes some notes about the congruence and differences between this approach, capabilities, and the theory of human capital. In each theory, the human being is in the centre of the concentration. For the differences, the first approach looks at human beings as agents that should live “the lives they have reason to value”. These freedoms are supporting the agency of human beings to “enhance the real choices they have”. The latter approach is more concentrated on enhancing the productivity of this agent to enhance economic growth. Certainly, individuals benefit from education to improve their well-being, but the purpose of education should not be reduced to this only. “[A] person may benefit from education – in reading, communicating, arguing, in being able to choose in a more informed way, in being taken more seriously by others and so on.”<sup>109</sup> The main difference between the two approaches is in the second case the human being is dealt with as the means, not the end. The opposite is true for the first case. Sen concludes,

The use of the concept of ‘human capital,’ which concentrates only on one part of the picture (an important part, related to broadening the account of ‘productive resources’), is certainly an enriching move. But it does need supplementation; This is because human beings are not merely means of production, but also the end of the exercise.<sup>110</sup>

Human capital theory shows the spaces and discriminations that affect social groups of the same class, if it is possible to use this Marxist term. However, the human capability goes beyond this approach to reach an “additional and inclusive, rather than, in any sense, an *alternative* to the ‘human capital’ perspective.”<sup>111</sup>

## 2.4 Identity and Inequality

The capability theory, discussed previously, is not settled on the issue of the power of social groups on individuals’ decisions in depth. It does not say a lot about how the identity of individuals and social groups is shaped and what are the consequences of this procedure are on the investment in human capital, or capability, and inequality.

The methodologies developed to capture this issue differ from one field to another. Language can be used as an instrument to evaluate women’s social position within a society. For example, a word like ‘firemen’ had been used in the English

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<sup>109</sup> Amartya Sen, *Development as Freedom*, (1999), *ibid*, p294.

<sup>110</sup> Amartya Sen, *Development as Freedom*, (1999), *ibid*, pp295-296.

<sup>111</sup> Amartya Sen, *Development as Freedom*, 1999, *ibid*, p296.



language for somebody who works as a ‘fire-fighter’, the new vocabulary for the same position. Similarly, the word ‘manpower’ was used for labour force, but it is changed to labour force. These words in the old forms denoted the strong cultural position of men while it no longer denotes this distribution. These changes were coincidental with women movements.<sup>112</sup>

To illustrate this aspect of inequality, George Akerlof, a shared 2001 Noble Prize Winner, and Rachel Kranton, economic professor at the University of Maryland at the time of writing (2010), have borrowed the concept of Identity from psychology and sociology. They have tried to fill the gap that has been left by capability and human capital theories. They argue:

[S]chools are not just mechanical factories that teach skills. Rather, as historians, sociologists, anthropologists, and educators explain, schools are institutions with social goals. Not only do they impart skills, but they also impart norms regarding who students should be and what they should become. These ideals affect how long students stay in school and also how much they learn while there.<sup>113</sup>

It is true that one of the aims of schools and universities is to provide labour market with skills, but that is not the whole story. In this process, where individuals may spend up to 20 years; their identity is largely written within it. It even affects the value and freedom they choose.

Wichardt acknowledges the role of these two economists, noting that the concept of identity, at least for the purpose of reading economics of education and organization, was formally first imported into economics by them in their 2000 paper. Wichardt argues that “[I]dentity here roughly refers to the social rules an individual has internalised and built his or her personality on.”<sup>114</sup> Akerlof and Kranton themselves explained the term of identity as it

is used to describe a person's social category—a person is a man or a woman, a black or a white, a manager or a worker. The term identity is also used to describe a person's self-image. It captures how people feel about themselves, as well as how those feelings depend upon their actions. In a model of utility, then,

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<sup>112</sup> George Akerlof and E. Rachell E. Kranton, ‘Economics and Identity’, *The Quarterly Journal of Economics*, Vol. 115, No. 3 (Aug., 2000), p.735.

<sup>113</sup> George A. Akerlof and Rachell E. Kranton, *Identity Economics: How our identities shape our work, wages, and well-being*, (Princeton University Press, 2010), p62.

<sup>114</sup> Philipp C. Wichardt, ‘Identity and why we cooperate with those we do’, *Journal of Economic Psychology* 29 (2008), pp128-129.

a person's identity describes gains and losses in utility from behavior that conforms or departs from the norms for particular social categories in particular situations.<sup>115</sup>

According to this argument, our identity is largely shaped by the way of thinking of our group or/and society. Davis confirms that “[A] person’s self-image is multidimensional and is represented in terms of all the different social categories (ethnicity, gender, religion, etc.) assignable to the individual... The idea of ‘identifying with’ others is what makes their concept of identity a social identity one.”<sup>116</sup> Davis proposes ‘social identity’ instead of ‘identity’. But for the purposes of this thesis the conceptual discussion David raises adds little to the scope of the model, and is unlikely to serve the aims of the thesis. As the developers of this models claim, “[I]f someone else should make another model and define identity differently, we should be equally willing to entertain her definition.”<sup>117</sup>

Individuals’ behaviour is highly reliant on “who is matched with whom and in what context”.<sup>118</sup> Within this process, norms internalize. It is norms that inform individuals' decisions whether in quitting school or working, whether in spending or saving money, or in marrying or staying single.<sup>119</sup> Accordingly, individuals hold different identities. This analysis is in contrast with utilitarianism which concentrates on preferences and tastes as rational and claims a desire for children is an individual’s decision and preference. Akerlof and Kranton argue preferences and tastes are mainly constructed. Religions may be a source of shaping others’ identity. “For Christians, the life of Jesus Christ, as described by the Gospels, gives an ideal of how they should behave. For Muslims, it is the life of Muhammad and the Sunnah.”<sup>120</sup>

Identity takes social category and norms into account. Norms are changeable and according to these changes economic muscles are altering. During the previous century, female smokers increased and the end of the last decade showed that the gap with male smokers in the USA was almost closed. That was not due to the increasing income of

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<sup>115</sup> George A. Akerlof and Rachel E. Kranton Kranton, ‘Identity and the Economics of Organizations’, *The Journal of Economic Perspectives*, Vol. 19, No. 1 (Winter, 2005), p.12.  
Stable URL: <http://www.jstor.org/stable/4134990> Accessed: 08/03/2009

<sup>116</sup> John B.Davis, ‘Akerlof and Kranton on identity in economics: inverting the analysis’, *Cambridge Journal of Economics*, 31, 2007, pp350-351.

<sup>117</sup> George A. Akerlof and Rachell E. Kranton, *Identity Economics*, 2010, ibid, p24.

<sup>118</sup> George A. Akerlof and Rachell E. Kranton, ‘Economics and Identity’, (Aug., 2000), ibid, pp.731.

<sup>119</sup> George A. Akerlof and Rachell E. Kranton, *Identity Economics*, 2010, ibid, p6.

<sup>120</sup> George A. Akerlof and Rachell E. Kranton, ‘*Economics and Identity*’, 2010, ibid, p11-12.

women, but the change came about to the identity of women. With regard to fighting against smoking, one should also take identity, not only taxes, into account.<sup>121</sup>

This approach also argues against the standard economic models of education. The latter model defines three basic factors for inequality of wages between blacks and white workers -usually with reference to the USA. First, that black students may have less incentive to study hard and get skills. Second, that the gap may be due to the individuals' financial background. Or, third, the African-American's families, parents in particular, are deprived of education. Despite the roles of each factor, they ignore one fact that: "School routines and curricula often convey to black students that there is something wrong with them and their background."<sup>122</sup> Thus, individuals decide on their choices partly under the impact of intergenerational identities, including those of their parents. Further, Akerlof and Kranton argue that standard theories of discrimination economics, in particular taste-based discrimination and statistical discrimination developed by Becker and Arrow respectively, can shed light only on some parts of the picture. For example, the theory of statistical discrimination illustrates that black employees are not desired because white employers believe that they have less skills. However, there should still be a search for other codes, and some more codes can be found within the identity model.<sup>123</sup>

Here, outsider-insider concepts are involved. Akerlof and Kranton deal with white employees as insiders, those who have an ideal and have become a part of the institution, and with black workers as outsiders who have emotionally been excluded from the organization.

Norms dictate that it is only white people who should work for the economy; blacks should stay outside. Then, they should choose from different possibilities, but with each, they either gain or lose utility. For instance, if blacks try to become insiders, they may suffer from lack of acceptance by white workers. In addition, those black workers who are trying to be insiders will lose utility from the perspective of their peers, black outsiders. The same is true for women and men.<sup>124</sup> By the same token, urban people might be insiders in some jobs versus their counterparts from rural areas, or native speakers may be provided friendly environments to work that make them insiders

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<sup>121</sup> George A. Akerlof and Rachell E. Kranton, *'Economics and Identity'*, 2010, *ibid*, p20.

<sup>122</sup> George A. Akerlof and Rachell E. Kranton, *'Economics and Identity'*, 2010, *ibid*, p75.

<sup>123</sup> George A. Akerlof and Rachell E. Kranton, *'Economics and Identity'*, 2010, *ibid*, p80.

<sup>124</sup> George A. Akerlof and Rachell E. Kranton, *'Economics and Identity'*, 2010, *ibid*, pp100-104.

while immigrants feel that they are outsiders. In any case, different identities may clash with each other. Any act conducted by one side may have a reaction from 'Others'. On the other side of the coin, the Others will react to an act done by their counterparts.

More importantly, they recognize that individuals are also able to choose their limited choice in one way or another, but with the limitation of their power. Hence, the argument with Capability theorists is just starting.<sup>125</sup> The main difference between capability and identity approach can be documented through the limitation of choice. Akerlof and Kranton have accurately described this when they say: "[S]ocial structures can limit choice. In a society where social categories are defined by race, family background, and ethnicity, for example, it may be virtually impossible for an individual to adopt a new identity."<sup>126</sup> Accordingly, the estimation of returns to education will be biased if we deal with the traditional variables provided by the theorists of human capital.

Interestingly, these concepts and theoretical tools are applied to the gender question. The founders of identity economics argue that the traditional theory of sexual division of labour, discussed previously, even lacks illustrating why men still work one-third of housework. The identity utility explains that men feels that they loss utility when they get involved with household activities, particularly those activities that are historically known as women's responsibilities.<sup>127</sup>

It is social institutions which are directing the generations' perception towards this job but not another, and to the choice of this but not that friend or partner. Akerlof and Kranton asserts that from childhood, the social institutions or their masters (i.e. parents, tribal leaders, teachers, managers) are distributing norms each according to his or her group. Within this procedure, the identity of jobs is divided into two kinds of social categories. Female and male jobs are one of the categories. First, some jobs are considered as men's. Second, some other jobs are classified as women's. It means that the problem is not only with the sexual division of the labour between housework and market work, but there has been a division within labour market itself. Our parents, political authorities, and so on, told our females children to avoid been a scientist as this job fits men. They have also reinforced the idea that males should keep away from being a nurse as it suits women's personality.

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<sup>125</sup> George A. Akerlof and Rachell E. Kranton, *Economics and Identity*, 2010, *ibid*, pp22-23.

<sup>126</sup> George A. Akerlof and Rachell E. Kranton, Rachel, *Economics and Identity*, 2010, *ibid*, p23.

<sup>127</sup> George A. Akerlof and Rachell E. Kranton, *Economics and Identity*, 2010, *ibid*, p93.

Senker believes that children's early experiences determine their behaviours. Ironically, firms, parents and teachers have a vital role in changing their behaviours. From childhood, parents and teachers persuade them, that subjects like physics and mathematics are for boys, not for girls. They also let girls play with those kinds of toys which are less mechanical. In the UK, while computer science graduates among women were around 22 percent, less than 15 percent of physics graduates were women and only 4 percent of electrical engineering were women.<sup>128</sup> Thus, some spaces in the labour market have been taken by women and some other by men. Recall, the overall choices available between these two sexes are largely distributed according to social norms.

Further, they argue against human capital theorists who claim that the stock of women's job experience is less full than men, and women face job segregation accordingly. Instead, they found that

women invest in skills for jobs that are appropriate for women... On a deeper level, women may have "a lower attachment to the labor market" because of wider gender norms. Women are supposed to stay at home and raise children. They are therefore supposed to move in and out of the labor force, whereas men are not.<sup>129</sup>

The first part of this quote explains how women even choose their educational level. The second part is more important as it denotes the reason for the lower rate of female labour force.

These two economists represent the conflict between males and females in the shape of a game tree. Each has its own circle. If any side crosses the border of the other side, there will be a reaction from that side. For example, if a woman would like to work as a lawyer, her counterparts will not keep quiet. On the one hand, the woman is forced to copy men's behaviour to be a successful lawyer. On the other hand, the men will not accept this behaviour as they believe that their identity is being attacked. One of their answers to this attack is giving lesser wage or job segregation which causes to earn less than men. Instead, the woman may be dealt as a sweat worker, not only accepted, if she offers her body. Hence, one can conclude that in a traditional labour market the demand for women's body replaces the demand for her abilities or the power of her labour. In

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<sup>128</sup> Derek Bosworth (eds.), *Skill shortages: causes and consequences*, *ibid*, Peter Senker: *Skill shortages and Britain's international competitiveness*, p.18.

<sup>129</sup> George A. Akerlof and Rachel E. Kranton, *'Economics and Identity'*, 2010, *ibid*, p89.

any case, identity conflict is a source of losing utility. Men feel loss in utility: when they work in women's jobs, and when women work in their job. However, women lose utility when they are involved themselves in men's jobs. Davis sums it up well:

[S]ocial categories are associated with various rules of behaviour that individuals internalize in a process that constitutes the individual's identity or sense of self. When these internalised rules are violated (in ways that Akerlof and Kranton model in a game-theoretic setting), this generates a sense of anxiety on the part of the individual, leading to actions intended to reduce this anxiety, and thereby restore the individual's 'sense of unity'. Alternatively, they allow that the violation of internalised rules of behaviour generates 'cognitive dissonance' with the same effects.<sup>130</sup>

Akerlof and Kranton conclude that firms hire men for men's job and vice versa for women. But "the women who work in men's job," they found, "have higher skills than men."<sup>131</sup>

Still, one might take issue with their theory in a number of ways:

- The argument of identity economics certainly enriches the utilitarian approach. However, the authors have not touched the capability theory in depth. Both approaches work on the same line: social institutions shape individuals' identities. In addition to huge differences in terminology, the approach of capability concentrates on accession to the opportunities while the other approach focuses on shaping our choices. Identity itself is partially dependent on freedom of access to opportunities.
- Their model, as they confess, is more concentrated on the "social interaction in the work place".<sup>132</sup> The identity economics uses the demand and supply model to illustrate the model of identity.<sup>133</sup> However, the identity model is a vital instrument to illustrate the changing of demand for and supply of labour force in the labour market. They did not even say anything about the inactive fraction (unemployed) of the labour force. In other words, in the theory of identity economics, one hardly finds a word on the implications of identity, social categories and norms in understanding

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<sup>130</sup> John B. Davis, 'Akerlof and Kranton on identity in economics: inverting the analysis', (2007), *ibid*, p351.

<sup>131</sup> George A. Akerlof and Rachel E. Kranton, '*Economics and Identity*', 2010, *ibid*, p87.

<sup>132</sup> George A. Akerlof and Rachel E. Kranton, '*Economics and Identity*', 2010, *ibid*, p88.

<sup>133</sup> George A. Akerlof and Rachel E. Kranton, '*Economics and Identity*', 2010, *ibid*, p14.

the rate of unemployment among women, particularly, and their counter parts in general. The same is true for black workers versus white workers.

- According to this model, norms are given, although they are changeable. Norms are not always subject to economical factors and are not economically constructed. What is to be noted here is an economical terminology dominating this approach, but with a psychological content. It does not mean that economists should not borrow concepts from other scientific fields and ignore the interactions among the social factors. In addition, if they do, it is not like “a nightmare for the logical-positive economist”, as Akerlof and Kranton points out. Indeed, it does mean that economists should seek for the economical roots of the phenomenon. For example, what economic factors cause African American parents to avoid investment in their children’s abilities or their daughters? Hence, norms are not subject to religious beliefs only but economical factors too. In addition, Becker is right when he claims that due to economic growth this cultural base will be at least weakened, if not be undermined. A high income level encourages women and even makes men or social institutions to keep silent in front of involving women in outdoors working. To put it in another way, people do not follow norms just “because they believe in them”, as Akerlof and Kranton described.<sup>134</sup>
- Of course, part of the norms is inherited from the past, but it is only under specific circumstances and conditions that people follow this idea or norm and leave the other. The task of economists is to use the term of identity economics in the perspective of economics; without neglecting psychological and sociological factors.

## **2.5 Evidence from Previous Studies**

Many studies have measured the income gap between social groups of society and paid attention to the other kinds of inequality. They show different results in both developed and developing countries. Simply, different situations, economic policies, degrees of stability, economic growth and ideological power make different results.

In the developed countries, “sheepskin effects explain approximately a quarter of the total return to completing 16 years of education and more than half of the return to completing 16 years relative to 12 years” and receiving a Bachelor's degree had a large

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<sup>134</sup> George A. Akerlof and Rachel E. Kranton, *Economics and Identity*, 2010, *ibid*, p35.

effect for all four groups(male and female, white and black). The estimated diploma effects are larger for blacks than for whites. There were remarkable ‘sheepskin’ influences of post-graduate degrees, with little evidence of high school and college graduation, but differ according to race and sex.<sup>135</sup>

Now, looking at the results of gender and as a support for Human Capital theorists, research shows that discrimination against women is always a major source for wage gap, instead of having less talents and abilities. In 1967, according to Oaxaca’s study, about 80 percent of the gap between white male and white female and 90 percent of wage differentials between black men and black women were due to discrimination. In addition, white men earned one more dollar per hours than white women (\$2.95 against \$1.92), but white men received twice as much as black women (\$ 1.45 per hour for the latter group). The same thing is true for black men who got \$2.16.<sup>136</sup>

Mincer and Polechak have found that on the average, married women spend about half of their time in the labour market. Numbers of children and other factors affect this average. The most significant thing that was found in that study is men had more work experience than even single women, and both these had more married women: 19.4 for men, 15.6 for single women, and 9.6 years for married women.<sup>137</sup>

The interruption at work faces married women more than unmarried. For instance, single women spent around 90 percent working while mothers with children spent only 50 percent. They also find that the coefficient of nonparticipation of women is negative, showing a net depreciation of earnings power which was -0.2 for those who did not complete high school, but larger and significant for women with 12-15 years of schooling(-1.3) and largest for those with 16 or more years of schooling at a rate of -2.3. However, they argue that adding more children may not change the explanatory power of the regression unless among highly educated women and may affect number of hours spent in the labour force or avoiding intensive work. Further, they find a strong link between education and earnings. Women who dropped out of the labour force in 1967 earned 5 percent less than those who continued.<sup>138</sup> They also proved that even married men are in a stronger position in terms of earnings compared to both married and single

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<sup>135</sup> David A.Jaeger and Marianne E.Page, ‘Degrees Matter’, 1996, *ibid*, p736.

<sup>136</sup> Ronald Oaxaca, ‘Male-Female wage differentials in urban labor markets’, (Oct. 1973), *ibid*, p.704.

<sup>137</sup> Mincer Jacob and Polachek W. Solomon, ‘Family investments in human capital’, (Mar.-Apr, 1974), *ibid*, p.S81.

<sup>138</sup> Mincer Jacob and Polachek W. Solomon, ‘Family investments in human capital’, (Mar.-Apr, 1974), *ibid*, ppS94-97.



women, though married women live in a more difficult situation than single females. Married men, ages 30-44, earned US\$ 3.18 on the average compared to US\$ 2.73 for single white women and US\$ 2.09 for married white women.<sup>139</sup>

Turning to the power of educational degrees, the signal imparted by those who had degrees appears to be at least as important as the human capital acquired in obtaining them. For Doctoral degree recipients, these differences are 9 percent for white men and 11 percent for white women than those who hold Master's degrees. Likewise, the white men and women of the latter group earn 6 percent and 17 percent more, respectively, than those who hold Bachelor's degrees. Finally, returns to individual years of schooling are small relative to the estimated sheepskin effects of these degrees.<sup>140</sup>

Family background is one of the central investigations of those studies. According to one study, males whose fathers graduated from universities could study 12 years longer and earn "a mean wage ten times greater than men with illiterate fathers".<sup>141</sup> Furthermore, children whose mothers have 9-11 years of schooling enjoyed a higher wage by 37 percent in comparison to those children whose mothers were illiterate.<sup>142</sup> Taking family background into account, however, returns to schooling were reduced by one-fourth to one-third.<sup>143</sup> David Lam and Robert Schoeni's study shows that those students whose fathers had a university degree had studied 12 years more than those whose fathers were illiterate and their wages were ten times higher than second group. Based on a study done by Heckman and Hotz, they repeat that there is a positive relationship between the mothers' level of education and their children wages in which for every further year studied by mothers, their boys' wages increased by 3-5 percent.<sup>144</sup>

Turning to the so-called transition countries, it has been found that the males' rate of return to a year of education was 2.7 percent in 1989, the last year of central planning system, compared to 5.8 percent by 1996. In addition, he finds that the privatized firms provide the highest rate of return for a year of education (6.5 percent

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<sup>139</sup> Mincer Jacob and Polachek W. Solomon, 'Family investments in human capital' (Mar.-Apr, 1974), *ibid*, p.S101.

<sup>140</sup> David A. Jaeger and Marianne E. Page, 'Degrees Matter', (Nov., 1996), *ibid*.

<sup>141</sup> David Lam and Robert Schoeni, 'Effects of Family Background on Earnings and Returns to Schooling', 1993, *ibid*, p.722

<sup>142</sup> David Lam and Robert Schoeni, 'Effects of Family Background on Earnings and Returns to Schooling', 1993, *ibid*, pp729-730.

<sup>143</sup> David Lam and Robert Schoeni, 'Effects of Family Background on Earnings and Returns to Schooling', (1993), *ibid*, p.738.

<sup>144</sup> David Lam and Robert Schoeni, 'Effects of Family Background on Earnings and Returns to Schooling', (1993), *ibid*, p.711-733.

versus 5.6 percent) in the state sector. Nevertheless, there was no significant gap in the based wage of education according to the ownership of the industry, showing that firms remained competitive in relation to returns to education.<sup>145</sup>

The studies also find some different results in the developing countries. Assad found that wages in the public sector are higher than the private sector in Egypt.<sup>146</sup> The public sector wage bill in Turkey comprised about 30 percent of all wage earners in 1996<sup>147</sup>, but the share of public employment of total employment was 28 percent in 1996, which was larger than Haiti and smaller than in Egypt.<sup>148</sup>

By using the traditional earnings function, Tansel finds that for men, the additional year of experience has lower impact on wages in the public sector compared to the private sector. In other words, at higher levels of education, private sector wages are higher than in the public administration. In addition, wages, for men, reach their peak at 32 year and 33 years of experience in the public and private sectors respectively. This peak for women is 34 years in the former sector and 23 years in the latter sector. Moreover, after 25 years of experience in the private sector, there are no remarkable wage gains from additional years of working. More importantly, Tansel finds that at all levels of education wages are higher in the private sector.<sup>149</sup> Moreover, “there is a system of a base salary for each education level which is incremented annually according to seniority. There are differentials according to the position occupied also”.<sup>150</sup>

Going back to Egypt, Said and EL-Hamidi find that wages increase with the higher levels of education for both men and women, but higher in the public sector. More significantly, a woman with a secondary education earned over twice compared to an illiterate woman, though this difference is about 80 percent for men in 1998. The same authors' notes are observed for Morocco, but they found that returns to education

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<sup>145</sup> Daniel Munich *et. al.*, ‘Returns to Human Capital under the Communist Wage Grid and During the Transition to a Market Economy’, IZA Discussion paper No. 122, (March 2000), p.10. Available from [http://papers.ssrn.com/sol3/cf\\_dev/AbsByAuth.cfm?per\\_id=166872](http://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=166872)

<sup>146</sup> Ragui Assaad, ‘Do Workers Pay for Social Protection? An Analysis of Wage Differentials in the Egyptian Private Sector’, *Economic Research Forum*, (1996), p.3.  
URL:[http://www.erf.org.eg/cms.php?id=publication\\_details&publication\\_id=60](http://www.erf.org.eg/cms.php?id=publication_details&publication_id=60) (Accessed: 11/12/2008 15:11.)

<sup>147</sup> Aysit Tansel, (1999), *ibid*, p2.

<sup>148</sup> Aysit Tansel, ‘Wage Earners, Self Employed and Gender in the Informal sector in Turkey’, *Economic Research Forum*, Working Paper 0102, ((2000), p1  
URL:[http://www.erf.org.eg/cms.php?id=publication\\_details&publication\\_id=177](http://www.erf.org.eg/cms.php?id=publication_details&publication_id=177) (Accessed: 12/09/2008)

<sup>149</sup> Aysit Tansel, (1999), *ibid*, p11.

<sup>150</sup> Aysit Tansel, (1999), *ibid*, p3.

between 1991 and 1999 declined. Their study shows that women with a secondary certificate in the public sector earned triple what illiterate women would earned in 1991, while in 1999 they earned double that amount. In addition, public sector workers with university certificates earned more than secondary educated workers by 7 percent in 1991 in Egypt; however, it declined to 5 percent in 1999.<sup>151</sup>

Finally, the last country to be concentrated on in this review is Kuwait. According to Chishti and Khalaf’s study, about 95 percent of all employments were working for the public sector, and two-third of them were men. They find that the average educational level of women is higher than men, but their earnings are lower. According to the same study, the maximum level of earnings for men is attained after 24 years of experience and the rate of return for experience is 4.9 percent. Further, their study shows that the rate of return to education is about 6.7 percent of men and 7-8.5 percent for women.<sup>152</sup>

It is possible to look at the picture through its distribution across sectors. In less developed countries, like Egypt, Said and AL-Hamidi found that the gender gap was 8 percent in the public sector and 40 percent in the private sector in 1999, although it declined to 3 percent and 12 percent in 1999, respectively..

**Table 2.1**

**Lower Average Wage for Women (1994)**

<b>Country</b>	<b>Women’s non-agricultural wage as% of men’s</b>
Australia	90.8
Sweden	89.0
Italy	80.0
Brazil	76.0
China	59.4
Syrian Arab Rep.	60.0

Source: HDR, 1995, table 2-5, p.36.

<sup>151</sup> Mona Said and Fatma EL-Hamidi, ‘Wage Inequality by Education and Gender in MENA: Contrasting the Egyptian and Moroccan Experiences in the 1990s, working paper, (2007), p11.  
[URL:http://www.erf.org.eg/cms.php?id=publication\\_details&publication\\_id=506](http://www.erf.org.eg/cms.php?id=publication_details&publication_id=506) (Accessed: 15/12/2008)

<sup>152</sup> Wassim Shahin and Ghassan Dibeh (eds.), Salim Chishti and Badria Khalaf, *Earnings, Education, Experience and Gender: Kuwaiti Evidence*, (Greenwood Press, Westport, Connecticut, London, (2000), pp155-158.

Despite this, wage is often in favour of men in most of the countries around the world, if not in all. Just as a support from the past data, table 3-1 confirms this distance.

As the table above shows, women's labour status was in the lowest position both in China and Syria. On the average, "across regions, women's nominal wages are roughly 20 per cent lower than men's," with a few exception for specific ages. "In Brazil, for example, women under the age of 25 earn a higher average hourly wage than their male counterparts".

Recently, the average per capita earned income, measured by dividing women's share of non-agricultural wages to gross domestic product, was in the worst case in the Middle East and North Africa, with around 30 percent of men's earnings while in the best case it is in East Asia and industrial countries with around 60 percent of men's earnings. In terms of nominal wage, in 22 industrial countries, women's earnings accounted for 80 percent of men's; and in about 10 transition countries, their earnings were 76 percent of men's.<sup>153</sup>

Overall, women are more likely to be poorer than men. According to HDR 1994, about 910 million out of 1.3 billion people who were living in poverty were women. The figure was the worst for rural women who suffered from an increase in poverty by 50 percent.<sup>154</sup> One reason for being poor is being deprived of access to schools. Among 130 million children who were without primary school, the biggest proportion consisted of girls.<sup>155</sup>

Nevertheless, the table above does not demonstrate that there is a strong link between countries' levels of Gross National Product (GDP) and women's standard of living. While GDP per capita in China was only a fifth of Saudi Arabia, its GDI was ranked ten above this Arab country. The same is true in comparing Thailand to Spain. Hence, it supports Capability Approach's findings. Gender inequality "has been pursued at all levels of income".<sup>156</sup> Even with scarce resources, plenty of poor countries could still have been able to enhance women's human capabilities. Worth to note, much of

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<sup>153</sup> UNICEF, Women and Children, the Double Dividend of Gender Equality, the State of World's Children, report, (2007), pp39-40.

<sup>154</sup> Human Development Report, 1995, *ibid*, p34.

<sup>155</sup> Human Development Report, 1995, p29.

Available at: [http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap2.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap2.pdf)

<sup>156</sup> Human Development Report, 1995, p75-78.

Available at: [http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap3.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap3.pdf).

household and community works are imputed from national income statistics, mostly done by women.<sup>157</sup>

The decades from 1970 to 1990 have shown a great development of women's literacy which has filled part of the literacy gap in developing countries as well. Global female enrolment in primary and secondary schools sharply jumped from 38 percent in 1970 to 68 percent in 1992. This jump was lower in the Arab countries, from 30 percent to 60 percent, but worst in Sub-Saharan Africa which recorded 49 percent. The highest rate enrolled was in industrial countries (97 percent).<sup>158</sup> However, these growth rates have not been sustained. It seems that across regions, illiteracy among women is much higher than men.<sup>159</sup> Low literacy rate is not the only issue that affects a human being's fate in terms of income. It is reflected in every aspect of life, including the health care of the individuals.

In India's rural Punjab, 21 percent of the girls in low-income households compared to only 3 percent of boys suffered severe malnutrition. Also, approximately 458 million adult women suffered from iron deficiency anaemia compared to 238 million of men. The Human Development Report shows that life expectancy at birth is higher for women by 3 years (62 years for men versus 65 years for women). However, the reason is "at birth, females enjoy a biological edge over males in survival. For this reason-and not because of any preferential access to health services child mortality rates (up to age five) are lower for girls than for boys".<sup>160</sup>

The participation in the labour force explains another dimension of the picture. At a global level, between 1970 and 1990, women's labour force participation rates have risen from 35.6 percent to 39.5 percent, but men's participation was relatively higher; approximately by 19 percent in 1990.<sup>161</sup> Not less important is that in most of the Arab and African and Latin America countries at least, the proportion of women in informal sector was either higher than men or equal to men. In Congo and Zambia, two-thirds of the informal production workers were women in the mid-1980s. Likewise, in Bolivia, the women's proportion of the urban informal sector was as much as the men's in late

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<sup>157</sup> Human Development Report, 1995, p87.

Available at: [http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap3.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap3.pdf)

<sup>158</sup> Human Development Report, 1995, p29.

Available at: [http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap2.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap2.pdf)

<sup>159</sup> UNICEF, 2007, ibid, p27.

<sup>160</sup> Human Development Report, 1995, ibid, p34.

<sup>161</sup> Human Development Report, 1995, ibid, p.36.

Available at: [http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap2.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap2.pdf)

the 1980s. In Lima, the capital of Peru, slightly less than 90 percent of economically active women were working in the informal sector.<sup>162</sup> Clearly, this sector is less secure in terms of wage and working compared to the formal sector. It should also be pointed out that women are mainly working in administrative and managerial work. Finally, despite a low participation rate of women in the labour force in East Asia and Sub-Saharan Africa, the picture is even more blurred for the Arab countries and Latina America. “Just over one third of women in the Arab States, and under one half in Latin America and South Asia are economically active.”<sup>163</sup>

In regard to identity economics theory, Akerlof and Kranton show that only 7 percent of nurses in the USA are men. In 1990, it appeared that around 53 percent of men or women “would have had to switch jobs in order to achieve” in order to equalize gender distribution in occupations. Women are known as “nimble fingers”. Therefore, when women integrate into working outside the home, they should be nurses, teachers, or secretaries. It is not surprisingly that in the USA an occupation like secretaries is called “office wives”.

In 2007, a slightly less than 97 percent of women were working as secretaries in the USA. The same story tells women to avoid working in scientific fields; supposedly, it is more suitable for men.<sup>164</sup> In household decisions, men are even able to decide regarding their wife’s health care. Only in few countries, about 50 percent of women replied that they could participate in household decisions.<sup>165</sup> Moreover, a woman working outside the home does not guarantee a redistribution of household responsibilities at the expense of her husband. In some areas, such as in Mexico, women work full time both at home and outside. Thus, all indicators and indexes show that women have enjoyed a lower standard of living and quality of life, however, this is not all because of men’s behaviour.

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<sup>162</sup> Human development Report, 1995, p38-39. Available at [http://hdr.undp.org/en/media/hdr\\_1995\\_en\\_chap2.pdf](http://hdr.undp.org/en/media/hdr_1995_en_chap2.pdf)

<sup>163</sup> UNICEF, 2007, *ibid*, p39.

<sup>164</sup> George A. Akerlof and Rachel E. Kranton, *Identity Economics*, 010, *ibid*, pp83-88.

<sup>165</sup> UNICEF, 2007, *ibid*, p27.

## 2.4 Summing up the Theoretical Framework

In the bottom line of this chapter some points can be concluded.

- Each theory gives some clues to look at the colours of the picture of inequality in the different perspective. Criticizing them does not necessarily means rejecting them in reading the lines of inequality picture. The purpose here is to use mixed methodology to reach the target of the thesis.

Each theory provides valuable tools to understand the gender distance. However, classical Marxism was deemed less appropriate for our analysis than the other three theories.

The theory of human capital focuses on disparities in wages and human abilities. Starting from the family as a base unit for society, parents spend less on their daughters' abilities than their sons'. This process continues through the ladder of educational levels. When children grow up and get into the labour market, they face discrimination by firms. For example, in general, firms are prevented from investing in the female labour force as they have an interrupted package of energy and time. These variables, and others discussed previously, offer useful tools to understand aspects of gender inequality in the Kurdistan region. In this departure, I would propose that “pessimistic expectations” have a hand in the process of preventing investment in women’s abilities and talents by parents and firms. Both parents and firms are pessimistic in regard to women’s fate in the labour force.

Since 1970s and due to a great effort by Amartya Sen, the term human capability has made headway over ‘human capital’. Sen argues that deprivation of basic capabilities is the main sources of poorness. This is a new answer to an old observation by Adam Smith when he mentioned that children are similar in ability until the first six to eight years of their lives. In regard to the gender issue, women have been relatively deprived of these capabilities or freedoms; this led them to achieve less than men. Thus, the discrimination against individuals, women as an example here, does not start from giving two different wage rates. It begins from offering two different opportunities and freedoms which produces different abilities, but two distinct style of life as well. Hence, different abilities and skills themselves show discrimination among agents.

In the very early of 2000, Akerlof and Kranton brought the term “Identity Economics” into economics. According to this model, norms might be inherited and

shape choices. Norms define the identity of the jobs or even activities. Even the choice of education is given in one way or another. In other words, providing a choice, such as education, does not necessarily bring women into the labour market, but the offer may be taken just to enjoy a high status in the marriage market.

Up to this point, the role of government or corruption activities has not been mentioned as there will be a special reference to this in chapter five. Moreover, despite the importance of these theories, it is still possible for the argument to be enriched. Just as an example, the latter theory has not discussed the role of norms in increasing unemployment rates; a gap that this thesis hopes to participate in filling.



## Chapter three

### Faces of Economic Inequality in the Kurdistan Region

The previous chapters are concerned with the theoretical and comparative background of economic inequality. Building on this, the present chapter analyses key aspects of economic inequality in the Kurdistan Region.

The indicators set out in this section permit assessing some faces of inequality not only regarding income but also in human capability (HC) or human development (HD) for the whole country and its regions or governorates as well, leaving the gender gap and the factor of corruption for the next two chapters. This assessment was not possible prior to 2003. Nevertheless, surveys after 2004 have given a better opportunity to measure internal human developments. These measurements are generally called Human Development Index (HDI) which was adopted by the United Nations Development Programme in 1990. Unlike income measurements, they show well the state of human beings and their well-beings. It should also be said that the indicators are helpful in designing public policy for fighting the facets of inequality. The study tries to use the labour market index (LMI) hand in hand with those measurements. As the Iraq National Report (2008) mentioned,

[It] focuses on deprivation rather than achievement within the framework of the three components of HDI: sharp curtailment of life expectancy; a dearth of educational opportunities; and diminished living standards, notably in such areas as the availability of safe drinking water and sufficient nutrition to ensure children's health. The common denominator of these variables is their measurement of negative factors: thus, the higher the HPI rating, the worse the score. Iraq's HPI was estimated at 18.8% in the light of the subsidiary components.<sup>166</sup>

Generally, among Iraq's governorates, the Kurdistan region ranked the highest in 2008, according to HDI values. Sulaimaniyah came first at 0.676, Erbil second at 0.652, and Duhok fourth at 0.638. The two main governorates Anbar and Basrah held the third and fifth ranks, their HDI values being 0.652 and 0.634 respectively. The governorates with the smallest populations such as Missan, Al-Muthanna and Al Qadisiya came last. Bagdad ranked tenth with an HDI value of 0.625. The reasons for high HDI in

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<sup>166</sup> Iraq: National Report on the status of Human Development 2008, first published, Ministry of Planning and Development Cooperation, (Baytal Hikma, 2008), p28. Available at: [http://cosit.gov.iq/english/pdf/status\\_hum2008.pdf](http://cosit.gov.iq/english/pdf/status_hum2008.pdf)

Kurdistan compared to the other cities in Iraq are the high rates of income per capita, the longer life expectancy, and political stability. Nevertheless, it is below other Arab countries. For example, the HDI in Kuwait and in Qatar was 0.891 and 0.875 respectively.<sup>167</sup> Below the various aspects of inequality will be presented and analysed.

### **3.1 Wage and age profile**

Generally, wages in the Kurdistan Region, either in terms of nominal or real, are lower than general prices of goods and services. At both the external and internal levels, two decades of two devastating wars, sanctions and civil war have resulted in the collapse of the economic infrastructure. Workers get a low wages with which they have to cover a big basket of goods and services. They pay for private electricity, water, accommodation, health care, children care, etc. The government has partially failed to provide electricity, health care and other services to households (see chapter five for more details). Households are themselves buying them in the market.

The average hourly wage for the employed population was higher in the Kurdistan region than other parts of Iraq, as the table (3.1) shows. In addition to factors such as skills, educational background, geographical forces, many specific factors consist in determining wages in Kurdistan which may makes Kurdistan different from the rest of Iraq. There is no doubt that the level of political stability, the financial support that families receive from their members who work abroad, and better climate investment in the Kurdistan Region have improved the living standard. However, the hourly wage has not kept pace with the increasing needs of the people. About 5 percent of population in Kurdistan (3 percent of Erbil and Sulaimaniyah and 9 percent of Duhok) was on poverty line against 23 percent in other cities of Iraq.<sup>168</sup>

Although the table (3.1) shows disparities of wages across the cities and areas, nevertheless, it does not tell us the rank of the poorest cities and the determinants of wages.

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<sup>167</sup> *Iraq: National Report on the status of Human Development 2008*, ibid, p24-25.

<sup>168</sup> Poverty line and poverty faces Report in Iraq, Ministry of Planning and Cooperation Development, Centre for Statistics and IT, (2009) p11.

**Table 3.1**  
**Hourly Wages by Regions (2004)**  
**(Per hour)**

Cities and regions	Median hourly wage
Erbil	1,273
Sulaimaniyah	1,190
Duhok	890
Kurdistan Region	1,118
South	875
Centre	714
Baghdad	833

*Source:* ILCS (2004), Table reports, Arabic copy, p118.

As it is clear, a median hourly wage in Erbil is higher than Sulaimaniyah, and the latter form Duhok. It seems that the median hourly wage in Kurdistan Region is better than the rest of Iraq.

Following the HPI, it is safe to say that the poorest governorates were Mithan 30.2 percent and Al-Muthanna at 30.0 percent. Lack of access to drinking water, which was at the rate of 46.9 percent, is the most profound reason for this. In addition, Al-Muthanna with a 37 percent adult illiteracy rate ranked the second poorest city in the list of the governorates. The Governorates of Duhok, the smallest Kurdish city, and Salahuddin had the rank of 16 and 15 respectively in the HPI. The adult illiteracy rate in Duhok was 41 percent, while life expectancy was 36.2 years in Salahuddin. Consequently, both high illiteracy rate and low life expectancy were the major factors for their fall from higher standards in 1990.<sup>169</sup>

Turning to income inequality, the table below (3.2) shows that nearly 18.2 percent of individuals had ID 80, 000 and less compared to 10.9 percent who had ID 400,000 in 2009.<sup>170</sup>

<sup>169</sup> Iraq: National Report on the status of Human Development (2008), *ibid*, Iraq, p29.

<sup>170</sup> Income per capita in Kurdistan and Iraq Report, part two, Ministry of Planning in Kurdistan Region 2009. <http://mop-krq.org/default.aspx?page=articles&c=Reports&id=1018&l=2>

**Table 3.2**  
**Distribution of Households according to their Income Categories**  
**(Iraqi Dinar- 2007)**

<b>Income level</b>	<b>Kurdistan</b>	<b>Baghdad</b>	<b>Other cities</b>
<b>Less than 400</b>	15.8	11.2	17.6
<b>400 less than 500</b>	6.8	8.7	10.9
<b>500 less than 600</b>	8.8	14.0	11.8
<b>600 less than 700</b>	8.3	10.8	9.4
<b>700 less than 800</b>	7.0	11.6	8.6
<b>800 less than 900</b>	5.4	10.0	7.0
<b>900 less than 1000</b>	4.7	6.6	6.1
<b>1000 less than 1200</b>	10.0	8.0	8.8
<b>1200 less than 1500</b>	11.3	7.5	8.0
<b>1500 less than 2000</b>	9.8	6.9	6.2
<b>2000 +</b>	12.2	4.8	5.6

Source: IHSRS-2007, table 9-6, pp702-704.

In general, although Iraq is a rich country, thanks to oil, the average income is lower than neighbouring countries. But the problem is mainly with income distribution. The Gini coefficient shows a very unequal distribution. The poorest 20 percent receive less than 7 percent of the total Iraqi income while the richest 20 percent receive 44 percent. This shows a huge actual distance between social groups in terms of income.<sup>171</sup> The rest of the indicators, particularly the educational disparities and unemployment rate are part of the explanation for disparities. But by the same token causation can also run the other way: for instance, not infrequently families are forced to keep their children out of school due to financial pressure.

Youth (15-24) had the lowest hourly wage in 2004. This group's hourly wage was ID 521 compared to ID 595, ID 1389 and 1,024 for (65+), (55-65) and (25-54) groups respectively. This means that ages (55-65) are a golden age in terms of wage. It

<sup>171</sup> : Iraq: National Report on the status of Human Development (2008), *ibid*, Iraq, p43.

also shows that experience has its role in determining wage: with increasing the bulk of experience, wage increases. It is also important to note that each group worked almost 40 to 42 hours per week.<sup>172</sup> Surveys that have been done in the last few years confirm the same figure. In 2007, the group aged 15-19 years received ID 250, 000 while the 50-54 group received ID 446,000 and declined to ID 332,000 for ages 65+.<sup>173</sup> This demonstrates the fact that there is a positive relationship between work experience and age starting from early ages, and then it turns down after a point or a stage of age. Nevertheless, these indicators show real differences in wages; they may not articulate to exploitation or unfair distribution of income.

### 3.2 Disparities in Educational Background

Inequalities in access to educational services are the base for some other aspects of inequalities, such as wages. In the mean time, it is a deprivation of basic knowledge; from capabilities. Sheep-skin and Illiteracy rates are helpful now to measure how big the issue is in addition to illustrating its reasons.

**Table 3.3**  
**Educational Level and Hourly Wage in Iraq (2004)**  
**(Iraqi Dinar)**

Completed Education	Median Hourly Wage	Hours (per week)
Never attended school	667	40
Incomplete elementary	521	48
Elementary	618	48
Intermediate	714	48
Secondary	1,191	42
Higher	1,443	32

Source: ILCS 2004, Table reports, Arabic copy, p.118 and p120.

As indicated in table 3.3, there was a positive relation between educational levels and hourly wages which increased along with completing education stages. Elementary graduates had ID 618 per hour while the college graduates and those with

<sup>172</sup> ILCS 2004, Table reports, Arabic copy, p.118-120.

<sup>173</sup> IHSES-2007, table 9-11, p719.

higher degrees had ID 1,443. On the other hand, while the higher education-income group was working 32 hours, the lower was working 48 hours per week.

It is possible to analyse the gap between 'never attended school' and 'incomplete elementary' through understanding the relationship between work experience, 'sheep-skin' and years of schooling. In Iraq, as well as Kurdistan, the grant certificate is the main document that can be used in applying for a job or increasing the wage level. Job experience is just valued when the private sector developed. In the public sector, there is no benefit from studying 10 years or eleven years. The wage is set only upon the final degree. In other words, if somebody reaches class 6 in primary school and cannot pass it, then the public sector, or even the firms, deals with him or her just as if he or she has not studied. Now, those who are attending primary schools, reach, for instance, class 6 and decide to leave it will lose some years of working experience. By the same token, someone who reached stage 4, the final grade of undergraduate studies, and has not passed will lose four years of job experience. When he enters the labour market at age 22, again the public sector particularly, he can only say: "I got a preparatory school certificate". Due to this, their stock of experience will be less than those people who directly entered into the labour market. Thus, the cost of 'not passing' the final years is the loss of job experience for three or four years.

In any case, the income level of those with a higher education is clearly better than that of the lower educated. Taking a piece of evidence from ILCS-2004, approximately 46 percent of the unattended, those people who never attended school, were classified under low or/and extremely low income level versus 23 percent for upper high school. On the other side, 34 percent of the unattended were receiving high and extremely high income level compared to 60 percent of upper high school attendance.<sup>174</sup>

According to table (3.4), both partially and fully uneducated, made up around 46 percent of the population aged 15 and above in the Kurdistan region. In Baghdad, it was around 22 percent. Among Kurdish cities, fully uneducated was higher in Duhok (43 per cent) than Sulaimaniyah (33 percent) and Erbil (31 percent), according to the same source. However, in terms of enrolment in primary school and gross enrolment in intermediate school, Kurdistan recorded a good rate compared to other parts of Iraq.<sup>175</sup>

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<sup>174</sup> ILCS 2004, table 4-6, p136

<sup>175</sup> ILCS 2004, table reports, Arabic copy, p.82.

**Table 3.4**  
**Literacy rate by region in Iraq (2004)**  
**(In percent of population aged 15+)**

Regions	Literate	Partly Literate	Illiterate
South	63	9	28
Baghdad	78	7	15
Centre	60	12	28
Kurdistan Region	54	11	35
Iraq	65	10	25

Source: ILCS 2004, Table reports, Arabic copy, p.82.

Despite what has been shown in the table (3.4), which might not need further illustration, it would appear from the surveys that the illiteracy rate in the Kurdistan Region declined between 2004 and 2007 by 7.5 percent (27.4 percent versus 12.4 percent in Baghdad), but the rate of those people who can read and/or write was still high at 23.4 percent.<sup>176</sup> It also seems that the high rate of illiteracy is linked to the low rate of higher education: only 2.4 percent had a Bachelor degree in the Kurdistan Region in 2009.<sup>177</sup> If this is the case with traditional literacy, then modern literacy, using computer and internet, is unlikely be lower than that.

Lack of schools compared to the needs of people is the main reason behind this gloomy picture. In a 2010 interview, Safin Dzaei, the Minister of Education in the Kurdistan region, points out that they need about hundreds of schools to handle the shortage of schools in Kurdistan Region.<sup>178</sup> According to the 2007 Iraqi Household Survey, around 26.5 percent in the Kurdistan region versus 2 percent in Baghdad and 18 percent in other cities in Iraq replied that they were leaving school or higher stages of education due to unavailability of schools. Worth to note, 21.3 percent replied that the reason for non-attendance is their families' ignorance. This was doubled in Baghdad.<sup>179</sup> Again, family is one of the main sources of distributing fate within generations. They decide where their children to go and which field of study and sort of job to choose.

<sup>176</sup> IHSES-2007, table 3-10, p258.

<sup>177</sup> The Scientific Level and Literacy Rate in Kurdistan and Iraq Report, Ministry of Planning in Kurdistan Region, part two, (Erbil, 2009).  
<http://mop-krq.org/default.aspx?page=articles&c=Reports&id=854&l=2>

<sup>178</sup> Safin Dzaei, interviewed by Hiwa and Bakhtiar, March 2010.

Available at: <http://chawyxelk.com/NewsDetailN.aspx?id=3201&LinkID=114&AuthorID=187>

<sup>179</sup> *Iraqi Household Socio-economy survey* (IHSES-2007), report of tables, table 3-8, p255.

Education is not only a path to individual wealth. The lack of these capabilities will affect every muscle of society's body, from restricting political choices and imposing political powers of authorities to social tensions. Thus, as far as these indicators show the main face of inequality, income inequality, they also show how social agents have different access to these opportunities. Disparities in educational level and rate of illiteracy give the main key to understand the picture: inequality of human capability or developments.

### **3.3 Inequality through the prism of the Labour Market Index (LMI)**

The labour market consists of those people who are either employed or unemployed. These two pools, the pool of unemployed with the pool of employed, rely partially on the demographical factor. Put differently, holding political factors (e.g. instability) fixed, the labour force comes from the difference between fertility and mortality rates. In any case, these two pools are helpful in investigating the facets of economic inequality. Any individual, with good health, will go through the family gate, to the school grounds and finally the labour market. This is the reason to turn to the LMI.

#### **3.3.1 *The Dependency Ratio***

One of the indicators that provide a clue to investigating the level of inequality is the labour force participation rate. The labour force is usually defined as a fraction of the working age population (i.e. approximately 15-65 years) and available for work.<sup>180</sup> Let us first look at some aspects of the LMI in Iraq and Kurdistan as it is shown in the table below (Table 3.5).

The most useful indicator here is the dependency ratio. The ratio shows that in 2004 in Kurdistan for each 2.8 individuals, there was one worker who should provide for the livelihood of others, excluding themselves. This is even higher than the Middle East and North Africa (MENA) which is about 1.79. In other words, it is 56 percent higher than the burden carried by workers in an average MENA country. This rate, of course, is changing due to the changes in population. Because this rate represents a fraction of the population, the burden of living on those who are working increases. What is important here is the performance of these people who are working.

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<sup>180</sup> Rashid Amjad and Julian Havers, *Jobs for Iraq: an Employment and Decent Work Strategy*, International Labour Organization, (Beirut: ILO Regional Office for the Arab States, 2007), p.6.  
URL: <http://www.ilo.org/public/english/employment/crisis/download/iraqjobs.pdf>



**Table 3.5**  
**Estimated Population, Working-Age, and the Economically Active Participants in**  
**Kurdistan Region (2004)**  
**(Absolute numbers in thousands)**

Cities/Regions	Population	Working age 15+	Economically active labour force	Participation rate %	Employment**	Dependency rate***
<b>Erbil</b>	1,392	873	340	38.9	324	3.1
<b>Sulaimaniyah</b>	1,716	1,140	511	44.8	456	2.4
<b>Duhok</b>	472	272	97	35.6	82	3.9
<b>Kurdistan Region</b>	3,580	2,285	948	41.5	862	2.8
<b>The rest of Iraq</b>	23,560	14,162	5,787	40.8	5,163	3.0
<b>Total for Iraq</b>	27139585	16,447,000	6,735,000	40.9*	6,025,000	3.0

Source: Iraqi Living Conditions Survey (2004).

Notes: \*If we add discouraged workers, the participation rate will increase to about 45 per cent for the whole country.

\*\* Found by the student through multiplying the economically active labour force for each city/region by the percentages of employed (see ILCS 2004, PP).

\*\*\* Dependency ratio has been found through age (0-14)+age 65+ divided by age (15-65).

Of course, part of the rate is disabled workers, part of it is students who are studying, and a fraction is always unemployed. Each fraction illustrates how economic resources and social status are distributed within the society. Bear in mind that social security programs are not active in the Region, those who are actively working have more difficulty affording food and other necessary things for themselves and other members of the society.

Why is this ratio so high? Concerning the supply side, the high birth rate combined with the high death rate caused the labour force rate to decrease in comparison to the working-age population. Social factors, such as attempting to have a boy or illegality of child abortion, are good reasons for increasing population and are responsible for the high birth rate. In addition, sanctions and civil war in the Kurdistan region are examples of those forces that led to a high death toll as well as the migration of the youth in particular. Consequently, in 2004, the proportion of the population below

15 years old reached more than 41 percent<sup>181</sup> for the whole country.<sup>182</sup> However, this had shifted positively by 2007. On the demand side, the undeveloped economy has not created sufficient decent jobs for those who are unemployed. As a result, every single worker needs to gain enough for the livelihood of three persons at least.

### 3.3.2 *Employment distribution across sectors*

Distribution of workers across the economic sectors shows another aspect of the picture. It explains the structure of employment, which is spreading among sectors, and the rate of wage proportionally. In addition, it provides information about the capacity of sectors in absorbing the labour force.

Table (3.6) shows that most of the employees were working in the trade and manufacturing sectors in the Kurdistan region. For the first sector, it should be borne in mind that the employees moved into this sector during the 1990s when dual sanctions were imposed on Kurdistan by the UN and Saddam's regime at the same time. The mobility of labourers to this sector did not naturally occur; they were involved in smuggling activities across countries. Although it was too risky, its earnings were much higher than other sectors. Moreover, trade sector is monopolised by men and just few women who can do such an activity. Therefore, this misallocation of employment will result in misdistribution of income in favour of men.

With regard to mining and quarrying, including the oil industry, it should be noted that most of Iraq's GDP came from oil sector which contributed less than 1.0 percent of total employment in 2004.<sup>183</sup> Moreover, agriculture employed nearly the same amount as community sector while it attracted 24 percent and 18 percent of employment in the centre and south for the same year, respectively.<sup>184</sup> Generally, agriculture and manufacturing could absorb 26 percent of the workers in Kurdistan while attracting 38 percent in Baghdad. This might be a reason for having a high rate of unemployment in Kurdistan compared to Baghdad. Arguably, the Ba'ath Party was the main reason for this structural change. However, if the Ba'ath's policies in the 1980s

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<sup>181</sup> Rashid Amjad and Julian Havers, *Jobs for Iraq: an Employment and Decent Work Strategy*(2007), *ibid*, p.7.

<sup>182</sup> Although the ILCS does not provide information about Kurdistan, but the rest of the indicators and information that Kurdistan is a part of Iraq and their economic and social structure is similar to each other.

<sup>183</sup> Iraqi Living Conditions Survey (ILCS-2004), *ibid*, p.104.

<sup>184</sup> Iraqi Living Conditions Survey (ILCS-2004), *ibid*, p.111.

and 1990s resulted in the destruction of Kurdish rural areas, the KRG failed to reconstruct it.

**Table 3.6**  
**Employment Distributions by Sectors in 2004**  
**(In % of Employed Population aged 15+)**

Sectors	Erbil	Suli.	Duhok	Kurdistan Region	Wage per hour (Median)*
Agriculture	2.0	8.0	11.0	7.0	375
Manufacturing	20.0	21.0	13.0	18.0	571
Trade	22.0	19.0	15.0	18.5	429
Transport	11.0	7.0	7.0	8.3	598
Financial services	2.0	1.0	4.0	2.3	963
Public Admin.	17.0	14.0	20.0	16.0	1323
Education	14.0	8.0	8.0	10.0	2021
Health	3.0	2.0	1.0	2.0	1398
Community	4.0	6.0	3.0	5.0	-
Others	5.0	12.0	17.0	10.0	-

Source: ILCS 2004, Tabulate Reports, Arabic copy, pp110-111.

\*ILCS 2004, ibid, p119.

Agriculture has suffered from lack of government subsidies and was nearly out of the scope of public planning until the recent introduction of ‘Green or Plastic Houses’ which were encouraged by the KRG. At the level of cities, there were no significant differences except for the fact that the agriculture sector could absorb a lower rate of employment in Erbil compared to other provinces. However, both manufacturing and trade together with the public administration and education sector in Erbil contributed to a lower unemployment rate compared to Sulaimaniyah and Duhok (see table 3.7).

The shift from one sector to another corresponds to the change in the distribution of income. Those who have a chance to be a merchant and work in the trade sector or financial services may have more opportunity to earn more than those who are working in the agriculture sector and vice-versa. Job segregation is rising here. For example,

those who were working in the agriculture sector received ID 375 per hour while those who were working in the education sector earned ID 2021 per hour. The rural-urban disparities are more powerfully used as evidence.

### 3.3.3 *The unemployment rate and its causes in Kurdistan Region*

If work experience has a link to accumulating human capital, then being unemployed represents a main source of this capital being depreciated and of deprivation of basic capabilities. It is from this perspective that the unemployment rate will be discussed.

At first glance, it should be noted that public pensions are largely unavailable. Thus, any dropping out of the labour market will largely be at the expense of those who remain. An individual who is working should let his or her sister to share his or her income as there is no unemployment benefit. The food rationing programme is another source to live on.

**Table 3.7**  
**Employment and Unemployment in Iraq (2004)**

(In percentages)

Cities- regions	Employment	Standard Unemployment	Employment	Relaxed Unemployment*
<b>Erbil</b>	95.3	4.7	87.6	12.4
<b>Sul.</b>	89.3	10.7	84.7	15.3
<b>Duhok</b>	84.1	15.7	74.7	25.3
<b>Kurdistan Region</b>	89.9	10.2	84.7	17.0
<b>The rest</b>	89.1	10.8	81.2	18.8
<b>Iraq</b>	89.5	10.5	81.6	18.4

Source: ILCS (2004), pp122-123.

In the above survey (ILCS- 2004), "Relaxed unemployment" has been found for those unemployed persons who have no job at the time of the survey but were not looking for it as they felt it will be useless. In other words, they have no hope in finding a job.

The rate of unemployment is different according to the unemployment definition used by ILCS. It is about 18.4 for the whole country, including "discouraged workers". This kind of unemployment is given to those people who are unemployed but do not believe that seeking for a job may have an outcome. Due to political stability, the

Kurdistan region is enjoying a better situation than the rest of Iraq. In spite of this, the unemployment rate in Duhok is too high. The table highlights some aspects of this phenomenon.

A high population rate and open unemployment rate made the situation even worse for employees because they were entirely dependent on this for their livelihood. As has been mentioned previously, the income and consumption of all individuals are carried by those who are working. Adding this to the dependency ratio, it becomes more than 3.5 on average. Given a constant employment ratio, any unemployed who can get a job can change the ratio in favour of those who are working. Generally, the rate of unemployment fell to 12.75 percent in 2005, but rose by 2006 and reached 13.75 percent as it is shown in the below table. However, there was a slight decrease of total unemployment rate in Sulaimaniyah.<sup>185</sup>

Two relative points are crucial to mention here. First, a pessimistic view has shaped the general atmosphere of social relations. This is can also be found in this area. Labourers are pessimistic about the availability of job opportunities in the market. They may believe they are only wasting time with this search unless someone helps them (e.g. a tribe leader). They are also pessimistic about taking further steps to facilitate getting the opportunities. For example, they do not believe that there is a strong link between investment in human capital and getting a decent job in the labour market. Second, being unemployed means interruption of work. Hence, there is a kind of inequality in accessing the job opportunities. Workers are also deprived of the available job information which is rarely realised. In any case, it takes time for the employee to get another decent job. This time lag reflects his or her future earning power in two ways. He or she may restart from zero, the initial point from which he or she had started. Therefore, his or her new nominal wage can be the same as previously. Another consequence is that the real wage might have declined during the time of leaving the job and restarting the new job. In an interview, a 45 year old man, with four children, expressed his position in the labour market as follows:

“I was working for a company as a radio commentator. I had about \$300. Because of some conditions that I felt were unfair, I left the job. If I had stayed there until now, I mean after 8 months, my wage would have become doubled, reaching \$600.

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<sup>185</sup> IHSES-2007, table 5-4, p326.

I felt that I would be able to find a better job, but competition among my fellow unemployed workers, has made getting a job hard.”

From this comment, it is clear that, on the one hand, the cost of leaving his job means not losing his initial wage but the expected wage if he had continued. On the other hand, competition among workers or a high unemployment rate makes the job opportunities rare. With the lack of job opportunities, wages cannot move up. In other words, the demand for labour is less than the supply of labour; the result is a high unemployment rate which reflects on the low wage rates. The situation deteriorates even further when workers are not able to take development programs, let alone the eroding of wages due to inflation.

**Table 3.8**  
**Relaxed Unemployment rate by Age Groups in Iraq (2004-2006)**  
**(Percentages)**

<b>Age group</b>	<b>2004*</b>	<b>2006**</b>
<b>15-24</b>	<b>33.4</b>	<b>31.0</b>
<b>25-54</b>	<b>12.7</b>	<b>11.37</b>
<b>55-64</b>	<b>10.0</b>	<b>9.66</b>
<b>65+</b>	<b>17.1</b>	<b>12.0</b>
<b>Total</b>	<b>18.4</b>	<b>17.50</b>

Sources:

\*Iraqi Living Conditions survey (2004), p.123.

\*\*Rashid and Havers, *Jobs for Iraq*, (ILO, 2007), p.13. URL: <http://www.ilo.org/public/english/employment/crisis/download/iraqjobs.pdf>

A specific problem with a major social and future impact is that of youth unemployment. As there is no specific information about the Kurdistan region, data on Iraq will be displayed. The first point to note from table (3.8)<sup>186</sup> is that there was a slight decline in the unemployment rate for all age groups during 2004 and 2005, but it was still high. In terms of aggregate, it went down from 18.4 percent to 17.5 percent. It can

<sup>186</sup> ILCS shows the unemployment rate only for those aged 15-24 in Kurdistan region, but it does not show the other groups' unemployment rate.

be seen that unemployment is highest among youth workers despite a decrease by 2.4 percent. Among Sulaimaniyah youths it was about 24.2 percent in 2006.

Again, ILCS suggests that the rate was lower in Erbil (21 percent by using relaxed unemployment) than other cities (25 percent in Sulaimaniyah and 42 percent in Duhok). However, by using standard definition, the youth unemployment was 8.0, 17 and 26 per cent in Erbil, Sulaimaniyah and Duhok, respectively. The difference was 13 percent, 8.0 percent and 16 percent, respectively, who did not seek a job as they believed that jobs were not available.<sup>187</sup> Hence, it seems that economic growth or investment in Erbil is much better than other cities in Kurdistan; and generally this rate is the same as the centre of Iraq but better than the rest of Iraq. In any case, it is more than normal or natural unemployment.

What is worth mentioning is that unemployment among the educated young is likely to be higher than the less educated person. With regard to employed men in Iraq, the rate among those who hold secondary certificate is about 37.2 percent versus 31.8 percent for those who have no formal education. The same situation is true for educated or less educated women compared to men. Lack of investment in human capital through on the job training programmes and weak connections between schools and universities outcomes with the needs of the labour market are sources of this high rate of unemployment.<sup>188</sup> When an educated worker is unable to find a job, the result will reflect on the uneducated workers in a sense that the latter's confidence in the human capital investment will clash with reality; another wave of moving away from education may start. In other words, uneducated workers look at the investment in human capital through the perspective of the fate of educated workers.

The reasons for high unemployment were simply imbalances between supply and demand for labour but it does not come from a natural law that drives human being's behaviour. On the contrary, it was driven by a human being's activities and policies themselves, policy makers' decisions above all. In addition, it largely affects the fate of the agents in getting a decent job, wages, and status. Thus, the cost of discontinuity at work is to lose the future earnings. Moreover, apart from the humanity perspective, a high rate of unemployment affects the investment activity via restricting consumption. Worth noting is that the local production machine could not resist a

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<sup>187</sup> ILCS 2004, *ibid*, pp124-125.

<sup>188</sup> Iraq: National Report on the status of Human Development (2008), *ibid*, Iraq, p44.

release of trade after so-called “Iraqi Freedom Operation” in 2003 which further has encouraged producers to leave their careers and become consumers eventually.<sup>189</sup>

In short, the rate of unemployment tells us that there are a number of people who are of working age but have no chance to work, thus being deprived of one of the basic capabilities: working. Interruption of work has the same result as being out of work due to child bearing. Interruption of work is a reason for collecting no experience; as a result their human capital will depreciate. Hence, the gap of income increases as well. Again, income inequality will be the final stage of economic inequality.

### **3.4 Life Expectancy**

Longevity serves as a proxy for the ability to live a long and healthy life, free from disease, while the education indicator reflects the degree to which individuals have acquired the knowledge and skills required to make informed choices in their private lives and participate actively in their own development.

Money may guarantee a better standard of living, but not a good quality of life. In this rich country, the quality of life was not moving forward. While average life expectancy was 65 years in 1987, it declined to 58.2 in 2006. This is still better than a country like Sudan (57.4 years), Djibouti (53.9 years), and Somalia (47.1 years). However, a citizen in the United Arab Emirates (UAE) may live for about 20 years more than an Iraqi citizen. Life expectancy in Kuwait is 77.3 years, in Saudi Arabia 72.2 years. More or less, Syria, Jordan, Turkey and Iran are the same rank as Saudi Arabia.<sup>190</sup> Kurdistan citizens may enjoy longer life compared to Yemenis: 63 years versus 61.5 years. Apart from this and unlike an individual from UAE or elsewhere, an Iraq’s average 6—year lifespan may entail countless severe problems; an individual may find only few days or months to enjoy. The life expectancy index does not tell us what was the quality of life a woman or a man who died at age 85.

The Iraq National Report identifies the health care condition and political violence as basic sources of declining life expectancy, especially since the 1990s. If the bad quality of health care services is considered as a source of low life expectancy in Kurdistan (see table 3.9 below), the traffic and car accidents are another reason. Almost

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<sup>189</sup> Hoshiar Ma’aruf and Mohamad Karim (2008), ‘Unemployment in Kurdistan Region’, Unpublished paper, pp13-17.

<sup>190</sup> Iraq: National Report on the status of Human Development (2008), *ibid*, Iraq, p4



10.5 percent of people in the Kurdistan region had chronic diseases; about 3 percent of them were due to car accidents. But there is more to these painful data.

**Table 3.9**

**Life Expectancy in Iraq by Governorates (2006)**

<b>Cities</b>	<b>Life expectancy</b>
<b>Nineveh</b>	63.3
<b>Kirkuk</b>	58.2
<b>Diala</b>	53.3
<b>Al- Anbar</b>	57.5
<b>Baghdad</b>	54.7
<b>Babylon</b>	61.7
<b>Kerbela</b>	59.0
<b>Wasit</b>	58.4
<b>Salahuddin</b>	58.5
<b>Al Najaf</b>	57.2
<b>Al Qadisiya</b>	58.2
<b>Al-Muthanna</b>	58.2
<b>Thi Qar</b>	60.50
<b>Missan</b>	56.7
<b>Basrah</b>	60.4
<b>Duhok</b>	63.2
<b>Sulaimaniyah</b>	63.4
<b>Erbil</b>	62.2
<b><i>Kurdistan Region:</i></b>	62.9
<b>Iraq</b>	58.2

Source: Iraq National Report on the Status of Human Development 2008, Appendix, table 2, p.193.

That hundreds of people annually die in car accidents is in large part due to lack of traffic regulation and weakness of implementing traffic law.<sup>191</sup> This may serve as one instance of the wider reality that the roots of the bleak picture include not just terrorism and the like, but also failings of the political system. Arguably, efforts to direct people's attention to the 'standard of living' by focusing on such things as having a nice car or house, actually diverts attention from wider questions about the quality of life. Underpinning this approach is a belief that "everything is decided by nature or God". Thus, the length of life is not an issue that can be controlled by human beings. Questions such as of "why do people die early?" and "why is there too much unexpected and early death?" tend to be answered by 'uncontrolled factors' such as human beings' ability, nature or simply God's decision.

The cost of most of deaths is paid for by families themselves. A huge part of the costs, from the ceremony of the deaths to the loss of the material goods (i.e. cars), except for some treatments in the public hospitals, are paid from the family budget. A car accident will cost the car owners a lot, but there is no insurance for the car, when it gets damaged, or life insurance for the deaths of the passengers or for the driver himself. All are paid from the pocket of the families themselves. As a result, society as a whole loses a great amount of human and physical, as well as financial resources.

### **3.5 Rural-Urban disparities**

Inequality can be seen from the gate of geographical division. In this case, rural areas mostly have less access to the public services and resources than urban areas. Accordingly, the distance between them is growing.

Generally, 2007 figures show that almost 22 percent of the population in Kurdistan was settled in the rural area.<sup>192</sup> Income inequality is a significant aspect of not only between the rural-urban communities but also within rural areas itself. Despite huge gap between the standard of living in favour of urban areas, income inequality within rural areas themselves is too big. The Gini value by no means exceeded 0.40. In addition, around 78 percent of the households of rural areas receive 50 percent of total

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<sup>191</sup> Approximately, more than 5,400 people in Kurdistan Region, including Kerkuk, were either died or injured in car accidents in 2010. For this, see: <http://www.zawya.com/story.cfm/sidZAWYA20101010075638/Car%20accidents%20increase%20in%20Kurdistan/>

<sup>192</sup> Annual Statistics (1) 2007, Kurdistan Region-Iraq, Council of Ministers, Ministry of Planning, Regional Statistical Office, P.17.

expenditure of the rural areas; the rest, around 22 percent, receive half of the total expenditure spend in rural territories. However, within Sulaimaniyah city, about 50 percent of people shared around 52 percent of the total expenditure. Distribution of salaries within public sector is one of the reasons. There is no proportionality between those employees who have higher positions and those have not, those who are illiterate and those who are educated.<sup>193</sup>

Regarding the availability of services in rural and urban areas and starting from education in Iraq, including Kurdistan, the rate of uneducated citizens out of the population aged 25 and above in rural area was 39 percent compared to 20.7 percent for the urban. In addition, the proportion of rural educated inhabitants was 50 percent while it was 70 percent for the urban.<sup>194</sup> Rural areas are more deprived of basic needs than urban area. The table (3.10) shows disparities in education, health care, and infrastructure in the Kurdistan region and other regions in Iraq. According to the table, Kurdistan's rural areas are the most deprived area, ranked 8.0, among rural areas of other regions in Iraq. The table also demonstrates how big the gap is between rural and urban.

In a survey, it is appeared that out of 556 observations, about 85 rural people replied that the reason for leaving school is an unavailability of schools while only 16 in the centre of the cities replied the same.<sup>195</sup> Furthermore, in 584 observations, it appears that 156 of them were having difficulty with transportation versus 41 in the cities.<sup>196</sup> However, the distribution of employees among economic sectors gives a better indicator of this gap, particularly job segregation effects, both in terms of the types of the jobs, and income rates.

On the one hand, the agricultural work tends to be physically harder than working in the education sector, particularly in a country like Iraq where this sector is highly affected by the natural environment such as hot weather. It is also possible to say that this of being compensated by public insurances (e.g. unemployment or retirement insurances). On the other hand, a source of income inequality between these two

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<sup>193</sup> Shvan Jamal Hamasaied, Measurement and Analysis of Inequality in the Distribution of Household Expenditure in Suleimania Governorate (2007) ,November 2010, A dissertation submitted to the Council of the College of Administration and Economics at the University of Salahaddin-Erbil in Partial Fulfillment of the Requirements for the Degree of Master's in Economic Science, pp82-83.

<sup>194</sup> ILCS 2004, Table reports, Arabic copy, p.82.

<sup>195</sup> Iraqi Household Socio-economy survey (2007), Report of tables, table 3-1, p238.

<sup>196</sup> Iraqi Household Socio-economy survey (2007), Report of tables, table 3-1, p238.

different geographical areas is that the wage rate is lower in agriculture compared to other sectors with 52 percent of rural citizens being employed in this sector. In contrast, wages are higher in the education sector; 3 percent of village people being involved in working in this sector. The same situation continued in 2007 with about 27.5 percent of the breadwinners of families in villages working in the agriculture sector versus 1.1 percent in urban areas. Meanwhile, 5.2 percent of the village breadwinners were involved in trade activities versus 16.0 percent for urban people.<sup>197</sup>

**Table 3.10**

**Deprivation Rate from education, health care, and infrastructure in Iraq by Region and Rural-Urban (2006/% of Families)**

<b>Area</b>	<b>Environment</b>	<b>Education</b>	<b>Health</b>	<b>Infrastructure</b>
<b>Kurdistan</b>	Urban	30.8	21.3	22.1
	Rural	69.4	58.4	80.3
	Urban and rural	34.9	25.3	28.4
<b>Middle</b>	Urban	19.3	13.7	38.4
	Rural	60.1	39.3	88.7
	Urban and rural	35.2	23.7	57.9
<b>Baghdad</b>	Urban	16.7	15.2	45.4
	Rural	56.9	35.6	67.2
	Urban and rural	19.3	16.5	46.8
<b>South</b>	Urban	26.1	13.2	73.1
	Rural	66.6	36.8	95.1
	Urban and rural	37.8	20.0	79.5
<b>Iraq</b>	Urban	22.5	15.3	49.1
	Rural	63.4	39.2	89.3
	Urban and rural	31.8	20.7	58.2

Source: Deprivation Map and Standard of Living in Iraq, Arabic copy, Part One: Analysing Report, 2006, p23

<sup>197</sup> IHSES (2007). Table 5-2, p321.

More harmful is the distance for accessing health care services. For example, the possibility of accessing an ambulance at home in rural Iraq in 2004 was 63 percent while in the cities it was 85 percent. It means that the difficulty or possibility of no access was 37 percent in rural areas. The situation in Kurdistan, South, and middle of Iraq are the same with the possibility 'to receive' was an average of about 77 percent and 'not to receive' was around 23 percent.<sup>198</sup> It means that around 23 percent of people are not able to call an ambulance at a needy time. As far as the situation are the same in every part of Iraq, with the exception that Baghdad is in a better circumstance in this regard, one can conclude that people in rural areas in the Kurdistan region are suffering much compared to urban areas.

**Table 3.11**  
**Distribution of Labour Force over Economic Sectors in Iraq (2004)**

Sectors	Urban	Rural
Agriculture	2	52
Industry	18	10
Trade	24	7
Transportation	9	8
Financial service	2	0
General administration	17	11
Education	9	3
Health	2	1
Social services	4	2
Others	13	7

Source: ILCS 2004, Table reports, Arabic copy, P. 110-111.

Income gaps between rural and urban populations are also somehow a consequence of these disparities. In 2004, the rural median wage per hour was ID 667 while the urban was ID 893.<sup>199</sup> On the other hand, about 49 percent of rural families were either classified as under low and extremely low income families versus 37 percent in urban

<sup>198</sup> ILCS 2004, Table reports, Arabic copy, p.45.

<sup>199</sup> ILCS 2004, Table reports, Arabic copy, p.118.

areas.<sup>200</sup> Also, 11.2 percent of the citizens in cities were located under ID 400,000 compared to 25.7 percent of rural people. In contrast, 9.2 percent of urban families had more than ID 2000,000 versus 3.9 percent of the rural inhabitants. The same is true for every other level of income above ID 700,000.<sup>201</sup> In 2007, despite the fact that people worked less in rural areas (6.6 percent by standard measurement) than in urban than urban (11.9 percent)<sup>202</sup>, and consequently unemployment rate was lower, more rural people reached the poverty line than in urban areas: 39.3 percent versus 16.1 percent respectively.<sup>203</sup> The available surveys also indicate that the countryside is more disadvantaged regarding public services. The proportion of households “deprived of healthcare is 2.5 times higher in rural than in urban areas”<sup>204</sup>. Even though, these imaginable disparities exist, the Iraqi Constitution (Article 30 and 31, 2005) insists:

Article 30: The state guarantees to the individual and the family - especially children and women- social and health security and the basic requirements for leading a free and dignified life. The state also ensures for the above a suitable income and appropriate housing.[And in Article 31]Every citizen has the right to health care. The state takes care of public health and provide the means of prevention and treatment by building different types of hospital and medical institutions.<sup>205</sup>

It does mean that a legal framework is not enough to confront social and chronic illnesses. In addition to investment in human capital, infrastructure vitally supports people’s aspirations to develop their human abilities. In this respect, Iraq’s infrastructure has deteriorated due to physical damage and lack of maintenance incurred under conditions of war and economic sanctions. Regarding public services, the availability and quality of drinking water are critical to human health, especially among children, where polluted water is a source of such diseases as dysentery and diarrhoea, the latter being the leading cause of child mortality in Iraq. For instance, urban areas have more chance to access clean or potable water in Iraq by 23 percent than rural areas (66 percent for urban versus 43 percent for rural),<sup>206</sup> but none of them fully accessible. In 2005, there was a progress as the access of cities to potable water rose to 79.9 percent (13795892 in absolute numbers) and for rural areas increased to 61.6 percent (5406216

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<sup>200</sup> ILCS 2004, table 4-6, p136.

<sup>201</sup> IHSES (200&), table 9-6, p 702 and 704

<sup>202</sup> ILCS 2004 , Table reports, Arabic copy, p.122.

<sup>203</sup> Poverty line and poverty faces Report in Iraq, Ministry of Planning and cooperation development, Centre for Statistics and IT, (2009), p.10.

<sup>204</sup> Iraq: National Report on the status of Human Development (2008), *ibid*, Iraq, p.51

<sup>205</sup> Iraq National Report on the status of Human Development 2008, *ibid*, pp42-47.

<sup>206</sup> ILCS (2004), part one, table reports, p37.

in absolute numbers).<sup>207</sup> Generally, the access to sources of water rose from 83.3 percent in 2000 to 84.2 percent in 2006. This shows that 15.8 percent of Iraqis had no access to clean drinking water. In the Arab world, the percentage of people with access to clean drinking water was 86 percent in 2005 and in medium human development countries it was 83 percent. As it is been noted,

[L]arge segments of the population in affected governorates complain of severe interruptions of water flow in summer. Additionally, indicators of water availability do not reflect realities on the ground that arise from the erosion of old pipeline systems, and their intersection with heavy water streams, which, in 2004, led to the spread of viral hepatitis in Sadr City.<sup>208</sup>

The result is people often do worry about the availability of water; thus they stored it in their houses. Even with this storage, there are shortages of water for daily purposes on many occasions, in summer time in particular. These events have forced people to leave rural areas for urban areas or to settle in the latter and hardly ever return to their original places, putting more pressure on the standard and quality of life in the cities.

### **3.6 Primary Results from the Inequality Survey**

The available data and information presented and analyzed in this chapter thus far, while useful, leave a number of significant aspects of inequality in Iraqi Kurdistan unaddressed. It is the aim of this section, and this thesis as well, to fill this gap and enhance both the level of data and analyses.

#### ***3.6.1 Basic data of the wage model***

In the theoretical background and with a focus on human capital theory (see chapter two), it has been said that inequality in wages largely relies on individual and family educational background. Of course, dividing workers into two categories, for example men and women, show another dimension of the picture. This dimension will be discussed in the coming chapter. In this section, a model of wage inequality, based on the data gathered from the fieldwork, will be presented. However, showing some frequencies initially might be helpful in understanding it.

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<sup>207</sup> Environmental Survey in Iraq in 2005, except for Erbil and Duhok, table 1, p17. [http://cosit.gov.iq/english/cosit\\_surveys.php](http://cosit.gov.iq/english/cosit_surveys.php)

<sup>208</sup> Iraq: National Report on the status of Human Development 2008, ibid, p53.

Four major variables are taken into account in building the model: job experience, the educational background of the agent, the father's educational background, and the mother's educational background. Overall, some aspects of inequality in the Kurdistan region investigated through the Inequality survey. The sample consisted of 314 individuals, 23.6 of whom had 1-4 years of job experience, 19.1 percent had 5.8 years, 16.9 percent 9-13 years, 15.9 percent had 14.17, and only 24.5 percent had more than 17 years (See table 4.20).

Of course, these figures do not reflect average age of the sample. Gender and other factors affect the length of experience. What is important here is wage, as studied in the previous chapter, goes hand in hand with job experience: as individuals have more years of working, they gain more. At one level, wage inequality is automatically a consequence of gaining experience. However, differential in job experience itself can also be considered as injustice. Those who are less able to work due to market discriminations, such as disabled, collect less years of experience; accordingly their human capital store is decreased. Further, about half of the sample's, nearly 48 percent, was interrupted for one reason or another. Reasons for interruption are many, including unemployment, bearing child, or other factors (e.g. immigration). This shows that it is not due to age that some have more experience than others. The table below shows another dimension: educational level of the individuals surveyed.

**Table 3.12**  
**Educational Level of the Sample**

<b>Educational level</b>	<b>Frequencies</b>	<b>%</b>
Illiterate	1	0.3
Illiterate (No Certificate)	3	1.0
Primary	24	7.6
Secondary	34	10.8
Preparatory	81	25.8
Undergrad	170	54.1
Higher Education	1	0.3
<b>Total</b>	<b>314</b>	<b>100.0</b>

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II, question 15, p234.



The smallest portion of the sample is either illiterate or has higher education; each consists of 0.3 percent. However, the biggest fraction has either a preparatory or undergraduate certificate. Although the sample was taken arbitrarily, these figures will be supportive in showing the impact of education on wage differences. Of course, it can be seen from the table that altogether more than 18 percent of public employees graduated from secondary schools or less in addition to 1.3 percent with no certificate at all. These differences in educational levels also reflect different package of human capital and, accordingly, discrimination in providing this basic capability to all equally.

Wage also goes up with getting older. In the existing sample, only 2.9 percent were between the ages of 53 and 64 years. The biggest fraction of the sample, around 37.6 percent, was between 25 and 34, followed by 32.5 percent for ages 35-44. The age of 18-24 and 45-52 consisted 15 percent and 11.5 percent of the sample (See table 4-21). However, these do show less discrimination aspects. In general, a youth who starts working early in life earns a level of wage which may be lower than in older ages, at least due to collecting more experience. Thus, age is likely to be irrelevant to discrimination sources.

Other roots of inequality are inherent from previous generations. This has been taken into account through parental education.

**Table 3.13**  
**Parents Educational Level**

<b>Parents educational level</b>	<b>Father's education</b>	<b>%</b>	<b>Mother's education</b>	<b>%</b>
Illiterate	97	30.9	180	57.3
Primary	67	21.3	50	15.9
Literate (No Certificate)	52	16.6	36	11.5
Secondary	29	9.2	22	7.0
Preparatory	31	9.9	10	5.1
Undergrad	35	11.1	16	3.2
Higher Education	3	1.0	0	0
<b>Total</b>	<b>314</b>	<b>100.0</b>	<b>314</b>	<b>100.0</b>

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II, question 16 and 17, p.235.

Unfortunately, as the table (3.13) above asserts, inequality is largely inherited from the past. Instead of leaving social or physical capital from previous generations, illiteracy has been left. Though illiteracy rate is too high among parents, mothers more than fathers are illiterate: 57.3 percent versus 30.9 percent. A small fraction has completed undergraduate studies. Due to this, skills among employees have largely been distributed unequally; consequently the wage distances have widened.

The table (3.14) gives a clue about wage level of the public and private sector employees altogether in the Iraqi Kurdistan. However, it does not tell us the roots of these inequalities. As it is clear from the table, around 12.4 percent of the sample has ID 201-300 thousand per month while 11.5 percent has ID 800-900 thousand and only 11.8 percent has more than ID 900 thousand per month. In general, about 49 percent of the sample earn between ID 201 thousand to ID 500 thousand per month while around 31 percent make between ID 701 thousand to more than ID 900 thousand per month. Though only 0.3 percent receives less than ID 200 thousand per month, the results still show huge disparities in wages between workers.

**Table 3.14**  
**Wage Level of the Sample in Iraqi Dinar**

<b>Iraqi Dinar/thousand</b>	<b>Frequency</b>	<b>%</b>
Less than ID 200	1	0.3
ID 201-300	39	12.4
ID 301-400	60	19.1
ID 401-500	55	17.5
ID 501-600	39	12.4
ID 601-700	22	7.0
ID 701-800	25	8.0
ID 801-900	36	11.5
ID 900+	37	11.8

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II, question 19, p236.

Altogether, it can be said that basically wage is a function of job experience, age, educational level of the individual, and parental educational background. Certainly,

many more variables should be included. Nevertheless, to paint a general picture and prove the model, one may be satisfied with taking these variables into account. Later, in the next chapter, the variables, with some extra variables such as gender, will be tested to reach a broader explanation.

### ***3.6.2 The model of wage inequality***

The above analyses can be translated into mathematical language. Accordingly, wage is dependent on age, job experience, educational background of the individual, father's educational background, and mother's educational background. No doubt, many more variables can be included but do not necessarily increase the power of the model. In short,

$$W = f(A, X, E, FE, ME)$$

Where  $W$  represents wage,  $A$ ,  $X$ ,  $E$ ,  $FE$ , and  $ME$  represent age, job experience, educational background of the individual, and father's and mother's educational level respectively.

The mathematical function of the analysis can be found from the Coefficient table, where it would replace the following with the values and names from the dataset.

The DV = (Predictor A \* Predictor A's B Coefficient) + (Predictor B \* Predictor B's B Coefficient) + ... (Predictor Z \* Predictor Z's B Coefficient) + Constant.

Thus, from the first Coefficient's table, it can be said that

$$W = (A * .464) + (X * .579) + 2.220$$

Understanding the constant in model 1, column 2, and other models, is easy: with any range of age, a worker receives an amount.

In this model, it is found that  $W$  is moving with the life cycle of the agent: With elder age, the agent receives more. This amount is ID 462. In other words, in moving from age 18-24 to age 25-34, with all other factors holding constant, it will lead to increased monthly wage of ID 462 on the average. The same is true for other categories of age. Turning to the impact of  $X$  on wage, it seems that  $W$  is more under the influence of variables than  $A$ . Moving on from 1-4 years of experience to 5-8 years leads to increasing the value of  $W$  by ID 579. The same goes for other categories.

**Table 3.15**  
**Wage Inequality in Sulaimaniyah City, 2010**

Model number	Model	Unstandardized coefficients		Standardized Coefficients	T	Seg.
		B	Std. Error	Beta		
1	(Constant)	2.220	.305		7.285	.000
	Age	.464	.162	.196	2.858	.005
	JobExper.	.579	.106	.376	5.480	.000
2	(Constant)	-3.689	.587		-6.281	.000
	Age	.535	.137	.226	3.892	.000
	JobExper.	.661	.090	.428	7.372	.000
	Education	1.047	.094	.460	11.193	.000
3	(Constant)	-4.168	.599		-6.960	.000
	Age	.586	.136	.247	4.296	.000
	JobExper.	.683	.089	.443	7.706	.000
	Education	1.004	.093	.441	10.767	.000
	FatherEduca.	.177	.056	.132	3.147	.002
4	(Constant)	-4.323	.596		-7.256	.000
	Age	.617	.136	.260	4.551	.000
	JobExper	.706	.088	.458	8.005	.000
	Education	.974	.093	.428	10.471	.000
	FatherEduca.	.081	.066	.061	1.231	.219
	MotherEduc.	.218	.082	.137	2.674	.008

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II,- questions 4, 10, 15, 16, and 17, pp.232-235.

The Standardized Coefficients in the above table (3.15) tells the significance of the variables. “Units for each regression coefficient are different, so we must

standardise them if we want to compare one with another”<sup>209</sup> As it is shown in these sources , the column named Beta indicates that the larger the Beta Weight the stronger the effect of the regressor on values of W. Assessed using T-test is doing the same.

With the latter indicator, the size is important, not the sign. By using the former indicator, Beta, it appears that the weight of X is larger than A, 0.196 versus 0.376. Using T-test, both are significant; as between 0% to 5% is considered significant; but X is much more powerful in determining the value of W. By adding another variable, the power of the model will be increased. For instance, by adding educational level of the individual to the model, in this case model 2, the value of wage has seen further increase even with A. In this model, it can be seen that W goes up by ID 0.535, ID 0.661, and ID 1047 with A, X, and E per month. Although the last column shows the significance of each variable, W goes up further with education. Thus, a high illiteracy rate is responsible for the expanding wage gap.

In model 3, we see that the father’s educational level affects the child’s fate in the labour market. With a higher educational level, the wage of the child will increase by ID 0.177 per month; but in comparison to other variables, it is not powerful. The reason is children often grow up with their mothers more than with their fathers. The latter is more focused on jobs outside the home. In addition, we see that education is still the most important predictor of W.

Finally, in model 4, by adding more variables, the value of A and X increases and the value of education slightly decrease. These changes do not matter so much and may indicate one thing: by adding further variables to the model, the value of the previous variables used in the model will formulate more accuracy. Equally important to note in this model, W increases by ID 0.218 per month by adding the mother’s education; and it reduces the impact of father’s education. These two variables are more profound variables in determining the gender gap which will be studied in depth in chapter four.

While the significance of the individual predictors is found in the Coefficients table, A and X are both on their own significant predictors of the DV (Wage) in model 1, the ANOVA basically look at the significance of *the model as a whole*. By model, I mean the combination of the independent variables ( in the above case both A and E).

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<sup>209</sup> In the below link, you will find lecture ten to lecture twelve which are useful to show the Model answers. <http://vle.exeter.ac.uk/course/view.php?id=1803>

Thus, the ANOVA of the first regression,  $F(2, 311) = 61.848, p < 0.001$  means that the model (A and X together) is a significant predictor of the DV (Wage).

**Table 3.16**  
**ANOVA, the Significance of the Model as a Whole**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	482.819	2	241.409	61.848	.000 <sup>a</sup>
	Residual	1213.920	311	3.903		
	Total	1696.739	313			
2	Regression	832.192	3	277.397	99.466	.000 <sup>b</sup>
	Residual	864.547	310	2.789		
	Total	1696.739	313			
3	Regression	859.038	4	214.759	79.218	.000 <sup>c</sup>
	Residual	837.701	309	2.711		
	Total	1696.739	313			
4	Regression	878.041	5	175.608	66.065	.000 <sup>d</sup>
	Residual	818.698	308	2.658		
	Total	1696.739	313			
a. Predictors: (Constant), JobExperience, Age						
b. Predictors: (Constant), JobExperience, Age, EducationalLevel						
c. Predictors: (Constant), JobExperience, Age, EducationalLevel, FatherEducation						
d. Predictors: (Constant), JobExperience, Age, EducationalLevel, FatherEducation, MotherEducation						

For the R2, it will be shown in the coming chapter, which cover the same idea presented above.

### 3.7 Conclusion

In any aspect of social life in Iraq and Kurdistan, inequality between social groups stands out. These disparities can be demonstrated by using HDI, HPI, LMI, and income

measurements. Using these indicators may permit to look at a wide range of elements of people's well-being.

The difference between income measurement and other indexes shows the difference between two major schools of economic thought: Human capability theory and Human capital theory. The first theory's focus is more on inequality in basic capabilities as a source of inequality, poverty, and low life expectancy. The second one's concentration is more on nominal variables in analyzing inequality. It mainly refers to family background, educational level, working experience to check the roots of the disease.

In this chapter, both theories were applied over real life in Iraqi Kurdistan. To support the former theory, vital data has been used. However, to investigate the latter theory, the data has been collected by the researcher through a survey, the Inequality Survey. It can be said that there is no formal survey taking the role of family background or intergenerational impact on inequality into account in Iraq and Kurdistan. For the model as a whole, the educational level of the individual is a vital factor in determining the wage gap among individuals. It should also be noted that the wage gap is a symptom of inequality in other areas. It has been shown that individuals of different areas do not have equal access to schools and universities; their deprivation of this basic capability in turn affects their fate in the labour market. Although the latter attempt provides important results in checking the origin of inequality and has found many elements of that origin, the former is a broader approach that may have good justification to connect income inequality itself with the inequality in human capabilities. Our case study demonstrates this. We also argue that working does not guarantee collecting experiences to fill the gap of wage. One may go to work daily and have a monthly salary, but still see one's human capital depreciate. The reason for this is that the institution may have reached a point where additional workers cannot add anything to the total production. The marginal productivity of the labour is negative in this case, as illustrated by the law of diminishing returns of production. Moreover, there is a link between peoples' expectations and their decisions about current life. Whenever they are pessimistic about the future, they may avoid spending time, energy, and money on human capital at the current time. Finally, although the population are generally deprived of their basic rights and capabilities, which deeply affect their human development, the resulting disparities affect the poorer more than the rich, people in the countryside more than cities, and civilians more than authorities.

## Chapter Four

### Gender inequality in Kurdistan Region

In a traditional community like that of Kurdistan, the gender gap can be even greater than in a developed country. While both men and women have been suffering from lack of access to opportunities and basic capabilities, the latter sex has been more affected.

Broadly speaking, responses from both sexes in the fieldwork for this thesis confirm that females are largely discriminated in the work place. Totally, in the judgment of around 69 percent of the sample, with a slight difference between the sexes, women are treated unjustly. An even higher rate was found in a previous study. There, 72 percent confirmed that they feel gender discrimination at the work place.<sup>210</sup> If economic growth was responsible for the first time in encouraging women to sacrifice housework for market work in the early 1950s in Western countries, as Becker pointed out, war and its consequence on starvation in addition to sanctions forced women to start working and made society and its institutions, family above all, to keep silent. In the case of Iraqi Kurdistan, hundreds of thousands of women joined market activities to fill labour shortages during Iraq-Iran war. Then, another round of the cycle with the Kuwait War in the early 1990s and the punishments inflicted by Saddam Hussein's regime. In Iraqi Kurdistan, particularly women widowed by the war and other political genocides like the *Halabja* chemical attack and the *Anfal* campaign had to find financial sources for living and bearing children. The effect was to introduce a new player in the labour market. The various factors mentioned above also had the effect of increasing rural-to-urban drift for women.

Yet the expansion of urban areas in terms of population at the expense of rural areas has not changed the position of women in the labour market and within family framework much. In other words, norms have not let women have access to opportunities as much as men. Second, in the content of history, focusing on the sexual division of labour does not allow us to understand the whole picture: other factors need to be understood, too. This requires a step by step discussion of each face of inequality separately. First, the wage disparities will be presented. Disparities in access to

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<sup>210</sup> Shiler Ali Salih, "Dimensions of Powerment and the Reality of Women Labourers in Kurdistan Region-Iraq/ Erbil Governorate is example", Ab'ad Al-tamkin wa waqi' 'amal Al-marre fi Eqlim Kurdistan-Al-Iraq/ Mwhafazat Erbil nwmzajan", PhD thesis, dedicated to the College of Administration and Economics for the degree of PhD in Economics, Salahaddin University, April 2008, p137.



education will be followed. Agents have to work to live; thus, showing discriminations within the labour market cannot be neglected. The latter is in the core of the chapter, indeed.

#### 4.1 Wage disparities and women's empowerment

Wage inequality is the most obvious disparity between men and women. It can first be discussed with official data provided by the surveys done in the last ten years.

Surprisingly, ILCS 2004 shows wage disparities in favour of women. It is found that the median wage per hour is ID 1429 for women while men can earn ID 719 per hour.<sup>211</sup> One reason, judging by this dataset, is that women often work in the education sector and wage in this sector is higher compared to other sectors. Yet this explanation is incomplete.

**Table 4.1**  
**Median Income of Aged 15+ in 2007, Kurdish Region**  
**(ID ‘000 per month)**

Age	Men	Women	Average
15-19	250	253	250
20-24	357	223	348
25-29	332	221	317
30-34	345	252	331
35-39	379	314	368
40-44	384	325	373
45-49	416	343	399
50-54	450	426	446
55-59	414	375	409
60-64	472	354	453
65+	342	233	332

*Source:* IHSES-2007, table 9-11, p719.

<sup>211</sup> : ILCS 2004, Tabulation report, table 12.5, p118.

First, wage disparities should be discussed at a micro level. Second, neither theories of economics nor real data in other aspects, such as labour market and illiteracy rate, suggest that women are in a better position. Third, other surveys following ILCS confirm that there is a huge gap between men and women's earnings. Forth, wage per hour is not a possible indicator for earnings as men spend twice as many hours as women at work. Therefore, one cannot be convinced that this result should be dealt with.

One survey reported that in Kurdistan on the average women earned ID 392 thousand versus ID 448 thousand for men per month in 2007. Men's wages in Kurdistan cities are higher than other Iraqi cities, women's as well, but similar to Baghdad.<sup>212</sup> According to age, as is shown in table (4-1), men for almost all ages receive higher wages than women.

It seems that urban workers earn more than rural and other urban (e.g. Districts) workers. For example, the average urban income was ID 358 thousand while the Rural areas was about ID 348 thousand per month in 2007. Surveys also show that the 'Other Urban' category was making less money than even the urban population (villages) by ID 25 000 per month. Again, there is no good news about women's status in making money. Women in rural areas earned ID 218 thousand while men made ID 358 thousand per month. Women lived in urban areas are achieved more than women outside the cities, but less than men across the country: ID 323 thousand versus ID 366 thousand for men in urban areas and ID 345 thousand for women in rural areas.<sup>213</sup>

Finally, wage discrimination can also be observed from the rewards employees receive from their organization. According to the results of our survey (see table 4.2. below), 19.4 percent of the sample have a sense that women are often less privileged than men in the amount they receive as rewards. In addition, 27.4 percent confirm that it happens 'sometimes. Yet strikingly, 38.2 percent of the sample still claims both sexes are equal.

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<sup>213</sup> : ILCS 2004, Tabulation report, table 12.5, p118

**Table 4.2****Discrimination against women in Rewards**

<b>Frequencies/ Sex</b>	<b>I do not know</b>	<b>Rarely</b>	<b>Sometimes</b>	<b>Often</b>	<b>All are equal</b>	<b>Total</b>
Male	54	18	45	35	3	155
%	34.84	11.61	29.03	22.58	1.94	100.0
Female	66	23	41	26	3	159
%	41.51	14.47	25.79	16.35	1.88	100.0
Total	6	41	86	61	120	314
%	1.9	13.1	27.4	19.4	38.2	100.0

Source: The Inequality questionnaire, Cross tabulation analyses, appendix II, q.23, p.238.

Being sent on a mission is another opportunity for increasing income. Every organization or institution has external relations with other organizations and institutions. Therefore, employees also need to perform some extra tasks required for going to another place, such as another city, perhaps to attend a conference. For any trip, the employee receives an amount of money; part of which is for travel and subsistence. However, it also helps to improve the standard of living of the employees. Researching this issue has resulted in some different data. As a whole, no less than 33 percent emphasize on this kind of discrimination against women. At the level of sexes, only 25.8 percent responds this happens 'often'. However, slightly more than 40 percent deny any sort of inequality in giving mission. From their counterparts' perspective, 40.88 percent of women say that it is often observable that men are more given missions than women. Another 11.32 percent say this 'sometimes' happens. It can be said that this sort of discrimination has social roots. Women are allowed to go elsewhere less often, even for the purpose of making money. Agreeing to travel to another city, for example, might be against her traditional norms; and cause to reduce her social utility. Reduction of respect among the social groups is one form of disutility.

**Table 4.3****Discrimination against women in missions**

Frequencies/ Sex	All are equal	Rarely	Sometimes	Often	I do not know	Total
Male	63	28	19	40	5	155
%	40.65	18.06	12.26	25.8	3.23	100.0
Female	53	19	18	65	4	159
%	33.33	11.95	11.32	40.88	2.52	100.0
Total	116	47	37	105	9	314
%	36.9	15.0	11.8	33.4	2.9	100.0

Source: The Inequality questionnaire, Cross tabulation analyses, Appendix II, question 22, p.237.

Part of the explanation in wage discrimination lies in the factor education. Uneducated make less money than the educated. Nevertheless, uneducated men have a different fate from uneducated women. The former receive about ID 319,000 per month while the latter receive ID 196,000. Likewise, female graduates receive ID 270,000 per month against ID 366,000 for men. Other higher education stages are the same, but there is little difference with primary school graduates.<sup>214</sup>

#### **4.2 Disparities in Education and Training opportunities**

Women are largely deprived from education opportunities. The evidence of this type of inequality is plentiful. On average, women's access to education is far less than men's.

In Iraq, women are left far behind men in terms of illiteracy rate as in 2004 was about 34 percent for women versus 16 percent for men.<sup>215</sup> Recent surveys have confirmed that literacy is higher among males than females: 86 percent versus 70 percent. However, this rate in Iraq is considered acceptable in comparison with other

<sup>214</sup> ISEHS, Table 9-11, p 719

<sup>215</sup> ILCS 2004, Tabulation Report, Arabic copy, table 4-1, p82.

neighbouring Arab countries; Jordan does better at 86 percent, Syria is about the same at 75 percent and Yemen, which has a rate of 53 percent, is noticeably worse off.<sup>216</sup>

Kurdistan's cities with an illiteracy rate of 27.4 percent are higher than other cities of Iraq, particularly Baghdad. However, how this and other measurements of educations show different status between men and women is more important here. The illiteracy gap between the two is huge. Only 11.6 percent of men were recorded as illiterate versus 26.4 percent of women. There is not much difference regarding school certificate holders, but the situation is particularly different for secondary and preparatory qualification holders with 13.7 and 8.9 percent for men versus 9.6 percent and 5.0 percent for women respectively. The same is true, with a little gap, for upper stages of study.<sup>217</sup> For example, only 14 percent of men had higher education certificates while for women it was 8 percent.<sup>218</sup> Women's poverty in terms of income, their low rate of labor participation and high rate of unemployment may in part be due to this.

Of course, comparing women and men with each other should not obscure that men, too, can face hardship. One man of 48, a member of Communist Part of Kurdistan, claimed in interview:

I am coming to Qaradakh [a district near Sulaimaniyah city] from a very far village. I have got a family with 5 children. I am staying for 15 days each month at work and the rest at home. But I am only earning ID 290,000 [about \$250 at the time of the interview, July 2010]. If there is another opportunity, why should I come here?

However, his wife has not had the same right, the right of working no matter how much she may earn.

Women are living in an even worse situation than men. In general, women study slightly less than men. Although surveys show that women are more engaged with early years of study, they are not continuing in the later stages. On average, they study about 6.8 years compared to men with 7.5 years. This is to somehow equivalent to other Iraqi cities, except for its capital, but the difference is modest. In Baghdad, women study for about 7.6 years while this figure for men is about 8.3 years<sup>219</sup>

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<sup>216</sup> Iraq: National Report on the state of human development (2008), p52.

<sup>217</sup> The scientific level and literacy rate in Kurdistan Region and Iraq, Ministry of Planning, Kurdistan Government, Annual reports, table (2).

<http://mop-krq.org/default.aspx?page=articles&c=Reports&id=854&l=2>, accessed 13/04/2010.

<sup>218</sup> ILCS 2004, *ibid*, p.85.

<sup>219</sup> IHSES-2007, Table 3-11, p529.

There is a negative relationship between 'age' as a factor and dropouts among women. For instance, the participation rate of women aged 6-11 in post-primary schools is even slightly higher than men (0.9 percent versus 0.7 percent), while for women aged 18-21 years was 10 percent lower than men (11.5 percent versus 21.4 percent respectively).<sup>220</sup>

There are a whole range of causes for the education disparities. First, lack of schools and the quality of education are the behind high illiteracy rate. One of the powerful factors for women aged 30-50 is the lack of available schools. For this age, about 25.6 percent of women, and a slightly higher rate of men replied that they were unable to complete their studies because of the unavailability of schools. Second, however, this does not fully explain why women are more illiterate. The unfair distribution of education opportunities is the chief factor in depriving women of being educated. The gap starts from the early stages of the educational system, in particular primary schools. About 23.7 percent of men against 19.0 percent of women were in primary schools. The gap in the educational level is higher in other stages of study, say universities, but still in favour of men.

Both sexes are affected by their family decisions, but these decisions put more pressure on women. According to one survey, about 43.5 percent versus 33.9 percent of men of ages 15-17 replied that they have not continued their studies because their families did not want to. The same can be found for other ages, from 6 to 14 years and from 18 to 50 years. Third, social factors, such as culture, have more influence on females than males. A piece of evidence is 7.8 percent of ages 6-11, 15.4 percent of ages 12-14, and 20 percent of ages 20-29 reported that social restrictions is the main source of deprivation of education while about 1.0 percent of men for the same age on the average claimed against social constraints. Conversely, it is rare for women school leavers to contribute directly to family expenses.

Men are likely responsible for making money and affording their families' needs. Information collected in the surveys in Iraq and Kurdistan support this. On the average, between 1 to 2 percent of women replied that they left their studies contribute to their families' budget, but 6 percent of men ages 15-17 and 10 percent of ages 18-50 on the average preferred work to education in order to cope with the needs of their

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<sup>220</sup> Learning in two sections of sex and demography, Ministry of Planning, Kurdistan Government, Annual reports, table (2).  
<http://mop-krq.org/default.aspx?page=articles&c=Reports&id=858&l=2> (accessed 13/04/2010).

families.<sup>221</sup> Of course, this may be the result of, on the one hand, families having not enough to spend for educating their children, and on the other hand, lacking sufficient financial source to pay for their daily expenditures. Men remain by and large the breadwinner. In contrast, women are socially prepared for the marriage market. The given opportunity of education, for example, may not even change the attitude of social institutions towards women. As discussed in the theoretical chapter, women may join higher stages of education to get a better chance in the marriage market.

Social institutions care more about women's reputation than men's, thus causing pressure on them to stay at home. The same interviewee mentioned previously describes his fears and says that

[T]here is no school in my village and I send my sons to Derbendikhan [another district near Sulaimaniyah]. I do not want to send my daughters for fear of losing their reputation. They are young and may fall in love with someone. Nowadays, it is easy for people to hear her about her relationships. If this happens, I swear no man will want to marry her.

From the conversation above, it is clear that the fear of families is that their daughters' chance of getting married is often under risk for a little social mistake: while there only few men, as their village is too small, who may demand her daughter to engage, if she previously falls in love with someone else she may loss the chance of getting married in the current time.

Lack of schools, then, is a source of depriving children of education. Nonetheless, parents under social pressure from other families would not send their daughters to the areas far from their eyes. The threat comes from the fortune of women in the marriage market. This market in rural areas is too narrow, making parents more cautious in regard to their daughters as they are the symbol of the family's honour. Needless to say, parents also worry about their children's living expenses. They are not able to spend money, time, and energy for the whole life cycle of their children.

The above conversation also confirms that the pressure on rural females is much higher than urban females, because at least in urban areas access to schools at an acceptable distance is much better. In terms of time spend on accession to primary

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<sup>221</sup> Learning in two sections of sex and demography, Ministry of Planning, Kurdistan Government, Annual reports, table (4).  
<http://mop-krq.org/default.aspx?page=articles&c=Reports&id=858&l=2> (accessed 13/04/2010).

schools, for instance, urban population replied that they need 3 minutes to get schools while rural students need 18 minutes. Again, rural inhabitants need 18 minutes for access to secondary schools while citizens in urban areas need about one minute.<sup>222</sup>

**Table 4.4**  
**Literacy for Women and Men (15+) in Iraq, 2004**  
(%)

Areas	Educated		Partially educated		Uneducated	
	Men	Women	Men	Women	Men	Women
Rural	63	37	11	12	26	51
Urban	78	62	9	9	13	29
South	73	54	9	9	18	37
Baghdad	84	72	7	8	9	20
Middle	70	49	12	12	18	38
North	67	46	11	10	22	45
Duhok	56	35	13	10	31	54
Sulaimaniyah	68	46	11	9	21	45
Erbil	68	48	12	11	20	41

*Source:* ILCS 2004, Tabulation Report, English copy, Table 2.4, p83-84.

Regarding rural and urban disparities, it should be noted that about 25 percent of males and females for men and women aged 15 and above are uneducated, and a further 10 percent are partially educated (can read and write only).<sup>223</sup> Educated women consist of 37 percent versus 63 percent of men in rural areas. While the percentage of educated rural men is closer to women in the cities, urban educated men achieved 78 percent. On the other side of the coin, it is likely women are less educated in the rural areas than in the urban areas: 51 percent versus 29 percent. As the table shows, the same disparities can be seen in the Kurdistan region, but Duhok inhabitants suffered more than other cities in Kurdistan, and even the whole country.

<sup>222</sup> ILCS 2004, Tabulation report, English copy, table 4.5 , p.88.

<sup>223</sup> ILCS 2004, Tabulation Report, English copy, Table 2.4, p83-84.



**Table 4.5**  
**Highest Completed Education in the Kurdish Region (15+) (2004)**  
 (%)

Areas	Never attended school		Incomplete primary		Elementary	
	Men	Women	Men	Women	Men	Women
Rural	21	47	17	17	35	28
Urban	10	25	14	15	30	27
South	14	34	14	16	33	27
Baghdad	7	19	12	13	37	28
Middle	13	32	15	17	32	30
North	20	41	20	20	32	21
Duhok	24	46	26	23	27	18
Sulaimaniyah	19	39	22	22	31	20
Erbil	21	40	15	16	34	22

*Source:* ILCS 2004, Tabulation report, English copy, table 4.4, p.86-87.

For the whole country, 75 percent of women aged 65 and above have never attended schools versus 68 percent in urban areas. There is no much difference between rural males and females.<sup>224</sup> Looking at the picture from other dimensions, only 7.0 percent of rural males have higher education versus 16 percent in rural areas. Needless to say, there are huge disparities for other stages of education, such as intermediate and secondary. However, the figure for women is worse: only 2 percent of rural women are educated versus 10 percent of urban.<sup>225</sup> If this is the case for intermediate and higher education, then the figure is worse for lower stages. What is more painful is that about 47 percent of women in rural areas never attended school. This rate is 25 percent in cities, which is closer to men in the rural. The same gloomy stories can be read for those who did not complete primary schools or only have elementary certificates. This figure also shows that illiteracy is in part inherited from older generations.<sup>226</sup> In Human

<sup>224</sup> IHSES-2007, Table 6-1, p 388.

<sup>225</sup> ILCS 2004, Tabulation report, English copy, table 4.4, p.86-87.

<sup>226</sup> ILCS 2004, Tabulation report, English copy, table 4.4, p.86-87.

Capability theory's terminology, women are more deprived of basic rights or capabilities than men.

No doubt, enrolments in primary school consists part of HDI and GDI. Overall, rural children's enrolment in primary school is lower than urban: 69 percent versus 83 percent. Also, the highest rate of enrolment is in Kurdistan with 87 percent for Erbil and 86 percent for Duhok and Sulaimaniyah.<sup>227</sup> In terms of gender inequality, as shown in the table (4.6), boys' enrolment is higher than girls in each part of Iraq, including Kurdistan. Conversely, of course, girls are registered less in this crucial stage of education.

Villages and 'other urban areas' are more deprived of the upper stages of the education ladder than cities. In the intermediate stage, about 75 percent of children ages 13-16 have not registered, which means only 25 percent have been enrolled. Furthermore, about 63 percent of boys have not been registered versus 87 percent of girls.<sup>228</sup> This means that areas outside the three major cities have suffered more from the lack of intermediate schools. In addition, families either do not permit their daughter to go far away, fearing for their honour, or have not had a choice but to take them out of schools; what we can call 'compulsory dropouts'. In the absence of sufficient schools provided by the government and the lack of financial sources, parents rely on their relatives in towns and big cities to give their children a chance to carry on their studies.

There has been progress in boys' and girls' enrolment in primary schools in Kurdistan as between 90.9 percent of girls and boys were enrolled in 2007, and this rate has even risen for rural boys and girls. However, with regard to intermediate schools, around 51 percent of boys and girls in urban areas, with very little difference between them, versus 34 percent for boys and 30.4 percent for girls in rural areas were enrolled. These figures show that teenagers are more willing or have more opportunity to enrol than other parts of Iraq, though still confirming that access to schools is one of the vital problems that the Region and country should face.<sup>229</sup>

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<sup>227</sup> ILCS 2004, Tabulation report, English copy, table4.7, p.90.

<sup>228</sup> ILCS 2004, Tabulation report, English copy, table 4.10, p.94-95

<sup>229</sup> IHSES-2007, table 3-5, p251.

**Table 4.6**  
**Net Enrolment Rate in Primary Schools for Ages 7-13 in 2004**  
 (%)

Areas	Not enrolled		Enrolled	
	Boys	Girls	Boys	Girls
Rural	21	40	79	60
Urban	15	19	85	81
South	18	27	82	73
Baghdad	16	21	84	79
Middle	18	30	82	70
North	10	16	90	84
Duhok	9	19	91	81
Sulaimaniyah	9	18	91	82
Erbil	11	14	89	86

*Source:* ILCS 2004, Tabulation Report, English copy, table 8-4, p91-92.

The National Report on Human Development Status 2008 comments:

High illiteracy rates in Kurdistan compared with Iraq overall reveal the cumulative effect of those policies, which may take decades to rectify. The same analysis applies: these are wider throughout Iraq than in Kurdistan because of losses in education and infrastructure in particular. That is not to deny evident disparities between the governorates of the province. Erbil has achieved marked improvements in health, education and income compared with Duhok and Suleimaniya. The high rate of enrolment in education in Suleimaniya, especially among girls, is a trend that now surpasses the achievements of Erbil and Duhok and may eventually deepen current disparities, unless planning bodies in the province encourage those lagging to catch up.<sup>230</sup>

Putting on training courses is part of the process of investing in human capital. Training sessions are not so prevalent in the Kurdistan region, but the situation is worse for women. In a sample for an academic study done in 2006, 86.2 percent did not

<sup>230</sup> The National Report on Human Development Status 2008, p30.

participate in any training sessions.<sup>231</sup> Employees in the public sector are generally unhappy with the limitation of the available training courses. This is demonstrated by the table below, summing up the results of our inequality questionnaire

**Table 4.7**  
**Discrimination against Women in Training Sessions**

<b>Frequencies/ Sex</b>	<b>All are equal</b>	<b>Rarely</b>	<b>Sometimes</b>	<b>Often</b>	<b>I do not know</b>	<b>Total</b>
Male	53	26	31	36	9	155
%	34.19	16.77	20.0	23.23	5.81	100.0
Female	51	24	30	53	1	159
%	32.07	15.09	18.87	33.33	0.63	100.0
Total	104	50	61	89	10	314
%	33.1	15.9	19.4	28.3	3.2	100.0

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II, question 22, p.237.

The table (4.7) shows that nearly 28 percent of the sample say women are often discriminated against in access to training sessions, if there is any. Another 19 percent confirm that they are sometimes discriminated against. However, from the perception of 33 percent of the sample, they are not unequal. Women, more than men, feel that this sort of opportunity is more available for their counterparts. For example, only 23 percent of men say that women are often deprived of having a chance to participate in training courses while 33 percent of women have this sense. In contrast, 34 percent of men versus 32 percent of women report that women are equal.

Available training opportunities are not distributed equitably or on the basis of skills or the needs of the organization in question. A 31 old year man, working for the Agriculture directorate in the Derbendikhan district blamed the directors for paying attention to their relatives or friends:

“Because our director comes from a town near to our District, he paves ways for those employees who come from his town more than someone who originally come elsewhere. And our ministry gives the opportunities, especially in training courses, to someone who works in the cities, such as Sulaimaniyah.”

<sup>231</sup> Shiler Ali Salih, ‘Dimensions of Powerment and the Reality of Women Labourers in Kurdistan Region-Iraq/ Erbil Governorate is example’, April 2008, *ibid*, p136.

A 48 old year woman, within the urban female group, described another interesting point. She says:

Yes, it is true that training courses are seldom run, but the availability of the courses is not enough for women to be involved. The problem may not come from my director, who may give me the opportunity, but who is going to take care of my children? Who is going to do my household obligations? Let alone what people say when you go to another country to attend a course as it is culturally undesirable.

One can add another point in support of Becker's argument. Owners of or managers in the companies are not the only decision makers about this process of human investment in women's abilities and talents, it is other social institutions, such as family or tribe, which also decide on giving these kinds of opportunities to women or not. A manager might like to send his female worker to a training course abroad, but other social institutions, fearing the loss of reputation in the marriage market, or due to social pressures from other families, are not be ready to permit the woman to go. Whenever including women affects their fortune in the marriage market, the social institution directors (e.g. parents, tribe leaders) are loath to risk their daughter's future in the marriage market for investment in their ability in the labour market. The opposite is also true. This suggests the need for public policy to pay more attention to nursery and other institutions in terms of quantity and quality to make them more helpful to the families in managing their children.

### **4.3 Labour Market Index**

In this section, gender inequality will be reviewed from two perspectives: active labour force and unemployment. First, the reason for the low skills and low participation rate of the female labour force will be discussed. The section then turns to an analysis of the pool of unemployment and its roots.

#### ***4.3.1 The Labour Market Culture***

The traditional division of labour puts women into one place, home, and men into another, the labour market.<sup>232</sup> The sexual division of labour deprived women from

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<sup>232</sup> These duties can also be found in Kurdish language as a reflection of cultural power. An example is the phrase *Henpeck* is in a wide range used for the man who is helping his wife in doing homework or cannot be disagreed with his wife's opinion and decision.

collecting job experience and enriching their store of knowledge. Child bearing and other household activities have left women with few opportunities and choices.

As the table (4.8) below shows, there is a huge gap between the men's and women's labour force. Men's participation in the labour force was around 70 percent in Iraq against 13 percent and 12 percent of women in Iraq and in the Kurdistan region respectively, which was much lower than even Iran (33.8 percent), a country that has shared cultural and ideological characteristics. Among Kurdish cities, this rate of labour participation is higher in Sulaimaniyah than other cities for both sexes with 18 percent while the smallest rate was in Duhok with recording 6 percent.

**Table 4.8**  
**Labour force participation rate by sex in Iraq (2004)**  
(%)

Cities-regions	Male	Female
Erbil	71	11
Sulaimaniyah	72	18
Duhok	67	06
Kurdistan region	70	12
The rest of Iraq	69	14
Iraq	70	13
Iran	80.2	33.8
MENA	80.8	34.5
Low-income countries	86.3	54.6

*Source:* All estimates about Iraq are based on Iraqi Living Conditions Survey (2004); other countries are from World Development Indicators (2005).

The highest rate for men's participation was in Sulaimaniyah (72) percent and the smallest was in Duhok (67 percent). This is partly due to the fact that Sulaimaniyah city is socially more open than other cities.

In another piece of evidence, according to IHSES-2007, the participation rate of the labour force was 40.3 percent in Kurdistan. The figure for men and women has not changed much: about 69.7 percent of men versus 12.9 percent of women. However, in Baghdad, with a high risk of political instability, it was 43.0 percent, with the male rate at 74.6 percent and women's 12.2 percent. In other cities, this rate was 75.7 percent for men and 13.0 percent for women (43.8 percent overall). Again, among Iraq's cities, it seems Sulaimaniyah city achieved one of the highest women's participation rates with 17.3 percent, only less than Anbar and Al-Qadisia. It does mean that in Kurdistan social and economical factors are creating restrictions for women's engagement in market activities rather than political instability. But what are the factors influencing this type of inequality?

First of all, let us make one point clear. The ratio of women to men in Kurdistan is almost equal: 49.8 for women 50.2 for men.<sup>233</sup> Therefore, there is no reason to connect the gap between men' and women's participation rate in the labour market with the issue of men to women's ratio. Other causes must therefore be sought – indeed beyond those suggested in the theoretical part. One cause is that Kurdish women are obliged to choose their marriage life at an early age, as illustrated in the table below.

**Table 4.9**  
**Marital Status of Men and Women in 2004**  
(%)

Age	Men		Women	
	Married	Single	Married	Single
15-19	2	98	15	85
20-24	18	82	41	58
25-29	48	51	34	64
30-34	75	24	73	24
35-39	88	11	79	15
40-44	92	7	81	9
45-49	96	3	79	6

*Source: ILCS 2004, Tabulation Report, Arabic copy, Table 1-9, p24.*

<sup>233</sup> Annual Statistical Report (1), Minister of Planning in Kurdistan, Arabic copy, table (4), p20.

In one example from the table, 41 percent of women ages 20-24 were married while 18 percent of men for the same age were married. Also, the Inequality Survey done for this thesis states this view. As it is clear from the table (4.10), about 54 percent of women aged 19-24 were engaged versus 26.72 percent of men for the same age. Men are more interested in getting engaged from ages 25 to 30. However, after this stage, the choices for getting married are restricted but still easier for men than women until the age of 36 and over which make the choice even harder for both sexes.

**Table 4.10**  
**Age of getting married in Sulaimaniyah Governorate**

<b>Years/ Sex</b>	<b>15-18</b>	<b>19-24</b>	<b>25-30</b>	<b>31-35</b>	<b>36+</b>	<b>Total</b>
<b>Male</b>	9	31	59	14	3	116
<b>% of sum</b>	7.75	26.72	50.86	12.09	2.59	100.0
<b>Female</b>	8	52	28	6	2	96
<b>% of sum</b>	8.33	54.16	29.16	6.25	2.80	100.0
<b>Total</b>	17	83	87	20	5	212
<b>% of Total</b>	5.4	26.4	27.7	6.4	1.6	67.5

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II, question 3, p.233.

Women have less chance to get married than men, as they move into the upper age ranges. From about 30, women are in less demand in the marriage market unless they are willing to accept poor offers (e.g. being a partner of a married man). The lack of financial sources may be as one key factor. The rest is social norms. Fear of losing honour and its consequences on women's fate in the marriage market is just an example. Hence, they focus on homework activities, either looking after their children or preparing food from a young age, to be a professional cook. Broadly speaking, instead of contributing their talents to a firm, women are expected to supply their beauty, honour, and housework skills in the marriage market when they are still young. Otherwise, the chance of being engaged to a partner will be lost or the agent may force into worse choices. Thus, choice is constructed by social institutions. Accordingly,



women often remain widowed more than men (after ages 44-49, about 13 percent of them were widowed, reaching 49 percent by ages 65-69).<sup>234</sup>

The pressure regarding the marriage market, or the sexual division of labour between working in or out of the home, constrains women, in a close society like Kurdistan, in their engagement with the process of accumulating human capital. The same pressure keeps them away from access to opportunities and makes them use opportunities for other purposes. This sexual division is supported by a discourse that connects women's social value to the marriage market. This discourse can be found in the language: Women should not fall in love with men unless they get married or should be highly honoured and never touched. Hence words such as 'honour' or 'untouched women' are signs for women in demand. In this content, women should avoid everything, by the name of honour, which may badly affect their respect in the marriage market. In contrast, any relationship with men prior to marriage will reduce her credit in the marriage market. An interviewee in Qaradakh District, the previously mentioned member of Communist Party of Kurdistan, confirms that

[I]t is better for women to get married in the early stage of their life, because they are weak and may be exploited by a man who just wants her for some personal desires. In addition, everyone wants a woman with no previous experience in love.

One point to be addressed is the size of the marriage market. This size is too small in rural areas than urban, makes parents more careful regarding their daughters' social movements. But this is not the whole story, imitation is part of it. Because 'others are doing the same', one may rather prefer to follow Others and do what is socially acceptable. Another interviewee suggests that the age of 15-20 years is a perfect age for women to get engaged, because they are not preferable at an older age. He continued and said "I will get married only once, therefore I prefer a younger women; others think the same way". As women and men are hardly able to split up, according to this young man's point of view, a man should choose a young woman. Thus, norms, early marriage as an example, affect the participation rate of women in the labour force and cause women to give up working outside the home most of the time.

The latter partly stems from the fact that men are breadwinners. In other words, it is one of men's duties to make money and one of women's responsibilities to do

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<sup>234</sup> ILCS 2004, Tabulation Report, Table 1-9, p.24.

activities in the home. The official surveys have not studied this aspect; this is where our own Inequality Survey sheds extra light (table 4.11).

**Table 4.11**

**The Sample's View in Regard to Men as a Breadwinner**

<b>Scales/ Sex</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>
<b>Male</b>	45	49	61	155
<b>%</b>	29.03	31.61	39.36	100.0
<b>Female</b>	77	38	43	158
<b>%</b>	48.73	24.05	27.22	100.0
<b>Total</b>	122	87	104	314
<b>%</b>	38.9	27.7	33.1	99.7

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II, question 26, p.238.

As the above table (4.11) shows, around 51 percent of women themselves, 24 percent agreeing and 27 percent strongly agreeing, believe that men should be the breadwinners. Women, then, are socially constructed in ways that affect their decision on allocating their time and energy to homework. Of course, this opinion is more strongly supported by men, at slightly above 70 percent.

It is useful to borrow the term of Identity from the theory of Identity Economics studied in chapter two (Akerlof and Kranton): women try to safeguard their identity as house wives; they need to stay at home, decreasing the hours and energy they are allocating in the labour force: or their labour force participation rate decreases. In contrast, men are unable to protect the sexual division of labour between 'home' and 'market' without getting money to pay for household and other related expenses; pushing them to work more hours and stay in the labour market. In other words, to protect their masculine, men need to exchange most of their time and energy for money in the labour market. Therefore, a high rate of men's work hours per week is partially linked to the fact that men like to take more responsibility to keep their identity.

Arguably, men work long hours not only out of financial need, but because they would like to protect their identity as men. Making money gives opportunities to control

wives. A piece of evidence is that in the whole country of Iraq, including Kurdistan, 32 percent of the women's labour force worked less than 20 hours per week while only 9 percent of men worked less than 20 hours per week. Also, only 25 percent of them worked more than 35 hours per week while 61 percent of men worked more than 35 hours per week. Conversely, in terms of hours of working in Iraq, men worked 42.8 hours per week, but women 29.3 hours. This might be the same in Kurdistan as men work for about 40.8 hours.<sup>235</sup> In addition, regarding cleaning the house in Iraq, men spend 40 minutes per day versus 137 minutes for women. Likewise, women spend 123 minutes per day looking after children but men only spend 65 minutes.<sup>236</sup> In contrast, men spend 177 minutes doing market work versus 23 minutes for women. On the average, women spend 242 minutes on bearing and raising children, preparing food, and cleaning their houses versus 9 minutes for men. However, education has impacts on this figure. For example, illiterate women spend 75 minutes preparing food, while literate ones spend 45 minutes.

In Kurdistan, on the average, women spend 43 minutes preparing food, 52 minutes cleaning, and 20 minutes looking after children.<sup>237</sup> According to the same source, about 44 percent and 49.7 percent of women in Kurdistan and in Baghdad respectively replied that they are unwilling to work due to housework. This rate in Misan and Basra reached around 66 percent and 60.0 percent, respectively. Conversely, only 0.1 percent of men replied that housework influences them regarding being out of the labour force. The latter means being out of work for study (about 50 percent) or maybe not finding a job (16 percent). This rate is 37.2 percent for Kurdish women, 48.65 percent in Baghdad, and 44.4 percent in other cities.<sup>238</sup> Despite their family responsibilities, if women choose to work outside the home, then they take those kinds of jobs that do not require spending much time and energy, sometimes as a habit, but not for money. Hence, working in the market for men is a normal task and their responsibility, but it is like a favour for women. On the contrary, men's working at home is not accepted. Finally, the lack of childcare centres and uncertainty about their staff's behaviour were other reasons for the low level of females' labour force.

It is true that socially acceptable to some extent for women to work outside the home. For example, only 4.8 percent of the sample say that women should stay at home,

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<sup>235</sup> IHSES-2007, table 5-6, p.330-331.

<sup>236</sup> IHSES-2007, 6-1, p 388.

<sup>237</sup> IHSES-2007, Table 6-3, p393-394.

<sup>238</sup> IHSES-2007, table 5-7, p.332-334.

not work outside the home. The rest either agree or strongly agree with women working in the labour market. However, the spaces that women should work in are limited. The data collected within the fieldwork confirms people's perception regarding women's job.

**Table 4.12**  
**Women should Work Outdoors**

<b>Sex</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>
<b>Male</b>	14	55	85	154
<b>%</b>	9.09	35.72	55.19	100.0
<b>Female</b>	1	19	139	159
<b>%</b>	0.63	11.95	87.42	100.0
<b>Total</b>	15	74	224	313
<b>%</b>	4.8	23.6	71.3	99.7

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II , question 26, p.238.

As is clear from the table (4.12), overall, only 4.8 percent of the sample believe that women should not go out for the purpose of working. Furthermore, 71.3 percent accept women working outside the home. In Shiler's study, it has been found that social groups accept single, more than married women, women work.<sup>239</sup> However, even if society gives an opportunity for women to work outside the home, it does not mean that opportunities are equally open. Thus, the problem lies elsewhere.

It is true that the traditional sexual division of labour puts women into the house and men outside, but it cannot totally keep women at home. There remain factors that push women out of homework in favour of being paid workers. However, the problem is that even within the labour market, the areas are also divided between them. In this procedure, the norms restrict women's movement in the labour force by defining the identity of the jobs. Women should not work as a taxi driver because it is a men's job. In addition, women should not work at night but only during the day time. The results of our dataset demonstrate this (table 4.13).

<sup>239</sup> Shiler Ali Salih, 'Dimensions of Powerment and the Reality of Women Labourers in Kurdistan Region-Iraq/ Erbil Governorate is example', April 2008, *ibid*, p147.

**Table 4.13**  
**Women should not Work at Night**

<b>Sex</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>
<b>Male</b>	63	37	55	155
<b>%</b>	40.65	23.87	35.48	100.0
<b>Female</b>	82	38	39	159
<b>%</b>	51.58	23.89	24.53	100.0
<b>Total</b>	145	75	94	314
<b>%</b>	46.2	23.9	29.9	100.0

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II, question 26, p.238.

The table (4.13) shows that slightly less than 60 percent of men affirm that they are either agree or disagree with the statement “Women should not work at night”. It means that they see working at night as not proper for women. Even a great number of women themselves, around 48 percent, believe that working at night is not proper for women. The opening of airports in the post-Saddam era in the Kurdistan region has helped working at night to be acceptable to some extent. Yet there are restrictions for women working in some areas in the day time as well.

**Table 4.14**  
**Women should not be a taxi or bus driver**

<b>Sex</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Total</b>
<b>Male</b>	62	38	55	155
<b>%</b>	40.0	24.52	35.48	100.0
<b>Female</b>	79	41	39	159
<b>%</b>	49.69	25.79	24.52	100.0
<b>Total</b>	141	79	94	314
<b>%</b>	44.9	25.2	29.9	100.0

Source: Inequality questionnaire, Cross tabulation analyses, Appendix II, question 26, p.238.

Table (4.14) shows that around 60 percent of men and 50 percent of women believe that being a taxi driver is a job fit for men, not women.

Thus, it is hard to find a single woman working as a taxi driver in the Kurdistan region at the time of writing, the late 2011. From taxi driver to bus driver, from merchant to construction worker, from traffic controllers to technicians, even from working as cooks in restaurants to working in the café, all are identified as men's jobs. As a result, job opportunities are less available for women than men.

Within our field work, the two groups interviewed also clearly confirmed this point. In the entire directory of Fire-fighters in Qaradakh, there was not a single female worker. Out of the 8 fire-fighters interviewed, only 2 employees supported female fire-fighters. A 40 year old employee, who has argued against employing a woman in their directory, had a sense that "a fire-fighter is not a proper job for women. How can they fight for a building which is burning? Our job does need strong muscles and a less sensitive and emotional mind. These are features of men, not women." Another young employee entered this discussion and raised his voice: "Women cannot even drive cars". However, one of the supportive female employees, among the firefighters, ironically asked: "is our job more difficult than struggling with PKK guerrillas?". The other man said

"Female workers are necessary for us, because if a woman is burning in a bath, their family does not let us [male workers] take her out. Thus, in these cases, female workers are necessary to work as firefighters. But the problem is even they themselves do not want to work here [in this directory]. One reason for this is people blame them for choosing this job."

Yet even in directorates where women were involved in many jobs, still they avoid entering certain areas. A group of female employees in the Ministry of Natural Resources, directorate of selling fuel in Sulaimaniyah city, gives some clues. A 41 year old woman asserts:

"We do not want to work in some departments, such as control where one of the duties of the worker is to follow and catch those people who are trying to sell fuel illegally. He or she sometimes needs to check the petrol stations at different hours of the day work, for example at 5 p.m. while we finish at 3 p.m. On the one hand, we have got a lot of housework. On the other hand, neither personal emotion nor our families let us be involved in this kind of jobs which may cause us a lot of risks."

Women themselves then, by and large seem to believe that it is their responsibility to make food for their husband or guests and take care of children. Bearing and raising children are women's jobs, they believe. This has contributed to their low participation in the labour force. What should be pointed out here is that if there was no an ideology saying that women are created for implementing housework and men for working outside the home, the sexual division of labour would never have lasted for such a long period of history. This belief has been reinforced by society. However, one can argue that in one way or another, both males and females are victims of the system or socio-economic structure.

Nevertheless, women are not simply accepting the situation of de facto exploitation without a reaction – indeed part of the reaction has itself become culturally embedded. Hence, economic inequality, particularly income inequality, between them will reflect on their consumption behaviour. Women accept there is a division, but will often place some tasks on the shoulders of men even before entering to the family framework of her husband. One example is that the traditional costs of the marriage are shouldered by men. In Kurdistan, it is the men's responsibility to buy gold, furniture, sometimes a house, and to pay for the wedding ceremony. These costs start with the first move into their new house with their husband or from the first move out of their original house when they were living with their parents. All costs must be paid by men in advance, including an amount that should be paid to the wife if the marriage is abolished. The latter may count as a compensation for the damage that the woman confronts due to the probability of being widows. However, other costs upon entering the marriage, should count as an amount paid to the woman due to the loss of earnings that may be gotten in the labour market.

In other words, the bride accepts this and the groom pays for these "demands" because the bride will lose an amount of money if she chooses to stay at work, while the groom gives these as compensation, and as protection of their identity to continue outdoor work or to make their wives acquiesce. Furthermore, the social status of the bride is to some extent relies on these expenditures. The social status of the brides who have a chance to get a kilo of gold are much higher than those who do not. One male agent interviewed within the fieldwork opined: "I spent a lot of money on the marriage ceremony, bought gold and many more items for her. Do you think it is fair to work at home as well?" [Ahmed, aged 38, Derbendikhan District]. Of course, this is not the case

with every single man, but they have to do it as “others do the same” and it is socially unacceptable to avoid it.

Turning to another factor, the low labour force participation rate can also be in part due to high fertility rate. According to one source, an average household size in Kurdistan is slightly above 6 persons, but higher in rural areas.<sup>240</sup> This stems from both social norms and economical facts. People thought that the number of children defines their prosperity. Their children may support them in elderly age. In the absence of social security programs, this is a strong justification. However, there is also the prevalent assumption that God gives the lives of creatures and should not be resisted.

Of course, the other side of the issue is the demand for labour. Combined with the supply side illustrates the rate of labour force that can be employed by the firms or public sector. Recall, firms seek a complete package of energy and working hours; women suffers because of not being able to provide this for the reasons just illustrated. It is clear that the gap between supply of and demand for labour determines the rate of unemployment. Nevertheless, before entering this dilemma, it might be interesting to raise one more point: women are sometimes demanded not for their ability but for their body, particularly to fill the sexual desires of men.

**Table 4.15**

**Beauty as a means for job opportunity and change positions**

<b>Frequencies/Sex</b>	<b>Not Important</b>	<b>Not so much Important</b>	<b>Moderate</b>	<b>Important</b>	<b>Very important</b>	<b>Total</b>
<b>Male</b>	42	52	22	22	16	154
<b>%</b>	27.27	33.77	14.29	14.29	10.38	100.0
<b>Female</b>	20	41	38	27	33	159
<b>%</b>	12.58	25.79	23.90	16.98	20.75	100.0
<b>Total</b>	62	93	60	49	49	313
<b>%</b>	19.7	29.6	19.1	15.6	15.6	99.7

Source: The Inequality Questionnaire, Cross tabulations analyses, Appendix II , question 16, p.236.

<sup>240</sup> *Annual Statistical Report 2009*, Table (1), p.17.



A 48 years old employee, working for Agriculture directory in Derbendikhan, claimed that he was replaced with a beautiful woman just because his director liked her.

The above discussion is only one example, but table (4.15) gives a better clue and stronger evidence. Up to 61 percent of men claim that for them beauty is not an important instrument in finding a job or changing their job positions. In contrast, around 38 percent of women say beauty is either not important or not as important. The rest of the rates found in the table stress the same fact that beauty is a crucial factor for women to get a job or change their positions. To some extent, for women, beauty replaces skills, which is another kind of discrimination against women.

Moreover, Mrs Shiler mentions that lack of nurseries, in addition to culture, is a source of putting women out of the labour market. In her sample, it appears that 23 percent say that lack of nurseries is considered as a main factor for not joining the labour force. She also notes that women more prefer to work for the public sector.<sup>241</sup> The latter stems from the dominate culture and the traditional division of labour.

#### **4.3.2 Unemployment among women**

Women often leave the labour market for housework. However, this is not the only reason. There are pressures from the labour market itself, such as providing the opportunities according to gender. Thus, one of the main problems facing women is their interruption of work. Overall, women, more than men, interrupt of work.

**Table 4.16**  
**Unemployment rate in Iraq (2007)**

(%)

<b>Areas</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
<b>Kurdistan</b>	<b>5.8</b>	<b>7.2</b>	<b>6.1</b>
Baghdad	11.5	15.0	12.0
Other cities	12.9	11.4	12.7
Total	11.7	11.7	11.7

Source: IHSES-2007, table 5-4, p326.

<sup>241</sup> Shiler Ali Salih, April 2008, *ibid*, p139-140.

Table 4.16 helps to understand the magnitude of the issue. On the average, the probability of being unemployed is higher among females than males or at least there is not much difference between them in Kurdistan and Iraq respectively. The data also shows that the rate of employment slightly decreased between 2004 and 2007 from 12.7<sup>242</sup> percent to 11.7 percent in Iraq. The figure is even gloomier than that: There is a huge fraction of the labour force, nearly 35.9 percent, saying that they were not seeking a job. In Iraq, 31 percent of women and 23 percent of men had spent no time seeking a job as they are pessimistic in getting an opportunity for a job.<sup>243</sup> In Kurdistan, about 25.3 percent of women in Duhok, 15.3 percent in Sulaimaniyah, and 12.4 percent in Erbil were considered as relaxed unemployment, a sort of unemployment that happens due to being pessimistic about seeking a job. They were hopeless and did not believe that searching for a job will get a positive result.<sup>244</sup>

Even if the unemployment among males in other parts of Iraq is higher than females, the question is why unemployment among women is so high while only 13 percent of them are joint labour force, and why they work less hours, around 20 hours, when they join labour market. The latter question was partially illustrated. As a reminder, men try to keep their masculine identity; women their femininity.

Before analyzing the data and answering the questions, in particular the first question, it is equally interesting and important for policy implication to look at the rate with regard to age. Participation in the labour market is changeable according to age. For instance, as table 4.17 below documents, unemployment among women ages 20-24 years for the whole country, including Kurdistan, is higher than men, conversely for ages 40-44.

Many reasons make women to stay at home. Those women who are allowed to work enjoy to somehow no better quality of life and standard of living than those who are home. This discourages women to sacrifice by outdoor working for bearing children or household responsibilities, including convincing husbands. A pressure from the labour market makes women prefer even being exploited within the family framework rather than unknown employers. Of course, when they stay at home, they often count themselves as housewives, not unemployed. One of the pressures, as shown previously, is that sometimes it is beauty not skills that are needed to get a decent job.

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<sup>242</sup> ILCS 2004, Tabulation Report, Arabic copy, Table 16.5 and table 17-5, p122-123

<sup>243</sup> IHSES-2007, table 5-9, pp336-337.

<sup>244</sup> Rashid Amjad and Julian Havers, *Jobs for Iraq*, 2007, *ibid*, p.13

**Table 4.17****Economic Activity and Unemployment Rates for ages 15+ in Iraq (2007)**  
(%)

Age	Economic participation rate			Unemployment rate		
	Men	Women	Total	Men	Women	Total
15-19	46.7	4.7	25.6	28.6	6.3	26.5
20-24	75.4	10.8	42.9	16.9	35.7	19.3
25-29	92.4	16.5	54.3	12.9	17.0	13.6
30-34	93.9	18.1	56.4	8.1	8.6	8.2
35-39	95.8	19.5	57.7	5.8	7.5	6.1
40-44	92.5	21.3	56.8	5.3	4.2	5.1
45-49	91.0	18.9	52.0	5.5	3.5	5.1
50-54	80.0	12.4	42.3	5.5	2.6	5.0
55-59	59.2	10.4	34.9	5.2	1.1	4.6
60-64	46.1	6.9	26.6	4.9	0.0	4.3
65+	20.2	3.0	10.5	3.7	8.2	4.4
Total	74.6	12.8	43.2	11.7	11.7	11.7

Source: IHSES-2007, table 5-3, p. 325.

The higher rate of unemployment is one part of the explanation for women's lower wages. As Becker points out, with their increasing labour supply, women's wages fell. There is a positive relation between the supply of female labour force and their market wage: when supply increases, wages decrease. Women usually seek part-time or flexible- hours of working during the day time – just the kind of jobs that the Kurdish labour market does not provide. As a result, the division of labour between “home” and “market” has not been changed entirely in favour of them. In this situation, the market equilibrium may be more affected by the demand side. Firms' demand for women's services remains low, nor do they devote much attention or resources on on-the-job-training programmes. The exception would seem to be where the demand for women's body replaces the demand for their skills. In other words, due to lack of opportunities, weak legal framework and other social factors, women are confronting sexual pressure in the labour market. This is yet another source of preferring to stay at home.

In a complementary argument, using the concept of Identity, it can be argued that the problem is not the sexual division of labour between ‘home’ and ‘market’ only, as Becker claims, but the fact that within the labour market jobs have different identities. Women usually select, or are in demand for, those sorts of jobs that are

socially acceptable for them. In a small market, such as Kurdistan, the number of job opportunities available for women is far behind the amount of job opportunities available for men. As has been shown, women are often not allowed to work at night, or to be a taxi driver or the like. Men do not suffer those constraints and can find a job in nearly any part of the market. A male worker from Sulaimaniyah city is socially allowed to find a job in Baghdad city, for instance, but that is much harder for women. Thus, the distribution of jobs between different identities, one for men and another for women still favours of the former, leaving women suffering greater unemployment rates.

Also worth noting is that 5.4 percent of boys and 1.0 percent of girls under 16 are working, a fact can also be observed elsewhere in Iraq.<sup>245</sup> This may reflect not only the fact that their labour is cheaper than that of women, but also a strategy by families to gain some of the income that women cannot obtain.

As Rashid and Havers have pointed out, low participation of women and young structure of population in Iraq “keep the labour market under pressure for the foreseeable future”<sup>246</sup>. A suggestion for policy makers here is if they want to decrease the rate of unemployment, they should pay particular attention to women’s unemployment rate as it is high by any standard.

#### ***4.3.3 Distribution of employees in Economic sectors***

There is no permanent distribution of employees across sectors. It is changeable across decades and from one country another. What is important here is how Kurdish women employees have been distributed in economic sectors and what the policy implications of this are.

This chapter has argued that the sexual division of labour is responsible for restricting women in engaging the kind of jobs that may offer the same status, working conditions, and wages. Hence, it is time to show how this affected women’s movement towards market in the Kurdistan region.

As is evident from table 4.18 below, the most favourable working place for women is agriculture, followed by education.<sup>247</sup> In agriculture this reflects largely self-

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<sup>245</sup> IHSES-2007, table 5-4, p326.

<sup>246</sup> Rashid Amjad and Julian Havers, *Jobs for Iraq*, 2007,p.14

<sup>247</sup> Although there is no a clear idea about Kurdistan Region, but it was included.

employment, while in education there are specific privileges that accord with women's lives – such as lower working hours than in others sectors, at around 30 hours per week. Around half of the female labour force is either in agriculture (28 percent), or education (25 percent). It is worth noting here that both labour conditions and wages/earnings are relatively lower in agriculture. On the other hand, education, in addition to low hours of working, offers wages of about ID 2028 per hour, which is higher than personal service, for example (ID 500). Transportation absorbed only 1.0 percent versus 11 percent for men. This data reaffirms that women are not accepted into this sector, such as being a taxi driver. As there is no biological reason women should be less able to perform as drivers, it illustrates again the social factors behind the difference.

**Table 4.18**  
**Males and females distribution over economic sectors in Iraq**  
(%)

Sectors	Women	Men
Agriculture	28	12
Industry	6	6
Infrastructure	0	11
Wholesale and retail	4	21
Transportation	1	11
General administration and defence	14	16
Education	25	3
Health and social services	4	2

*Source:* ILCS 2004, Tabulation Report, Arabic copy, table 5-5, p109.

Although rural areas are more known for discrimination against women, moving to cities does not guarantee a greater participation in the labour force. Over the last two decades cities have failed to integrate rural arrivals either culturally or economically.

Both ILCS 2004 and IHSES-2007 confirm that about 50 percent of women in the work force are working in the public sector.<sup>248</sup> Only 17 percent of them were working in the private sector in 2004, though this increased to nearly 27 percent in 2007.<sup>249</sup> The rest is self-employed. Conversely, 56 percent of men were working in the private sector. This distinction will be further explored in Chapter 5.

<sup>248</sup> ILCS 2004, table 10.5, p116, and IHSES-2007, table 5-21, p364.

<sup>249</sup> ILCS 2004, table 10.5, p116, and IHSES-2007, table 5-21, p364.

A further factor in explaining gender inequality in the labour market lies in the structure of the Iraqi economy. Iraq, including the Kurdistan region is highly oil sector dominant – a sector which is capital intensive. The economy also has, outside the oil sector, a low level of exports over imports. This may give less opportunity for women to be employed: this sector would normally compete with the rest of the international market both in price and quality when women's relative wage is lower than men's. Moreover, Iraq is highly trade sector-dominant: again this may provide less opportunity for women to be engaged as women socially less accepted in commercial businesses and jobs. Finally, government policies and political authorities' behaviour are other factors affecting gender inequality.

#### **4.4 Women's empowerment**

Measuring women's empowerment is another way of showing their economic, social and political status.

Using Gender Empowerment Measure (GEM), Iraq ranked as one of the best countries of Arab world, giving 25 percent of parliamentary seats to women. Indeed, only 4 out of 85 countries classed as of medium development level reach this level. Among Arab countries, Tunisia (19.3 percent), Sudan (16.4 percent), and Syria (12.0 percent) were well behind Iraq. Within Iraq, GEM values increased over 0.5 in all governorates except for Salahuddin, where it decreased by 0.332. The highest achievement in women's parliamentary representation – 0.961 – emerged in Al-Muthanna governorate.<sup>250</sup> In 1992, the rate of women regarding the total parliament members in Kurdistan was 5.7 percent. The changes between these two decades show an improvement in favour of women. Higher positions, such as ministers, are also more available for men. In 2005, after the second election, there were three female ministers out of 40.<sup>251</sup>

Unfortunately, law is not sufficient to support women's political and social status. As far as women have difficulty in the labour market, are less educated and talented, even a strong legal framework in favour of women cannot afford its targets unless there will be a comprehensive programme approaching them to take out of the situation mentioned. Thus, it was not surprising that no single woman could get

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<sup>250</sup> The National Report on Human Development Status 2008, *ibid*, p.28.

<sup>251</sup> Shiler Ali Salih, April 2008, *ibid*, p114.

sufficient votes in the March 2010 election in Iraq. Further evidence can be found in table 4.19 below.

**Table 4.19**  
**Discrimination against women in allocating positions**

<b>Frequencies/ Sex</b>	<b>All are equal</b>	<b>Rarely</b>	<b>Sometimes</b>	<b>Often</b>	<b>I do not know</b>	<b>Total</b>
Male	51	19	41	42	2	155
%	32.90	12.26	26.45	27.09	1.29	100.0
Female	50	25	36	48	0	159
%	31.45	15.72	22.64	30.19	0	100.0
Total	101	44	77	90	2	314
%	32.2	14.0	24.5	28.7	0.6	100.0

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II , question 21, p.237.

As the table (4.19) shows, around 29 percent of the sample claims that in allocating job positions, women are often discriminated against. This means that even with the same years of schooling and experience, job opportunities are not accessible for women at the same level. Unequal distribution of job vacancies is clear from the perspective of 24.5 percent of the sample. However, this group indicates ‘sometimes’; instead of ‘often’ on the scale. Of course, women themselves have a stronger feeling concerning this type of inequality. While 27.9 percent of men acknowledge that there is discrimination against women in getting higher positions, the percentage for women is more than 2 percent higher. This means that 30.2 percent of women are less able to access to job positions; most of them are for men. Needless to say, amongst women themselves, some are more paid attention than others.

#### **4.5 The model of wage discrimination**

The model presented here is derived from human capital theory and it is an extension of the model provided in chapter three; taking some variables as independents and wage as a dependent. The variables I will use are mainly job experience, interruption of work, educational background, and parents’ educational background but this time according to sexes. Thus, the aim of this section is to fill the gap that has been left by previous

surveys, mainly ILCS. In this and other surveys, there were no any attempts to explore the impact of these variables on the individual's fate.

To investigate the impact of job experience, it is necessary to show that women experience more interruption in their work than men. Table 4.20 gives the clue.

**Table 4.20**  
**Job experience by sex**

<b>Years/ Sex</b>	<b>1-4</b>	<b>5-8</b>	<b>9-13</b>	<b>14-17</b>	<b>17+</b>	<b>Total</b>
Male	23	21	22	32	57	155
% of sum	14.83	13.55	14.19	20.65	36.77	99.99
Female	51	39	31	18	20	159
% of sum	32.07	24.53	19.49	11.32	12.58	99.99
Total	74	60	53	50	77	314
% of Total	23.6	19.1	16.9	15.9	24.5	100.0

Source: Based on Inequality Questionnaire, Cross tabulation analyses, Appendix II , question 10, p.234.

At least concerning the bulk of 14-17 and 17 and over, the table (4.20) shows that men have had long years of job experience. For men, 20.65 percent of the sample say that they have 14-17 years of work, another 36.77 percent have more than 17 years. These figures for women are 11.32 percent and 12.58 percent respectively. In other words, women have collected less years of experience than men.

One may ask whether the average age of the sample was in favour of men. However, the table (4.21) demonstrates that there is not much difference, between the average ages of the females in comparison to the average ages of men. It is clear from the table that, for men, ages of 25-34 consists 33 percent of the sample while for women is 41 percent. For ages 45-52, it is about 12 percent for men versus 10 percent for women.



**Table 4.21**  
**The Average Age of Females and Meals within the Sample**

<b>Age/ Sex</b>	<b>18-24</b>	<b>25-34</b>	<b>35-44</b>	<b>45-52</b>	<b>53-64</b>	<b>Total</b>
<b>Male</b>	18	52	60	19	6	155
<b>% of sum</b>	11.61	33.55	38.71	12.26	3.87	100.0
<b>Female</b>	31	66	42	17	3	159
<b>% of sum</b>	19.49	41.51	26.42	10.69	1.89	100.0
<b>Total</b>	49	118	102	36	9	314
<b>% of Total</b>	15.6	37.6	32.5	11.5	2.9	100.0

Source: Based on Inequality Questionnaire, Cross tabulation analyses, Appendix II, questions 1 and 3, p.233.

The reason lies elsewhere. The most interest factor is working at home instead of in the labour market. The table below (4.22) shows that women are often interrupted from work for 1-2, 2-3 or 3-4 years: about 7.0 percent were interrupted for 1-2 years, 4.8 percent for 2-3 years, and 3.8 percent for 3-4 years. These figures are 7.3, 3.8 and 2.9 percent for men respectively. Men, more than women, are interrupted for more than five years.

**Table 4.22**  
**The period been unemployed by gender**

<b>Years/sex</b>	<b>Less than a year</b>	<b>1-2</b>	<b>2-3</b>	<b>3-4</b>	<b>5+</b>	<b>Never Interrupted</b>	<b>Total</b>
<b>Male</b>	24	23	12	9	15	71	154
<b>%</b>	7.7	7.3	3.8	2.9	4.8	22.7	49.2
<b>Female</b>	9	22	15	12	9	92	159
<b>%</b>	2.9	7.0	4.8	3.8	2.9	29.4	50.8
<b>Total</b>	33	45	27	21	24	163	313
<b>%</b>	10.5	14.4	8.6	6.7	7.7	52.1	100

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II, question 13, p235.

These results might be helpful in investigating the impact of sexual division of labour, but it is not very helpful in showing that men's job experience is more than women's due to interruption in work. This partially happens due to the fact that the average age of the sample for women aged 18-24 and 25-34 are higher than men, and the older ages for men are higher than women. In reality, women see themselves out of the labour force more than men. However, because they spend some years as housewives, they do not count themselves as being out of the labour force or unemployed. Thus, it is not surprising that only 22.7 percent of men say they have not been interrupted in work while this figure is 29.4 percent for women.

The factor women deem most important in causing interruption from work is child bearing. In contrast, for men it is unemployment. As table 4.23 shows, around 70 percent of women say that bearing a child is the most profound factor, but 42 percent of men point to unemployment. Other reasons mentioned are immigration and war.

**Table 4.23**  
**Reasons for being unemployed**

<b>Years/ sex</b>	<b>Bearing Child</b>	<b>Sickness</b>	<b>Unemployed</b>	<b>Studying and Training</b>	<b>Others</b>	<b>Total</b>
<b>Male</b>	7	1	35	17	23	83
<b>%</b>	8.43	1.20	42.17	20.48	27.71	99.99
<b>Female</b>	47	2	6	4	8	67
<b>%</b>	70.15	2.98	8.95	5.97	11.94	99.99
<b>Total</b>	54	3	41	21	31	151
<b>%</b>	17.2	1.0	13.1	6.7	9.9	47.9

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II, question 14, p.235.

Another variable is to look at the sample from the perspective of educational background of the agents themselves and their parents. Recalling from chapter three (table 3.13), it has already been shown that the parents' educational background has a hand in the present time. Parents, mothers particularly, have suffered from illiteracy or discontinuing of educational stages for some reasons that have mentioned previously (e.g. war, or lack of schools). In addition, as that table shows, mothers are illiterate more often than fathers. Conversely, men are more educated than women.

This confirms that in the past, there was a huge inequality between men and women regarding access to educational opportunities which is still present. Turning to the educational level of the individuals, it is apparent that the biggest proportion of the sample has finished undergraduate studies, followed by those who have finished preparatory. 57.5 percent of men versus 50.9 percent of women have Bachelor's certificates. Again, women have no higher education certificate within this sample, showing that they often reach their highest level earlier and do not go through to higher education. The rate of those women who had finished secondary is higher than the rate of men, however. Slightly less than a half of the sample have less than a Bachelor's, affirming the fact that education still does not go with people's needs.

**Table 4.24**

**Educational Level of the Sample according to sex**

<b>Total</b>	<b>Illitet.</b>	<b>Educat. Only</b>	<b>Prim.</b>	<b>Second.</b>	<b>Prepart</b>	<b>Undergrad</b>	<b>Higher education</b>	<b>Total</b>
<b>M.</b>	1	3	11	10	40	89	1	155
	0.7	1.9	7.1	6.5	25.5	57.5	0.7	100
<b>F.</b>	0	0	13	24	41	81	0	159
	0	0	8.0	15.4	25.7	50.9	0	100
<b>Total</b>	1	3	24	34	81	170	1	314
	0.3	1.0	7.6	10.8	25.8	54.0	0.3	100

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II, questions 1 and 15, p.233 and p.235.

#### **4.6 The Regression Analyses**

The independent variables entering into the model are Age (A), job experience(X), educational level of the agent (E), father's education (FE), and mother's education (ME), each for a sex. The dependent variable is wage (W).

Each model in the table below (4.25) represents the relationship between wage and the variables entered in that model. With adding more variables to the model, its predictive power increases. The models are separate for men and women. It consists of

four models, each for a sex again. The comparisons, then, between the models will be necessary to understand the gap between women and men's wage rate.

Model 1 shows that job experience for men is less valuable in comparison to women. In contrast, age is more important for men. Of course, age to some extent represents job experience: in getting older, the workers collect more years of experience. However, as the average age of categories of 35 and above are higher for men than women in our sample, then naturally the age is more important for men than women.

What is to be focused is Model 4. It gives a good picture of the impact of the independent variable of the fate of men and women in the labour market. Both men's and women's fate are less influenced by the father's educational background. Nevertheless, females, in contrast to males, are more affected by the mother's educational level. The reason might be lie with the opportunity given to them. Males are often free in their access to job opportunities while females are restricted by their provided social choices. Women are not also allowed to be busy working outside the home. Moreover, girls spend more time with their mothers rather than fathers while growing up. As a result, their fate is specially affected by their mothers' abilities.

At least until recently, fathers have not spent much time raising children and giving advice. All they have usually done is to make money and give social instructions to their family members. As he is busy, tired from working outside the home for his family, it is not in his duty, he believes, to do anything at home. It is the mother's job to look after the children. Thus, if the mother is already illiterate, then she would not be able to fill the educational gap left by the schools; so, she is not able to do homework with her child. Eventually, the child, particularly if it is a girl, is deprived of gaining any benefit. In other words, the family, as a basic unit and a supplement educational institute to schools, has not been working properly in the Kurdistan region; this has led to limit the ability of the children growing up within it. Finally, in regard to the bulk of the variables, educational level has a positive impact on men's and women's wage levels.

Table 4.25

Wage Differentials Models according to Sex

Coefficients<sup>a</sup>

Sex/	Model	Unstandardized		Standard	T	Sig.	
		Coefficients		zed			
		B	Std. Error	Beta			
Male	1	(Constant)	3.030	.504		6.012	.000
		Age	.631	.239	.269	2.642	.009
		JobExp.	.261	.158	.168	1.646	.102
	2	(Constant)	-1.549	.939		-1.649	.101
		Age	.583	.218	.249	2.670	.008
		JobExp.	.367	.146	.236	2.518	.013
		Education	.818	.146	.383	5.592	.000
	3	(Constant)	-2.197	.980		-2.242	.026
		Age	.685	.222	.292	3.093	.002
		JobExp.	.389	.145	.250	2.689	.008
		Education	.775	.146	.363	5.308	.000
		FatherEducat.	.189	.091	.151	2.077	.040
4	(Constant)	-2.296	.990		-2.319	.022	

		Age	.696	.222	.297	3.131	.002
		JobExp.	.406	.147	.261	2.771	.006
		Education	.766	.147	.359	5.220	.000
		FatherEducat	.134	.116	.108	1.157	.249
		MotherEducat	.111	.146	.073	.761	.448
Female	1	(Constant)	1.808	.371		4.880	.000
		Age	.258	.219	.110	1.177	.241
		JobExp.	.887	.155	.536	5.708	.000
	2	(Constant)	-6.009	.664		-9.047	.000
		Age	.464	.154	.199	3.008	.003
		JobExp.	1.014	.109	.612	9.279	.000
		Education	1.352	.106	.581	12.785	.000
	3	(Constant)	-6.240	.666		-9.365	.000
		Age	.467	.153	.200	3.059	.003
		JobExp.	1.033	.108	.624	9.526	.000
		Education	1.312	.106	.564	12.345	.000
		FatherEducat	.129	.062	.094	2.091	.038
	4	(Constant)	-6.332	.650		-9.736	.000
		Age	.508	.149	.218	3.402	.001

JobExp	1.040	.106	.628	9.835	.000
Education	1.259	.105	.541	11.970	.000
FatherEducat	.039	.067	.028	.579	.563
MotherEducat	.243	.081	.151	2.999	.003

a. Dependent Variable: Wage

The model summary presented in the table below (4.26) shows that R Square increases by adding more variables to the model. It also affirms that the variables entered into the model are more significant for females than males. The reason is in a place like Kurdistan where gender gap hugely exist yet, women's fate, in the labour market in particular, is more affected by education and interruption from work than men. Adding to the previous analyses, it should be said that in a traditional society, corruption gives more choices to men than women. For a traditional society, women are a symbol of honour; thus, they should avoid doing immoral things.

**Table 4.26**  
**Model Summary**

Sex	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Male	1	.403 <sup>a</sup>	.163	.152	2.10337
	2	.553 <sup>b</sup>	.306	.292	1.92078
	3	.571 <sup>c</sup>	.326	.308	1.90005
	4	.573 <sup>d</sup>	.328	.306	1.90272
Female	1	.623 <sup>a</sup>	.388	.380	1.78962
	2	.838 <sup>b</sup>	.702	.696	1.25257
	3	.843 <sup>c</sup>	.710	.703	1.23917
	4	.852 <sup>d</sup>	.726	.717	1.20821

a. Predictors: (Constant), JobExperience, Age

b. Predictors: (Constant), JobExperience, Age, EducationalLevel

c. Predictors: (Constant), JobExperience, Age, EducationalLevel, FatherEducation

d. Predictors: (Constant), JobExperience, Age, EducationalLevel, FatherEducation, MotherEducation

## 4.6 Conclusion

Gender inequality is a complex issue. This phenomenon can be read in the content of the sexual division of labour. Theoretically, human capital, human capability and identity economics are three basic theories that offer different tools to investigate gender inequality. These tools are helpful in seeing the dimensions of the picture in Kurdistan.

First, by using the theoretical tools provided in the theory of human capital, we have investigated the reality of gender inequality in the Kurdistan region. We have used this model to find the relationship between wage level and some other variables, mainly A, X, E, FE, ME and have found, among other findings, that childrens' –and especially girls'- fate in the labour market mainly is highly under the influence of their mothers education. Because of the older generations who had less opportunity to study and due to the high illiteracy rate in the Kurdistan region, the distribution of income is not in favour of the majority and poverty has been transferred to the shoulders of the current generation and will leave difficulties for the coming generations as well.

Women face more difficulties than men. With this transformation of human developments or capital, men have the lion's share. Consequently, if mothers are less educated, it is expected that new generation of women would be similarly so. In addition, education for some reasons that are displayed in the coming chapter has lost its status among people. Families and individuals lost their trust in education as a tool to change their fate.

However, wage inequality, as the theory of human capability informs us, is derived from inequality in other areas. Thus, second, lack of schools, low quality of education, and a weak system of health are causes of gender inequality in Kurdistan and also, hence, for wage inequality. We have shown that women are more deprived of basic capabilities in Kurdistan Region. For instance, education is more accessible to males than females, which is reflected in their position in the labour market. In general, Kurdish governorates, in addition to Al-Qadisiya, Al-Muthanna and Najaf ranked among the highest in terms of HDI and GDI.

In terms of HDI, governorates in Kurdistan achieved more than the general average of other governorates: 0.623 in Iraq and 0.676, 0.652, and 0.638 in Sulaimaniyah, Duhok, and Erbil respectively.<sup>252</sup> The GDI fell in the governorates of

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<sup>252</sup> The National Report on Human Development Status 2008, *ibid*, p.30.



Baghdad, Basrah and Thi-Qar. In terms of GDI, Kurdish governorates in Kurdistan Region achieved more than other governorates of Iraq, reached 0.672, 0.745, and 0.742 for Sulaimaniyah, Duhok and Erbil respectively compared to the general average of 0.696.<sup>253</sup>

Third, we have drawn attention to the role of job identities. In Kurdistan, work identities are in favour of men. As most of the opportunities are socially given to males, women have less choice when working in the market. In other words, women not only face the gender-based division of labour between home and the labour market, but they also face another division within the labour market. As women often devote their time and energy to housework, and as most of the job opportunities in the labour market are male dominated, the participation of females in the labour force is lower than males, including their work experience and wage. Thus, the biggest distance between men and women stems from the fact that choices are more openly accessible for men than women.

Given the deeply entrenched nature of the problem, piecemeal gestures will make little difference; nor is it realistic to wait for an up-ending of the relative positions of power of women and men. Hence public policy must be the main focus of attempts to address this inequality and its effects – something we will return to in the following chapter.

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<sup>253</sup> The National Report on Human Development Status 2008, *ibid*, pp27.28.

## Chapter Five

### Government Intervention, Corruption and Inequality

Ideas drive policies. But policies are laboratories of ideas. Economists evaluate public policies to demonstrate their ideas. The idea of government intervention (GI) and market economy (ME) has been a hot topic for decades, at least since the Great Depression (GD). In regard to inequality, some argue that GI is a main source of expanding the gap between poor and rich, between urban and rural areas, and between individuals and social groups. However, others put the responsibility to the idea of ME.

But what are the justifications of each approach? How does GI feed inequality in the perspective of free market advocates and how is it being used as a cure for inequality from the perspective of government interference? That is what this chapter aims to address in detail. We will therefore need to discuss economic ideas, on which different actions and policy designs tend to be based. Yet, before doing so, we need to look at the link between corruption and inequality. By this, two goals can be achieved. Firstly, it adds another colour to the picture of inequality. Secondly, it should help tell us whether to challenge corruption and inequality by expanding government regulations or free market spaces.

#### 5.1 Inequality as a product of Corruption

Corruption and inequality are interrelated. According to one study, "...a worsening in the corruption index of a country by one standard deviation (2.52 points on scale of 0 to 10) increases income inequality by 9 points...or 11 points".<sup>254</sup> But this is a general confirmation. Other faces of inequality can also be drawn.

Large government is often behind huge corruption. It makes space for public officials, including employees, to manipulate their power to make illegal gains.<sup>255</sup> No matter whether corruption is a product of inequality, when corruption spreads, the scope of inequality expands. One of the consequences of growing inequality is certainly creating poor masses. Here government's role in either expanding or fighting corruption, inequality, and poverty is necessary to focus on. Alesina and Angeletos write that

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<sup>254</sup> Sanjeev Gupta *at. el.*, 'Does corruption affect income inequality and poverty?', Vol. 3, No. 1 (March 2002), *Economics of Governance*, p.33.

<http://lib.exeter.ac.uk/search~S6?XEconomics+of+Governance> (Accessed 10 April 2011).

<sup>255</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, 'Distribution and development in a model of misgovernance', 2007, *ibid*, p.1535.

...government intervention is often invoked in an attempt to fight social injustices, but also that government intervention fosters corruption and injustice... [T]he larger the resources controlled by the government, or the more extensive the regulation of the market, the larger the scope for corruption and rent seeking.<sup>256</sup>

The quote also explains that inequality in the current time partly stems from corruption in the past; this raises the question of redistribution. Among different sorts of inequality, expanding class inequality is the major impact of corruption. Glaeser et al. Argue that

...in societies with weak institutions, small elite groups do all of the investing, while a much larger group has no possessions protect it from the powerful. The causality between inequality and injustice runs in both directions.<sup>257</sup>

However, the wage gap between poor and rich may not show the real gap between them. Conversely, private expenditure is a good sign for this. Kwadow and Shabaya point out that there were ministers who had US\$ 24,000 annually, while he or she spent US\$ 400,000 on personal expense.<sup>258</sup> This is a hidden income and a sort of infection that affects all members of society, but it is the poor who suffer the most.<sup>259</sup> Blackburn and Forgues-Puccio observe that

[B]y making all low-income households worse off and some high-income households better-off, corruption stretches out the distribution in both directions so as to widen the gap between the rich and poor. In short, corruption impedes the function of redistributive policy and, in doing so, increases the degree of income inequality.<sup>260</sup>

Glaeser and Shleifer assert that the haves can redistribute from the have-nots by subverting legal, political and regulatory institutions to work in their favour. They can

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<sup>256</sup> Alberto Alesina and George-Marios Angeletos, 'Corruption, inequality, and fairness', 2005, *ibid*, p.1229.

<sup>257</sup> Edward Glaeser *et al.*, 'The Injustice of Inequality', *Journal of Monetary Economics*, Vol. 50, issue 1 (2003), p.201. <http://0-www.sciencedirect.com.lib.exeter.ac.uk>

<sup>258</sup> Kwadow Konadu-Agyemang and Judith Shabaya, 'What has Corruption Got to do with it?', 2005, *ibid*, p.141.

<sup>259</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, 'Distribution and development in a model of misgovernance', 2007, *ibid*, p.1558.

<sup>260</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, 'Distribution and development in a model of misgovernance', 2007, *ibid*, p.1547.

do this through political contributions, bribes, or just deployments of legal and political resources to get their way.<sup>261</sup>

When corruption spreads, public policies do not work in favour of at least the majority. One of the consequences is on fiscal policy, which tends to miss its targets through evasion of tax,<sup>262</sup> causing government revenue to be reduced. It increases the burden of the public budget. An example of this is enrolling non-existing workers – so-called “ghost names” – on payrolls in the public sector. Such ghosts took almost US\$ million over twenty years in Ghana, for instance.<sup>263</sup> And it influences monetary policies through increasing money supply for the purpose of bribing critics or expanding power. Hence, corruption creates distance between individuals of different geographies of the same region.

To the larger extent, taxes and subsidies are the most available instruments in distribution of national income. These devices are chiefly used to transfer resources among social groups, in particular between rich and poor. Due to the temptation of rent seeking, the tax revenue that received by public budget will be under expected. In other words, an amount might be concealed and go mostly into the pocket of authoritative powers and their loyal friends. The sharing of social groups from these gains is uneven.<sup>264</sup> On the other hand, government has less money to transfer in favour of least advantages groups. Accordingly,

...the amount of subsidy received by each low-income household is lower under corruption than under non-corruption. This follows the fact that corruption entails both a loss of revenue to the government from evasion of taxes by high-income household and an additional outlay for the government from the costly monitoring of bureaucratic behaviour. Although the government earns some extra revenue from fines, the net effect of bureaucratic malfeasance is to reduce the amount of resources available for subsidies.<sup>265</sup>

Needless to say, it is not only rich people or authorities that can prevent themselves from paying tax; poorer or traders who are classified as middle class can

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<sup>261</sup> Edward Glaeser *et al.*, ‘The Injustice of Inequality’, 2003, *ibid*, p.200.

<sup>262</sup> Sanjeev Gupta *at. el.*, ‘Does corruption affect income inequality and poverty?’, 2002, *ibid*, p.25.

<sup>263</sup> Kwadow Konadu-Agyemang and Judith Shabaya, ‘What has Corruption Got to do with it?’ 2005, *ibid*, p.1141.

<sup>264</sup> Alberto Alesina and George-Marios Angeletos, ‘Corruption, inequality, and fairness’, 2005, *ibid*, p1228.

<sup>265</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, ‘Distribution and development in a model of misgovernance’, 2007, *ibid*, p.1546

also avoid it through bribing officials or nepotism relations. In addition, human beings do not live in isolation; the decision of someone will affect the others no matter where he lives. Natural catastrophes are for all. Even economic crisis does not let the rich man to be better-off unless we measure happiness in terms of money only.

The probability of being dependent increases when provision of public goods and other social programmes lies in the hands of bureaucrats. Practicing any corrupt activity will cause to reduce the provision of these public goods, the share of poor decreases and inequality thus increases.<sup>266</sup> When, moreover, the courts and regulatory bodies themselves are controlled by the elite, the legal, political, and regulatory systems are likely to be designed or function in their favour. Or at least the system is too weak to bring them to court;<sup>267</sup> the inequality thus increases in front of the law as well. Moreover, choices, opportunities, and resources may be allocated in both private and public sector in a less efficiency way. Wherever the socio-political elite has absolute power over allocating of resources and offering opportunities, people, but the labour force above all, get pessimistic and lose confidence of investment on human capital. While low quality of education creates spaces for rent seeking, corruption also provokes civil servants to invest less on education. When corruption is prevalent, agents avoid investing in human capital.

Corruption allocates resources unfairly. However, by becoming established as a 'norm', it can lead to a change in individual behaviour and ideals. As a consequence, it divides the body of organizations from its spirit, the employees. Borrowing the terms 'outsider' and 'insider' from Akerlof and Kranton,<sup>268</sup> one of the forms of this division is that some of the employees become outsiders; they go to work but only to get a wage, to live. Outsiders have no ideal; they do not care about the success of their organization or institution, because, in this case due to corruption, they do not count themselves as part of their organization or institution. In contrast, insiders have ideals and would like to achieve those. Therefore, this group may get the best opportunities and have a lion's share in the turnovers of the organization. Hence, the gap between outsiders and insiders in terms of accessing to choices, resources, and money increases. Fighting against corruption, thus, is to return outsiders into the core of their organization to make them insiders, instead.

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<sup>266</sup> Keith Blackburn and Gonzalo F. Forgues-Puccio, 2007, *ibid*, *ibid*, p.1553.

<sup>267</sup> Edward Glaeser *et al.*, 'The Injustice of Inequality', 2003, *ibid*, p.200.

<sup>268</sup> Gearog A. Akerlof and Reichl E. Kranton, *Identity Economics*, 2010, *ibid*, p.

The last disparity that should be investigated is the gap between urban or more precisely cities and rural (countryside). Indicators show that the access to basic services and the gap of quality of life between urban and rural areas are completely unequal. One can see corruption's hand in these disparities. Bribing critics of politicians are a way of staying at power. Regarding variation between urban and rural areas, it has been argued that politicians or political elite allocate resources in favour of urban area to silence their opposition.<sup>269</sup> This is not a specific feature of dictatorship countries, but it is also a characteristic of the countries that are moving to practice democracy. Put differently, "[S]ince rural residents may not be politically enlightened enough to assess the competence of the government by analyzing its policy, the government does not seem to be too keen to allocate resources towards rural development", no matter the system is relied on election. In addition, politicians do not need more than "to distribute some so-called essential commodities (rice, sugar, cement, kerosene, batteries, etc.) in the rural areas in the last few weeks preceding elections."<sup>270</sup> Therefore, the political elite do not pay much attention to those areas' basic needs. Equally important, the dichotomy between periphery and its core is not only reflecting on income or standard of living, but also in quality of life.

The most remarkable gap is found in access to public goods and services. Because nepotism and clientelism are the key element of distribution and provision of these goods and services, and because people are more concentrated in cities, the priority for political elite is cities and the more populated areas. When they put too much money into the needs of civil servants in the cities, there will remain few resources to support development of villages or provide them with their basic needs. Accordingly, there will a weak bridge between core and the periphery.<sup>271</sup> Eventually, they live different lives. Turning back to late the 1990s, in Ghana, although electricity and health care services were not sufficient available for all, the urban areas consumed 60-80 percent of the electricity produced and 75 percent of health facilities while the rural areas were absorbed around 60 percent of the population. In Zimbabwe, 90 percent

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<sup>269</sup> Kwadow Konadu-Agyemang and Judith Shabaya, 'What has Corruption Got to do with it?', 2005, *ibid*, p.1141.

<sup>270</sup> Kwadow Konadu-Agyemang and Judith Shabaya, 'What has Corruption Got to do with it?', 2005, *ibid*, p. 1131

<sup>271</sup> Edward Glaeser *et al*, 'The Injustice of Inequality', 'What has Corruption Got to do with it?', 2003, *ibid*, p.131

of public job were devoted to urban population in late 1990s. Likewise, these disparities are behind migration to cities.<sup>272</sup>

In sum, corruption fosters inequality. Large government in the past has been shown in many cases to have been a source of corruption in the present, thus leading to growing inequality. Reducing tax revenue through corrupt activities possibly leads to widen the gap of income disparity. On the one hand, it leads to bias in the tax system in favour of wealthy people as they will be able to escape their tax obligations and use their wealth to further consolidate their economic and political power. This enriches wealthy people at the expense of increasing poor people. On the other hand, there will be limited money available for funding social programs and other public services that must be provided by government.<sup>273</sup> Therefore, it is not surprising that the gap between rich and poor will expand.

## **5.2 The Free Market against Regulation**

We now turn to the question whether regulation is responsible for inequality and corruption. In this section, both the free market approach, or market economy approach, and government intervention will be discussed.

### ***5.2.1 The Free Market approach***

According to this view, GI is a main source of fostering unfairness. Though the idea of free market has been invented by Adam Smith, two Noble prize winners of the twentieth century in economics, F. A. Hayek and Milton Friedman, are well known defenders of this approach.

The size of government is considered in this view as the main source of increasing the personal gains from rent seeking activities. But what are the measurements of a big government? Extensive regulation, large public projects, and huge intervention are signs of big government. However, the proportion of public employment to labour force and the rate of government expenditure to GDP are the

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<sup>272</sup> Kwadow Konadu-Agyemang and Judith Shabaya, 2005, *ibid*, p.1134.

<sup>273</sup> Sanjeev Gupta *at. el.*, 'Does corruption affect income inequality and poverty?', 2002, *ibid*, p.25-26.

most two profound indicators of large size of government which may affect the extent of corruption.<sup>274</sup>

In his celebrated work, *The Road to Serfdom* (1944), Hayek develops his approach against socialism. He asks: “Is there a greater tragedy imaginable than that, in our endeavour consciously to shape our future in accordance with high ideals, we should in fact unwittingly produce the very opposite of what we have been striving for?”<sup>275</sup> Let us, then, examine Hayek’s analysis of socialism.

He looks at socialism as a set of idea which uses means to reach ends. Social justice is the end, the target, and this end can be reached by the mean of centralizing economic planning. According to socialists, Hayek illustrates, we must direct economic resources centrally. Planners design a single plan and impose over the rest of people. Hence, the society is mainly divided into two isolated gulf. Political elite remains in the centre of this gulf while the rest of society stays outside of this gulf and must serve it. The inhabitants have only the right to follow the rules coming down from the centre. They will become means in itself. In other words, humans of the periphery will become instruments of the elite. The centre not only distributes chances but even defines the lives of others – whether they should live or die.

Hayek opens chapter ten of his book (1944) with a statement written by Lord Acton: “power tends to corrupt, and absolute power corrupts absolutely”. In a totalitarian system, “only those individuals who work or the same ends can be regarded as members of the community” In this case, a person derives his dignity from being membership, “and not from being a man”.<sup>276</sup> Totalitarian systems are merely unable to put weight to universal principles of human rights. Conversely, the system tends to be particularist or exclusive. Thus, to be alive, the system needs to make some outsiders who are often dealt as enemy and insiders through a membership. To gain, get a job, a salary, or even to live longer live, you need to be an insider first. But to make this system of belief function, which is an extreme sort of totalitarian system, those who are in the centre of the system must convince their people that they are superior, that they

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<sup>274</sup> Sanjeev Gupta *et al.*, ‘Does corruption affect income inequality and poverty?’, 2002, *ibid*, p.34.

<sup>275</sup> Bruce Caldwell (eds.), F.A. Hayek, *The Road to Serfdom*, Text and Documents: The Definitive, (Routledge, London, 2007), p60.

<sup>276</sup> Bruce Caldwell (eds.), F.A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p162.



are working for the nations' interest. Hence, “[I]t is essential that the people should come to regard them [the ends] as their own ends”,<sup>277</sup> too.

In the course of history, the socialists persuaded liberal-minded people to follow their method of life and forgot Smith’s advice that it gives government officials the power of supporting themselves, they forget that this set of idea opens door for the power of elite. For socialists, just remove the property right then inequality of incomes will automatically be abolished. However, this is guaranteed to transfer the prosperity to the hands of authorities in power. Hayek insists that planning does not offer individuals the choice of choosing the ends, or whatever they want to do with their resources. When the government decides “how many pigs are to be raised, or... which coal mines should be operated”,<sup>278</sup> the interests of individuals will be ignored and elite’s point of view will be applied. Therefore, it is elite, not people, who defines who is to get what. In other words, by transferring property to the state, the socialists “put the state in a position whereby its action must in effect decide all other incomes.”<sup>279</sup> Hence, it is a power not equality and freedom that create within this process in which in a free society nobody able to possess it. In a totalitarian society like those of former Soviet Union, individuals are tested not at a base of ability for a particular job.

If the authorities will, you will be better off. And all our effort to improve our position will go in favour of improving contacts with those who are in power. Accordingly, the fate of individuals and social groups are distributed by a coercive power of the state. Thus, nothing else will be significant but to share this power. Certainly, government actions have impacts on “who gets what, when, and how”. But in a totally planned society, the ruling group have complete power over the positions of every single individual. Whether socialists call for absolute equality or greater equality, the way they hope to achieve is to take from the rich in favour of poor. However, when they come to distribution, the problem is just as they never talked about greater equality.

The planner necessarily must decide to use means to reach ends. In this circumstance, individuals are dealt as tools to achieve the ends. Not surprisingly, the planner has direct power over the positions of different individuals and social groups. These individuals and social groups need not skills but connection to one of those who is in power. To get a job, change position, get a contract, a choice of studying, and so

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<sup>277</sup> Bruce Caldwell (eds.), F. A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p171.

<sup>278</sup> Bruce Caldwell (eds.), F. A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p113.

<sup>279</sup> Bruce Caldwell (eds.), F. A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p135.

on, one need only the permission of the man who is in power. Hence, the difference between not only the doctor most and the least successful doctor or writer but also a grocer and a tailor “are as great as those between the propertied and propertyless classes”.<sup>280</sup> Hayek introduces an important point. He addresses the socialist roots of Nazis and Fascists and claims that “the idea of a political party which embraces all activities of the individual from the cradle to the grave...was first put into practice by the socialists... It was not the Fascists but the socialists who first thought of organizing sports and games, football and hiking, in party clubs where the members would not be infected by other views.”<sup>281</sup>

Liberalism, in fact, “is in favour of making the best possible use of the forces of competition as a means of coordinating human efforts”.<sup>282</sup> This liberal method does not deny a careful legal framework to make competition work. But this framework should not restrict entry into the markets of capital, labour, goods and services, and so on. It should also keep trade open for all equally. Hayek is against planning, too. Setting price, for example, by authorities, will disrupt receiving information by agents; consequently price will not be able to be a reliable guide. For Hayek, it is competition, not socialism, which prevents us from the arbitrary intervention of authorities. He emphasizes that “our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another.”<sup>283</sup>

In a system of free enterprise, Hayek recognized, there is inequality of opportunity. But this sort of inequality can be reduced as there is no place for “person’s view to rule others.” In a competitive society, though opportunities are more open for rich than poor, Hayek confess, the poor people still enjoy a greater chance to get that opportunities in comparison to a command society. Hayek also realizes that even in competitive market, bequest makes the fate of people to be different with each other. However, it is only within this system a man who has not inherited any wealth have a chance to make his standard of life better off. Hayek adds that an unskilled worker in a free enterprise society had enjoyed a greater chance to determine his or her fate than a small entrepreneur in Germany or a manager in Russia’s socialism. In contrast to a totalitarian system, a system which controls means of production and it is merely a single man who runs our life, in the former society, property divides among many

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<sup>280</sup> Bruce Caldwell (eds.), F. A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p141.

<sup>281</sup> Bruce Caldwell (eds.), F.A. Hayek: *The Road to Serfdom*, 2007, *ibid*, pp142-143.

<sup>282</sup> Bruce Caldwell (eds.), F. A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p84-85.

<sup>283</sup> Bruce Caldwell (eds.), F. A. Hayek: *The Road to Serfdom*, 2007, *ibid*, p127.

producers and customers, each consists of a tiny fraction of the market; thus no one is able to use its power to determine “the income and position of particular people”. There are better methods to prevent unemployment and poorness, to get back to work again with competitive market than with central planning.

Henceforth, Hayek denotes two sorts of social security: limited one against absolute one. The limited one is such as security against severe physical privation and the given standard of living or a security of a minimum income and the security of particular income someone believes he or she should be entitled to. He believes that the former, security of minimum income, is supportive and supplementary to the market economy while the latter is totally against it. In Hayek’s point of view, “...the case for the state’s helping to organize a comprehensive system of social insurance is very strong.”<sup>284</sup> He happily also mentioned that the former has been achieved in England and for a remarkable people.

Friedman and Rose make a complementary argument. They argue that since the Declaration of Independence in the U.S.A., equality has been read at three levels. Firstly, long before the Republic it meant equality before God. It means that no one is entitled to invade others’ rights. Thus, some basic rights are given; no one should take from others, even a majority. Hence, it is of responsibility of government to protect this right from internal and external threats. This idea was mainly prevented by Thomas Jefferson, a scholar and president of US. He defended the rights of minority. Similarly, the French political philosopher Alexis de Tocqueville saw equality as a right for every single individual. Therefore, the majority rule should not invade these basic entitlements.<sup>285</sup> Then, secondly, equality of opportunity has become a central focus of the debate. The latter expresses the notion of struggling against the restrictions prevent someone “from using his capacities to pursue his own objectives.”<sup>286</sup> These two claims for equality are supportive to freedom. But the third one, equality of outcome, is opposite. According to the third meaning of equality, they explain, individuals should have the same level of standard of living. This kind of equality promotes a bigger government, lead to justify huge government intervention. Experiments, such as those

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<sup>284</sup> Bruce Caldwell (eds.), F.A. Hayek: *The Road to Serfdom*, *ibid*, pp-147-148.

<sup>285</sup> Milton Friedman and Rose Friedman, *Free to choose: A personal statement*, Third edition, (A Harvest/HBJ book, San Diego,1990), pp128-130.

<sup>286</sup> Milton Friedman and Rose Friedman, 1990, *ibid*, p128.

seen in Russia and China, showed that the result is to grow inequality of power, but a far distance in the standard of living.<sup>287</sup>

The critique of Friedman and Rose turned to the democratic parties of the 1980s in the US which have been promoted a bigger government. The latter is in conflict with equality and liberty while the meaning of equality of opportunity itself suggests the freedom to choose with least intervention. Agents should be free to buy a property or enter into the market subject only to the agreement of others. Each person should take the responsibility of failing or enjoy the success subject to his ability but not any arbitrary distribution of endowments (e.g. religious, or sex). Any intervention by government, such as those in restricting trade in the US in late nineteenth century or limiting immigration by the end of World War I, cause to invade the freedom of individuals and to disable equality of opportunity consequently. Again, they turn to the USA's experience and claim that equality of outcome was paid attention in the first half of the twentieth century. The concept of equality of outcome holds the notion of “fair shares to all”. Any attempt by government to achieve the latter reduces spaces for liberty. The reason mainly is government officials deciding on what is fair and what is not. The elite decide to take from some in favour of other by the name of fairness. In this case, “[A]re we not in George Orwell’s *animal farm*”, they ask, where “all animals are equal, but some animals are more equal than others?” If distribution relies on fairness, then people have not incentive to produce and work. However, they have forgotten the pain behind failing of the individuals which may take years to be recovered.

More importantly, they argue that inherited inequality, the wealth left by parents to their children, was the most dominated debate and had criticised from different angel. Why some children have advantages over others just because they have left bequest? But for Friedman and Rose this is only one source of inherited inequality. Other sorts may happen due to natural unfair distribution of talents. They confess that “life is unfair”, however, we will get unfairness if we go through the road of intervention, no matter the title of the walk is fairness. For example, Muhammad Ali has born with special skills. Will it be fair, they point out, if he would not permit to use his talents to collect millions of dollars? He took days and nights to gather skills; thus should be allowed to do so. And, something good with this sort of natural inequality: Others

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<sup>287</sup> Milton Friedman and Rose Friedman, 1990, *ibid*, p.135.

follow talented people.<sup>288</sup> Again, they have missed that talents cannot be improved in a society with weak institutions. Thus, we have seen few Mr Ali's.

In short, in the words of Friedman and Rose, government intervention distorts the natural system of social relations. Extreme policies of tax may abolish some millionaire but produces new ones. In addition, regulating people's pursue of interest will brings inequality, not equality. People obey laws fearing from punishment, the sense of morality and justice are missed. In contrast, it is a myth that capitalism's free market expands the distance between poor and rich. Therefore, they write, "[N]owhere is the gap between rich and poor wider, nowhere are the rich richer and the poor poorer, than in those societies that do not permit the free market to operate."<sup>289</sup> Therefore, they conclude that any society that favour equality of outcome against freedom, including free market, will loss both freedom and equality.

### ***5.2.2 Regulation and the Government Intervention***

Market efficiency does not work on its own. If we leave it for itself, the result will be poverty and greater inequality. Hence, the question is not whether government intervention is necessary or not, but what sort of regulation may make market more efficient?

Joseph Stiglitz, another Noble Prize winner, is the most well-known economist who has developed economic models against free market. He points out that those, including Friedman and Hayek, who believe that "the vindication of Adam Smith's faith in the invisible hand leading the self-interested decisions of each person to maximize the well-being of the nation as whole"<sup>290</sup> was wrong. He has developed the economics of information and shown that the market is incomplete. Imperfect information leaves space for government to intervene the economy.

It is of economists' duty to improve Pareto optimality to make some better-off without making others worse-off. Improving Pareto optimality means designing the policies which make balance among social groups and between present and future generations. An example of this, Stiglitz illustrates, is the USA's subsidies to hydro-

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<sup>288</sup> Milton Friedman and Rose Friedman, 1990, *ibid*, pp137-138.

<sup>289</sup> Milton Friedman and Rose Friedman, 1990, *ibid*, p146.

<sup>290</sup> Joseph Stiglitz, 'Distinguished Lecture on Economics in Government: The Private Uses of Public Interests: Incentives and Institutions', *The Journal of Economic Perspectives*, Vol. 12, No. 2 (Spring, 1998), p.3.

Stable URL: <http://www.jstor.org/stable/2646959> Accessed: 14/02/2009 07:55

electricity in late 1990s. This program did neither hurt private enterprises nor the economy; all parties were benefited.<sup>291</sup> One point to be raised here is although Stiglitz is right when he claims that there is possibility for Pareto improvements. But he reduced the improvements only into cardinal measures. In fact, restricting production in some cases such as those at environment may put some extra cost on the firms, however; the quality of life, the probability of human beings safety, including the affected businesses, will increase.

Back to information economics approach, in reality, information is not available for all; it is asymmetric. In this case, sellers are more able to set a price they would while buyers have less information about the actual state of the produce; lead to not occurring trade and exchange between them. Equally important, government failure might be stemmed from secrecy. Government and other state institutions are made for all; people should be able to access to official offices and information processing within this sector. He writes that “[i]n a world of secrecy, you will always suspect that some interest group is taking advantages of the secrecy to advance their causes over yours, to steal, if not directly from you personally, more broadly from the public.”<sup>292</sup> This leads Stiglitz to criticize Congress and show his suspiciousness for a democratic party or administration, run by Clinton at the time, in a democratic society used to conceal information from public, and finally. Not surprisingly, he has rejected the justifications of jeopardizing national security. With secrecy, it is even difficult for an analyst to assess the interest behind the public policies offered to people. In contrast, transparency makes public policies more efficient. It makes people feel that public policies are designed for the interest of society, not a group. For the first theorem, it has been argued that profit motive clears economic discrimination, including racial discrimination. Stiglitz argues that even at the time of Great Depression, flexibility of labour market, such as removing minimum wage or eliminating government and union powers, as some mentioned, may have made the situation even worse.

In his 2010 book, Stiglitz asserts that at least due to agency problem and externalities, market economy does not work efficiently. In today’s world, those who run corporations have sufficient power to make decisions in their interest. The same is true with pension and other investment institutions: “Those who make the investment decisions- and assess corporate performance- do so not on their behalf but on behalf of

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<sup>291</sup> Joseph Stiglitz, 1998, *ibid*, p10.

<sup>292</sup> Joseph Stiglitz, 1998, *ibid*, p15.

those who have entrusted their funds to their care.”<sup>293</sup> He explains the term externalities in today’s economic literature as referring “to situations where market exchange imposes costs or benefits on others who aren’t party to the exchange”. This argument directs us to touch the issue of incentives and moral hazard. Take mortgage investments in the USA in 2008 and aftermaths as an example. Stiglitz is right when he says that the regulators gave guarantee to the financial owners who invested in housing market; weakened their incentive to be loyal to their obligations. They knew that even with entering into risky investments, regulators were ready to pay for their mistakes in the pocket of innocent people.

The financial system is seen as the heart of economy; thus any breakdown of this system will hurt millions of people living anywhere on this earth. This is an important point. It means that a sort of collectivism system is still working in which a mistake of someone will affect others. In other words, capitalism’s human beings are still suffering from the management pyramid that runs their life. In one way or another, it is natural that human beings cannot separate the fate of children from the mistake of elders, the fortune of an ordinary man lives in Africa from an official runs Federal Reserve. A man owns an enterprise in Iraq, will pollute nature; consequently produces a threat to lives of others in Western countries or elsewhere. In any case, we should not leave the market forces, demand and supply, to work on their own. The proper regulations are necessary to make freedom play its roles. Otherwise, parties are pursuing their interest, mainly profit, without thinking of making others’ health bad.

Stiglitz has realized that government may face failure at least due to lack of understanding of financial structure and asymmetry information. His long effort was to push policy makers to design a proper policy. However, that should not be taken as a chronic illness of government or state intervention. What is matter is to interfere in a proper way.

It might be safe to say that something is missing in the first approach, liberalism or free market: they compare liberalism to collectivism. Although they insist on some basic government intervention, they would rather prefer to limit it and avoid any sort of planning. As it is clear, their fear comes from the experience of collective societies such as those of former Soviet Union. However, the question is not whether government

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<sup>293</sup> Joseph Stiglitz, *Freefall: free markets and the sinking of the global economy*, first publishing, (Penguin Group, 2010), p13.

should have a main role or limited roles; regulation is the matter. We either believe in regulated society or natural society. As individuals are in a complex interrelated network, and as nature does not fairly distribute choices, there should be a level of regulation to make the system function, hoping to minimize unfair distribution. How can we leave a disabled man to pursue his interests? Hence, we have a problem with regulators. The question of “who should regulate us,” or “why some make decision on others life,” are serious. Both approaches emphasize the fact that when regulators use government or state power to their interest, this leads to corrupting this sector and is reflected in all areas of the lives of individual. The quest for a less corrupt government should not be forgotten. For the first approach, liberalism or free market-fundamentalism, corruption is inevitably associated with government intervention. Therefore, public properties and enterprises should be given to private sector. In Stiglitz’s view, this is a process of shifting power from public officials to privates. More precisely, it is a process of sharing power between businessmen and authorities. Using his words, it is a kind of “briberization,” instead of privatization. “Not surprisingly,” he writes, “the rigged privatization process was designed to maximize the amount government ministers could appropriate for themselves, not the amount that would accrue to the government’s treasury, let alone the overall efficiency of the economy.”<sup>294</sup>

Before taking any actions in favour of market economy, Stiglitz points out, market institutions and legal structure should be improved and work properly. He turns his focus on IMF and says that with putting 50 percent interest rate, or sometimes twice bigger than that, and asking for more trade openness in hope of benefiting each party, particularly due to moving foreign investment onto the developing countries, the international organization restricted investment in the developing countries, destroyed thousands of jobs without replacing them with new opportunities, burdened them with budget restrain to catch up with their lending, and improved unfair trade which led to grow global inequality.<sup>295</sup> He correctly points out that Russia is a victim of free market ideology which promised sweet fruits. And he says, “We [The Western Countries] were the teachers”.<sup>296</sup> The Western countries, especially, have found it easy to import this idea while they had a strong legal system and market institutions before opening their trade, although still they believe in trade but not in imports.

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<sup>294</sup> Joseph E. Stiglitz, *Globalization and its Discontents*, first edition, (Penguin Books, 2002), p58.

<sup>295</sup> Joseph E. Stiglitz, 2002, *ibid*, p59-60.

<sup>296</sup> Joseph E. Stiglitz, 2002, *ibid*, p178.



In contrast to Russia and Czech Republic, Poland has taken a different road. Instead of listening to IMF's instructions and advice, they strengthen legal structure, privatized banks before corporations, adjusted pensions for hyperinflation, and paid attention to market institutions, including the labour market. As a result, the gradual privatization led to spread large firms into small ones lead by managers who were willing to build their future. The process of transition in China in 1990s, too, was successfully passed. One of the outcomes was to shift around 150 million people up to poverty line. Privatization and attracting foreign investment should follow institutional infrastructure.<sup>297</sup> What is said can be counted as internal action, but still collective actions at global level are necessary to avoid spreading economic downturns or diseases from a country to another, let environmental damages alone. By the same token, lifting restrictions before knowledge and research is as important as preventing societies from global predicaments.<sup>298</sup>

Sen draws a line between the two approaches and gives further weight to the public policies, intervention, and emphasizes that public policies enhance the capabilities that lead individuals to live the life they value. But he points out that "the direction of public policy can be influenced by the effective use of participatory capabilities by the public."<sup>299</sup> Sen argues that basic capabilities, such as education and health, are rights that should be provided to people. It affects the function of the system, no matter collectivist or liberalist. China had a strong education and health care system prior to marketization in 1979. The educated population helps market economy to work properly. In contrast, India turned to marketization in early 1990s but with a half-illiterate adult population, "*and the situation is not much improved today.*"<sup>300</sup> He also acknowledges the role of freedom and refers the China's famine of 1958-1961 as an outcome of inflexibility of public policies due to lack of freedom.

Even life expectancy in Russia by late 1990s was much worse, nearly dropping to fifty-eight years. Hence, putting automatic self-regulation and government intervention aside, what we need is Sen's suggestion: public action. As everyone has a share in the public resources, and has a right to participate in making decisions on distributing those resources, they should take actions against regulators if they direct the resources to the interest of elite. In other words, people have a right to discuss their

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<sup>297</sup> Joseph E. Stiglitz, 2002, *ibid*, p181.

<sup>298</sup> Joseph Stiglitz, 2002, *ibid*, pp22-224.

<sup>299</sup> Amartya Sen, *Development as freedom*, 1999, *ibid*, p18.

<sup>300</sup> Amartya Sen, *Development as freedom*, 1999, *ibid*, p42.

choice and their voice should be heard by authorities. Public action takes different shapes, from individualistic action to joint forms, and including non-governmental organizations, strikes and demonstrations, union action in workers interest, etc. Women's organizations should be given a role. For instance, Self-employed Women's Association (SEWA) in India has played a major role in changing the social environment that did not lead women to be employed. Bangladesh Rural Advancement Committee (BRAC) in Bangladesh is another example. Further, regulations are not duties of authorities only; individuals are in charge of participating into determining their fate.

This contribution should not be reduced to a voting system and the few days prior to elections. People should not leave the system to work according to the success of one party or another. It is hard to demonstrate that there is a single political party which is able to have a programme suits the whole society. Political parties have their own programme and try to reinforce over society. But never these programmes can present society needs. We have at least learnt from Stiglitz that agency problems and moral hazard may occur in designing the policies by officials. Thus, we should not give the responsibility of reform or change solely to an agent. Different institutions should complement each other to challenge sources of limiting freedom and growing inequality. In Sen's words, "our opportunities and prospects depend crucially on what institutions exist and how they function."<sup>301</sup>

Sen emphasises the fact that providing social opportunities, particularly in the developing countries, calls for appropriate public policies as a tool to expand economic freedom. East Asian countries have invested in human development before moving into market mechanisms. Labour Market Policies (LMPs) and Active Labour Market Policies (ALMPs) are programs to be used as a weapon against unemployment, poverty and inequality. LMPs consist of those policies which guarantee income mainly to unemployed who are seeking work, and to the underemployed. ALMPs enhance the labour force, reintegrating the labour market through training, job creation either in the public sector or by private enterprises, and so on.<sup>302</sup> These policies target mainly those people who have difficulties in engaging the labour force, such as disabled or female workers.

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<sup>301</sup> Amartya Sen, *Development as freedom*, 1999, *ibid*, p142.

<sup>302</sup> Peter Auer *et. al.*, *Active labour market policies around the world: Coping with the consequences of globalization*, International Labour Organization, Second Edition, (Geneva, 2008), p13.

Passive Labour Market Policies (PLMPs) include, for instance, unemployment insurance and early retirement. But PLMPs are often criticized for promoting workers to stay out of the labour market; it entails disincentives to be an active worker. Overall, these programmes try to match demand for and supply of labour. Just as an example, a policy such as early retirement (or late retirement) may help to decrease (or increase) supply according to economic fluctuations. Other policies may be helpful to create demand for labour or reallocating it. This is not meant that LMPs should be ignored. To alleviate poverty and decrease inequality, to protect human resources, and to make choice of work more open or to help workers to find a decent job, unemployment subsidies are necessary action, too. These programmes can also distribute power more justly among the opposite forces of the market, supply and demand.

Although it is hard to pinpoint the first conscious use of ALMPs, it was a useful device during the Great Depression in the New Deal. Again, the USA designed the Comprehensive Employment and Training Act (CETA) in 1970s. Similarly, Europe, mainly Germany, adopted it with the start of World War I, though the Nazi government changed the image of ALMPs for a while. Since the 1950s, Sweden has benefited from this kind of programme to reallocate job opportunities from low to high productivity sectors. In the late 1990s, and for the same purpose, the European Commission has designed the European Employment Strategy (EES). Even former Eastern-bloc countries turned to these programs during the transition to market economy in 1990s. In 1998, around 2.8 percent of GDP was spent on LMPs. An example from East Asia, the public expenditure on ALMPs in the Republic of Korea was nearly 0.13 percent of GDP in 2005. In Latin America, it reached 0.4 in some countries such as Jamaica and Costa Rica in early 2000s. In the mid-1990s, Egypt, Tunisia, and Morocco spent between 0.2 to 0.4 percent of their GDP on LMPs respectively.<sup>303</sup> However, “in developing countries, the history of ALMPs has yet to be written.”<sup>304</sup> In these countries, it has taken the form of public work and training programs. In any cases, “[I]t is hard to imagine a labour market that can live without intermediary institutions, of which ALMPs are a significant component,”<sup>305</sup> though they should be flexible.

It is also significant, particularly in case of the developing countries, to ask whether these intermediate institutions and policies are achieving their goals while there

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<sup>303</sup> Peter Auer *et. al.*, 2008, *ibid*, p27.

<sup>304</sup> Peter Auer *et. al.*, 2008, *ibid*, p10.

<sup>305</sup> Peter Auer *et. al.*, 2008, *ibid*, p14.

is lack of job creation. In fact, “efficient macroeconomic and structural policies that attract investment, and create and support labour demand” are not out of the picture. But one should not wait for investment to move on while workers are suffering from inequality or poverty. Otherwise, their capabilities will be depreciated.<sup>306</sup> In addition, LMPs and ALMPs are elements of human capital investment (education and training). Even physical investment cannot afford its target with a poor labour force. . As the illiteracy rate is high in many developing countries, training has an important role to play: these programmes protect and improve the quality of the labour force across generations, too.

Moreover, health and safety legislations, such as Factories Act (1961) and Offices, Shops and Railway Premises act (1963), and Employment Act are only examples of regulating market to make workers rights less violated. Under the latter law, employers are obliged to provide safety and guidelines to it, ensure working the permitted hours, pay for overtime, pay for holiday or maternity leave, prevent staff from discriminations, and so on. It is this Act which put obligations on staff, too, to obey the workplace rules, respect the owner’s property, keep information on the business safe, and so on. Again, Contracts of Employment Act (1972), Employer’s Liability(compulsory insurance) Regulations (1972 and 1998), Minimum Wage Act for aged 21 and above, and European Working Hours Directive (1998), which regulates hours of working per week, are significant legal frameworks that brought improvements in the UK, some of them under the pressure of European Union.<sup>307</sup>

More importantly for this thesis, the Race Relations Act (1976), the Equal Opportunities Commission, the Sex Discrimination Acts in 1970s and 1980s, and the Equal Pay Act in 1970s have set to fight against discrimination, not only at workplace but by communities. Alan Kroger emphases that the most effective and less costly way to help poor people are to improve their productivity through investment in human capital. In contrast, a direct way, such as providing income, will lead to weakening the incentive; accordingly costs the public budget too much.<sup>308</sup> This is really important to be insisted, discrimination against individuals may start from household unit and passes through educational system, until it reaches government and private sector, at workplace. On the same line, the Disability Discrimination Act (1995) opened doors to

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<sup>306</sup> Peter Auer *et. al.*, 2008, *ibid*, p15.

<sup>307</sup> David Butler, ‘*Enterprise Planning and Development: small business start-up survival and growth*’, first published, (Elsevier Ltd, 2006), pp103-107.

<sup>308</sup> Benjamin M. Friedman (eds.), *Inequality in America*, Alan Kruger, 2005, *ibid*, p.15.

individuals who often have difficulty in joining the labour market. These types of Acts were available in most European Countries, particularly EU members.<sup>309</sup>

In short, the negative experience of collectivism has left a legacy that pushed some scholars away from regulation altogether. But these two terms should be separated: central planning versus regulations. The latter is necessary to make society and system work, and to expand freedom and narrow inequality. In contrast, the free market neither works on its own nor guarantees freedom and equality.

### **5.3 On the link between corruption and inequality in Kurdistan**

Before entering into the core of the debate about corruption in Kurdistan, a brief historical review might be helpful to understand the roots of corruption in the region. The decade of 1990s was particularly important as it left a complex legacy of troubles. Below, I first turn to the hegemony of oil and public sector. Next, the impacts of sanctions and civil war will be studied. Finally, I will turn to connect this socio-economic background to corruption that has partially stemmed from.

#### ***5.3.1 The Hegemony of Oil Sector within the Public Sector***

Prior to semi-autonomy in Kurdistan, the structure of the economy had already changed, bringing with it extreme job mobility.

The story started in the late 1970s when the world market saw a soaring price of oil. Since then, the oil sector has become a major source for the government's expenditure and its share in GDP was increased. But it was not changed in isolation: it has left little space for the rest of the sectors to be involved with economic activities. The state ignored other sectors and tried to finance military services, import inputs and price subsidies throughout oil revenue.<sup>310</sup> Further changes of the structure of economy, including labour market are happened under the pressure of political instability for decades. To show the effect of these changes, a brief review of sectoral performance in

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<sup>309</sup> David Butler, *Enterprise Planning and Development*, 2006, *ibid*, pp15-118.

<sup>310</sup> Haris Gazdar and Athar Hussain, 'Crisis and Response: A Study of the Impact of Economic Sanctions in Iraq', in Kamil A. Mahdi(ed.), *Iraq's Economic Predicament*, (Reading, UK: Ithaca Press, 2002), p.36.

the pre-sanctions period for Iraq in general and Kurdistan region in particular, relative to the absorption of the labour force, is necessary.

Job mobility between villages and cities is not a new phenomenon, but the biggest change of the cities occurred during the 1980s. By the support of oil revenue, Saddam's regime urbanized Iraq, including in Kurdistan.<sup>311</sup> Workers were starting to move on from the villages to the cities or towns close to the cities, from mountains to flat lands. The urban area has substantially expanded. By 1987 its population reached about 70 percent, including Kurdistan.<sup>312</sup> Putting pressure on the service sector to expand and absorb a big part of the labour force at around 50 percent in 1987 was one of the results. By contrast, the performance of other sectors in absorbing workers declined. In 1987, only 12.5 percent of the labour force was involved in agriculture, while self-employment in wholesale while retail trade absorbed around 6 per cent of the labour force in 1987.<sup>313</sup> The oil sector was and remains more capital intensive and could not and cannot absorb more than 1.0 percent of the population of working age.<sup>314</sup>

The figure for Kurdistan Region was more painful by the end of the decade. The end of Iraq-Iran war was associated with one of the most tragic events of the twentieth century, namely the Anfal campaign. In this campaign, more than 80 percent of the rural area, up to 4000 villages, was destroyed and its population were removed to urban area, while hundreds of thousands of people vanished without trace.<sup>315</sup> Before 1990, there were few factories located in Kurdistan Region: cement, canned food and cigarettes.<sup>316</sup> The industrial sector in the Region which was known as autonomy territory at the time could absorb about 3.9 of labour force in 1987.<sup>317</sup> However, job mobility was restricted as there were no other options to work unless choosing the public sector or public enterprises. This was associated with restricting any sorts of immigration, legally or illegally, due to the Iraq-Iran war. The law prescribed heavy

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<sup>311</sup> Gareth R. V. Stansfield, *Iraqi Kurdistan*, 2003, *ibid*, p40.

<sup>312</sup> Mahmood Ahmad: 'Agricultural Policy Issues and Challenges in Iraq: Short- and Medium-term Options' in Kamil A. Mahdi (ed.), *Iraq's Economic Predicament*, 2002, *ibid*, p.36.

<sup>313</sup> Haris Gazdar and Athar Hussain, *ibid*, p.42.

<sup>314</sup> Kamil Abbas Mahdi, *State and agriculture in Iraq: modern development, stagnation and the impact of oil*, (Reading: Garnet, 2000), p.37.

<sup>315</sup> Liam Anderson and Gareth Stansfield, *The future of Iraq*, 2004, *ibid*, p156 and p170.

<sup>316</sup> Stichting Nederland-Koerdistan S.N., *Iraqi Kurdistan 1991-1996 : political crisis and humanitarian aid*, (Amsterdam : Stichting Nederland-Koerdistan/Netherlands Kurdistan Friendship Society, (1996), p22.

<sup>317</sup> Ismael Mustafa, *Albatala fy Al-Kurdistan, ma'a Alishara Alkhasa Lmuhafazat Al-Sulaimaniyahah*", "Unemployment in Kurdistan, with special reference to the Sulaimaniyahah Governorate" , Unpublished Master Research, (University of Sulaimaniyahah, College of Administration and Economics, (2003), p.123.

punishments for those who were arrested crossing borders. Thereafter and until the 1991 uprising, job mobility occurred only in a limited area, around cities. As a result, peasants, workers and employees all suffered large-scale unemployment and shifted from being producers to being consumers of agricultural goods.

Building a large public sector and attracting the labour force from other sectors caused difficulties in the labour market. The main two results were making shortages in the supply of labour in those sectors and skills shortages in the labour market generally.<sup>318</sup> In addition, Iraq's supply of youths declined when they drafted into the military establishments.<sup>319</sup> Al-Nasrawi points out that the gap was filled by foreign workers, mainly brought from Sudan and Egypt<sup>320</sup> and by drawing some 280,000 women into the labour market during the Iran-Iraq war.<sup>321</sup> Thus, during this period until the 1991 international operation against Iraq, there was a supply shortage for both skilled and less-skilled labourers, a huge proportion of whom were forced to become soldiers, reaching one million and around 21 per cent of total labour force for the country in 1988.<sup>322</sup> Meanwhile, women became a strong player in the market and could compete with men's work force, but the reason was not economic growth, it was economic crisis. Henceforth, the division of labour between men and women within family framework has been changed in favour of the latter but with no guarantee for a better situation, at least in the short run, whether in the workplace or in the home.

Eventually, the country entered a last decade of the twentieth century with a massive reduction of the government employment, but with remaining the pressure of wage bill, due to chiefly to the mobilisation process that started after the Gulf War, disabled hundreds of thousands of people and lost thousands of its talents. In this respect, Graham writes:

Thus at the end of the Gulf War, the army demobilised many men whose main experience in the previous decade was of fighting, who had not married, or had barely seen their wives and families. They had difficulty in finding jobs, and many were physically disabled or psychologically disturbed as a result of the brutalities

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<sup>318</sup> Tariq Al-Khodayri, 'Iraq's Manufacturing Industry: status and Prospects for Rehabilitation and Reform', in Kamil A. Mahdi (eds.), *Iraq's predicament*, 2002, *ibid*, and p.202.

<sup>319</sup> Mahmood Ahmad, in Kamil A. Mahdi(eds.), *Iraq's predicament*, *ibid*, p.180.

<sup>320</sup> Abbas Alnasrawi, *Al-Eqtisad Al'raqi: Alnaft, Alhrub, Tadmira altanmia and Alafaq, 1950-2010*, "The economy of Iraq: oil, wars, destruction of development and prospects, 1950-2010", (Westport, Conn: Greenwood Press, (1995), p125.

<sup>321</sup> Kiren Aziz Chaudhry, in Kamil A. Mahdi (eds.), *The Iraq's predicament*, 2002, *ibid*, p.257.

<sup>322</sup> Abass Alnasrawy, *The economy of Iraq*, (1995), *ibid*, table No.17, p.124.

of trench warfare...with the poor state of the health service, families were left to care for the disabled, creating further demands on women.<sup>323</sup>

The society is burdened by those individuals that can no longer supply their mental and physical effort and the government has had no sufficient policies to involve them either as an active worker or at least mindless consumers.

It is due to this long pass through a totalitarian system which was associated with a huge government intervention that 37.9 percent and 21.3 percent of the sample reply that they either 'strongly agree' or 'agree' to the statement "government should be owners of properties and economic projects" (see appendix, table 9). In other words, huge fraction of the sample is against privatization.

The aspiration of removing the totalitarian regime had seemed closer to fulfilment 1991. But another gloomy period began: a dictatorship was ultimately replaced by a period of chaos. After a short period the civil war began, bringing its own pain and socio-economic damage. Inequalities increased in the aftermath of civil war and a storm of corruption has hit nearly every household.

### ***5.3.2 Sanctions and civil war impacts***

From this inauspicious base, discussed above, the country faced sanctions imposed by force, mainly by the US, the UK and France, as a consequence of Iraq's invasion of Kuwait. While one result was a reduction of central Iraqi control following the imposition of a no-fly zone over part of Kurdistan, the region's situation paradoxically worsened when the central government declared its embargo too, after its withdrawal of administration in 1992.<sup>324</sup> These also combined with the harmful clash between PUK and PDK which lasted for almost four years until the 1998 cease fire. Accordingly, the employment preferences, performance of economic sectors, the shares of agents and the state or government's roles were changed.

If oil revenue had supported the state to have a big public sector, sanctions altered the Iraq's state and the Kurdish authority's powers and changed relative sectoral performance too, both in the Kurdistan region and other parts of Iraq.

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<sup>323</sup> Sarah Graham-Brown, *Sanctioning Saddam: the Politics of Intervention in Iraq*, I. B. Tauris Publishers, (London-New York in association with MERIP, 1999), p.121.

<sup>324</sup> Gareth R. V. Stansfield, *Iraqi Kurdistan*, 2003, *ibid*, p41.



On the one hand, state lost a good deal of its grip on the economy and its labour force when real wages collapsed. More precisely, the state's power over economy was replaced by chaos and an unfettered economy. In regard to Iraq state's power, Gazdar and Hussain observe that

...Iraq could no longer maintain the large public sector of the pre-sanctions period. Attempts were made to raise public sector salaries [first in September 1991], but because these were financed by monetary expansion, their effects were quickly neutralised when prices rose in response. By 1996, public sector workers were commonly earning US\$ 3.5 per month, compared to their pre-sanctions salaries of US\$150-200.<sup>325</sup>

On the other hand, under the pressure of blockade and inflation, people were inevitably returned to agricultural activities, though UN SCR 986 "weakened the progress".<sup>326</sup> As a result, this sector's share of the labour force rose to 40 percent in 1996 compare to 30 percent and 12 percent in 1977 and 1987 respectively.<sup>327</sup> Moreover, self-employment increased from 14.8 percent in 1987 to 29.6 percent in 1997.<sup>328</sup> Nevertheless, employees would not totally leave the public sector, not just because of a stable nominal salary; but also because of other privileges such as completing higher study or getting a piece of land and insufficient job opportunities in private sector.

Meanwhile, the decline of real wages made producing goods and services costly. Decreasing demand for goods and services reduced firms' profit. The private sector responded to the situation by decreasing employment, which raised the rate of unemployment. There was a sharp decline of formal employees by 60 percent, 43 percent for the public sector compared to 17 percent for private sectors employees.<sup>329</sup> In Kurdistan, the nominal wage for public employees was likely to be unchanged. In 1996, the average salary of civil servants was around ID 250-300 per month which covered 10 percent of the basic costs of living, therefore, they were largely dependent on NGOs, borrowing and money sent by their relatives abroad.<sup>330</sup> Hence, who quit to public sector and moved to private sector or self-employed might gain more. Although

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<sup>325</sup> Haris Gazdar and Athar Hussain, in Kamil A. Mahdi (eds.), *The Iraq's predicament*, ibid, p.41.

<sup>326</sup> Gareth R. V. Stansfield, *Iraqi Kurdistan*, 2003, ibid, p41.

<sup>327</sup> Haris Gazdar and Athar Hussain, in Kamil A. Mahdi (eds.), *The Iraq's predicament*, ibid, p.52.

<sup>328</sup> Kamil Abbas Mahdi, *State and agriculture in Iraq*, (2000), ibid, p.216.

<sup>329</sup> Haris Gazdar and Athar Hussain, in Kamil A. Mahdi (eds.), *The Iraq's predicament*, , ibid, p.46.

<sup>330</sup> Stichting Nederland-Koerdistan S.N., *Iraqi Kurdistan 1991-1996: political crisis and humanitarian aid*, 1996, ibid, p19.

workers were engaged with multiple jobs, the public sector was and remains an important source in providing stable jobs and wages, thanks to oil revenue.

It is worth noting that there was an attempt to privatise some aspects of the public sector in the late 1980s. Chaudhry documents that

by 1989, the ownership structure of land had changed considerably: 53 per cent of land was privately owned, 46 per cent was rented from the state by farmers and private investor....in addition, the government privatised parts of the service sector, such as small hotels, and leased gas stations to the private sector for a duration of three years.<sup>331</sup>

The government also lifted price controls and tried to increase productivity of workers by removing about 200 general managers. However, throughout investment on oil and petrochemical industries, leasing land and selling industries companies, especially to those who were loyal for the elite, and controlling inputs, the private sector's power over basic commodities was limited. In essence, the aim of the privatisation was "to generate new social support" for the elite and the reform process has been shortened in "transformation of public monopolies into private monopolies".<sup>332</sup> In other words, the "invisible hand" was nothing except for the elite's hand itself. Similarly, in Kurdistan and after getting semi-independence, these projects, contracts and petroleum stations in particular were given to many tribal leaders and these projects have become a lucrative business for all sides involved as they have provided a wide opportunity for corruptions.<sup>333</sup> Indeed, the roles of the regional government in the labour market and its intervention in the business climate are still greatly affected by this fact. In the absence of labour market policies (e.g. unemployment insurance, active labour law), it can be said that the movement from government's intervention to the market economy was nothing except a shift of power from the public sector to the private sector. Graham confirms that in Kurdistan and by 1996

[u]nregulated entrepreneurial business had become more important than formal economic activity, except in the agriculture sector. Though many people have made some kind of living in this informal sector, the large profits appear to be

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<sup>331</sup> Kamil A. Mahdi, *The Iraq's predicament*, Kiren Aziz Chaudhry, 2002, *ibid*, p.246.

<sup>332</sup> Kiren Aziz Chaudhry, in Kamil A. Mahdi, *The Iraq's predicament*, *ibid*, p.252.

<sup>333</sup> Michiel Leezenberg: Refugee Camp or Free Trade Zone? The Economy of Iraqi Kurdistan, in Kamil A. Mahdi, *The Iraq's predicament*, , *ibid*, p.158.

monopolised by a small group of party officials, mustashars, merchants and entrepreneurs.<sup>334</sup>

With few available jobs in either public or private sectors and a high rate of inflation, neither can women do their homework nor can children go to school and take their lessons. They have to participate to reduce the burden on the family budget. At present, those children who have involved with some petty vending accounted to 14878 child<sup>335</sup> and women manually collected wheat grains. This supports the view mentioned previously that women's entering the market resulted from hyperinflation and war rather than a natural openness of the society or economic growth.

The education system inevitably suffers in these circumstances. There is no study explaining the impact of sanctions on the performance of education in relation to job mobility, wage structure, and skills shortages in Kurdistan – except for studies that have looked at Iraq as a whole. But it is worth quoting an Iraqi taxi driver, interviewed to explain sanctions' contribution to further deteriorating inefficient distribution of employees:

Now education is no use. As an engineer I would earn 300 dinars a month, now as a taxi driver I can earn 4000 dinars, and absolutely need 4000. Mechanics and vegetable and grain sellers are making new fortunes. In contrast, engineers, writers, pharmacists, travel operators, technical consultants, scientists and surgeons find themselves without work.<sup>336</sup>

In response to wage erosion, although it was better than the rest of the Iraq thanks to accepting Swiss Dinar at the time, many public sector employees were forced to leave the sector. Education sector employees' reaction is an example. According to Graham, around 12,000 teachers left their jobs between 1990 and 1994. The 53 percent of primary school enrolment in 1996 in rural areas was fair evidence showing how children's enrolment, girls' in particular, declined and demonstrates their contribution to family income.<sup>337</sup> Hence, the education system itself was far from being an instrument to absorb a part of labour force and produce different skills for the market.

It is worth noting that emigration and attendant skill shortages were also affected by sanctions. In 2004, Liam Anderson and Gareth Stansfield stated that up to a million

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<sup>334</sup> Sarah Graham, *Sanctioning Saddam*, 1999, *ibid.* p.225.

<sup>335</sup> Hoshiar Ma'aruf and Muhamad Karim, (2008), *The Economists Forum of Kurdistan*, *ibid.* p.8.

<sup>336</sup> Sarah Graham, *Sanctioning Saddam*, 1999, *ibid.* p.183.

<sup>337</sup> Sarah Graham, *Sanctioning Saddam*, 1999, *ibid.* p.182.

Kurds were “in Europe, North America, and Australia as part of the Kurdish diaspora”.<sup>338</sup> People spent large sums and faced great risks to get out from the country. While there had been a movement towards cities prior to sanctions, workers at the next stage were leaving the local market around cities to seek a job elsewhere. Families viewed their children’s emigration as the only source to get income, so another kind of investment became more prevalent: instead of opening a shop, for example, families invest their money on their children hoping to get high future returns.

Yet world labour markets could not immediately involve these migrants with high skilled jobs, given mismatches in specific skill sets and qualifications; so their human capital depreciated strongly. Inevitably, they had to work for a few years, instead of investing time on education and training, to return the wealth they had spent on the way to reach almost Western countries. Often they had to accept those jobs well below their skill level. Therefore, only few of them could improve their abilities and the cobweb of losing skills and remaining unskilled has been continuing, not to mention those who have no legal documents to join the foreign labour market.

Sanctions, whatever their other aims, damaged the socio-economic fabric in terms of skills and changed many other aspects of the economy, including the labour market. Moreover, due to globalization, sanctions have externalities and may create tensions for the world economy, too. Producing tension in one place, for example the Third World, reflects on the other parts of the world.

Apart from sanctions, Iraqi Kurdistan also suffered other trouble. The clash between the main two parties generally and with other less powerful parties from time to time was the major feature of the period between 1992 and 1998.

The political instability and conflicts are another reason behind job mobility, erosions of wages and human capital depreciation or the duration of staying unskilled. Unlike the rest of Iraq, civil war in Kurdistan was happened during 1990s and lasted several years. The deterioration in the economic situation led to a general fall in the rate of growth in the demand for labour and declining real wages negatively influenced the amount of supply of skilled workers, which sought employment outside Kurdistan. In contrast, the unskilled workers resorted to multiple jobs but the public sector was

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<sup>338</sup> Liam Anderson and Gareth Stansfield, *The Future of Iraq*, 2004, *ibid*, p159.

always one of them. Consequently, the supply of unskilled labour tended to increase instead of decrease as a result of the drop in real wage.

As the conflict reached its peak and war started between PUK and PDK in the mid-1990s, a great deal of the national income was devoted to paying Peshmergas, purchasing arms and buying the loyalty of people, “thereby fuelling conflict rather than improving the economic circumstances of the population”.<sup>339</sup> It was under the pressure of civil war that the government’s body was split up onto two administrations, the society too consequently. Furthermore, workers reinforced to either leave the region or ask parties, instead of government or private sector, to find a job. Nobody could find a job in the public sector without asking the main powerful parties to write them a recommendation confirming that they had no relation with other parties, mainly the party that they were in a disagreement with. The principle of distributing opportunities, whether it was piece of land or a job, was “loyalty to the party that governs the territory”.<sup>340</sup> The lack of an active private sector made finding a job to be more difficult or investing on education to be less valuable. A recommendation, not qualification, confirming that the person was one of the friends of the powerful party was guaranteed to be fruit. The authorities of each political party gave opportunities to their members. Resources, social status, job opportunities or getting a better job and so on were highly relied on the link to them, highly distributed by the political group at the top of the party. This created cleavages among social groups, individuals, and even members of the same family. Accordingly, each party registered numerous members.

In short, in an Oil-exporter country like Iraq and Kurdistan, the structure of the economy, which is highly relied on one sector and one product, paved ways to direct resources by political figures. One outcome of this is controlling human resources. When the most available opportunities and national income go through the public sector, and this sector is under political elite’s power and their toys of businessmen and patron leaders, then unsurprisingly people have to go and ask a powerful man to get a job or even to be registered in social security programmes. They do not provide these opportunities as the agent’s basic entitlements, but as a present to them. The distribution of resources does not help individuals to improve their abilities and does not make new choices and opportunities. Needless to say here, the economic structure even impeded developing democracy system. The contradiction between economic structure and

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<sup>339</sup> Sarah Graham, *Sanctioning Saddam*, 1999, *ibid*, p.225.

<sup>340</sup> Kamil A. Mahdi, *The Iraq’s predicament*, Michiel Leezenberg, *ibid*, p.162.

democracy system had reflected on the limitation of the latter. The dictatorship of economy does not easily let the political democracy to work appropriately. Thus one-side economy known as “the Rentier State” is paralleled to one-political elite system and does not let the political system to move towards more open society without passing through threatening troubles. It is from the nature of the rentier states that one sector dominates over economy. Meanwhile, most of the rentier states started with one party dominance over politics. Although Iraq and Kurdistan have politically shifted from the dominance of one party, which made election for itself only, to making competition among political parties and paved ways to election, but the dominance of one sector has not let this shift, for the reasons discussed previously, to work properly and make social space for people. To make it more clear, the political shift was not parallel to economical shift. Thus, individuals, and mass also, have remained directly under the power of elite.

### **5.3.3 From Chaos to Corruption**

By the end of the civil war, the Region faced another threat: corruption. At one level, a large part of this behaviour is inherited from the past and will be passed on more or less to new generations. Intensive intervention by Iraq’s state was one of the reasons.

Saddam Hussein destroyed the economic and social structure of Iraqi society, including in Kurdistan. He and his party used corruption as a tool to guarantee their staying in power. Hence, apart from killing, jailing and operations such as Anfal and Halabja, corruption through uneven distribution of educational opportunities, decent jobs and the like was a way to control every space that might make trouble for them or to keep people silent. Labour as a factor of production had a different meaning. It was not necessary for the state to add value to the product, or for labour to be productive. The only significant role of workers was to accept and buttress the system. Needs and wants of individuals were controlled and could not be satisfied except through asking government or more precisely Ba’ath party members. The Kurdistan region was hit hard by Saddam’s regime because of its attempts to carve out autonomy from the central dictatorship.

However, blaming colonialists for causing the gap between regions or social groups is pointless. It cannot be denied that one generation’s deprivation from basic capabilities affects another generation’s fate, and clearly, exogenous factors can play an

important role. Putting all ill effects on the shoulders of ‘foreigners’ or exogenous variables misses the essence. Ignoring the socio-economic structure of the Region and internal political environment in producing inequality and corruption provides an unacceptable excuse for remaining blind to weak management of human resources of the Region. In what follows, therefore, I will focus on the role of internal factors.

#### **5.4 How big is Corruption in the Kurdistan Region?**

Recently, it has been publicly recognized that corruption is a major threat facing Kurdistan. Even the authorities have emphasized that corruption is a critical challenge for the Region.

In a public letter on 31 January 2011, the Office of Kurdistan Regional Presidency noted that corruption is a serious issue that needs to be challenged.<sup>341</sup> This acknowledgement had not been given much publicity by authorities prior to 17<sup>th</sup> February 2011 demonstration in Sulaimaniyah which lasted 60 days.<sup>342</sup> . Since then, it has been more publicly emphasized that the political parties have invaded public properties. On 27 February 2011, ten days after 17<sup>th</sup> February public demonstrations, the prime minister of KRG, Dr Berhem Salih, asked the parties to return public property to KRG. Dr Berhem announced that the party in which he is one of the leaders, PUK, had occupied 22 schools and used them as political centres to gather members and do political activities while the Ministry of Education is suffering from lack of schools at a rate that two or three primary schools may use the same building, one in the morning and the other(s) in the afternoon.<sup>343</sup> Kamal Nori, the General Director of Education Directory of Sulaimaniyah, said that even four schools are studying in the same building due to lack of school buildings.<sup>344</sup> In fact, the initiative was primarily done by PUK. Other parties, such as The Communist Party of Kurdistan and PDK, have slightly followed the rule and officially acknowledged that they have taken public properties and should have returned to KRG. Gorran (Change) Movement, which represents itself as

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<sup>341</sup> The letter came out on 31/01/2011 after Gorran Movement, from the campus of oppositions, two days earlier claimed that the KRG and Parliament should be terminated. Point four of the letter says: “... corruption cannot be denied and is a fact.. and hope everyone participate to tackle the shortcomings..?”. The letter formalized by all political parties except for Gorran and the president of Kurdistan Region was managed the meeting. It is available in Kurdish at <http://www.krp.org/kurd/articles/display.aspx?gid=1&id=24201>

<sup>342</sup> Sulaimaniyah: A gathering for reform has been made, a report, available at <http://xendan.org/dreja.aspx?hewal&jmara=21744&Jor=1>

<sup>343</sup> The Government is going to take 22 schools back from PUK, a report, available at <http://xendan.org/dreja.aspx?hewal&jmara=22213&Jor=1>

<sup>344</sup> Xandan, Around 42 schools will be built in Sulaimaniyahah Province, a report, available at <http://xendan.org/dreja.aspx?hewal&jmara=23170&Jor=1>

agent of change, is another party which has taken over thousands of meters of public properties.<sup>345</sup>

According to a report on 07/07/2011, the decision of returning public properties to the hand of KRG has not dealt with in Duhok territory,<sup>346</sup> though in Erbil and Sulaimaniyah was more active. In Erbil, among many properties, PDK decided to return four public properties that had been used as political centres.<sup>347</sup> Acknowledging returning of public properties can also be used as evidence for corruption and the hegemony of elite over mass. In short, there is a claim that the public sector is largely dominated by political parties; the elite have used public resources for expanding their power. In other words, public sector is not for all but for the elite.

Here, the most important point to be focused on is people's perception. Among many cotemporary problems facing people, as the table (5.1) below shows, more than half of the sample confirms that corruption is the serious one.

**Table (5.1)**  
**Priority of social problems in IKR**

sex	Inflan.	Corrup	Poverty-Unemp.	Electrici-water	Educan. and health	Roads	Envirent	Violence against women	Total
<b>M.</b>	19	96	12	5	3	2	0	1	138
	13.8%	69.6%	8.7%	3.6%	2.2%	1.4%	.0%	.7%	100.0 %
<b>F.</b>	36	39	10	4	2	1	1	0	93
	38.7%	41.9%	10.8%	4.3%	2.2%	1.1%	1.1%	.0%	100.0 %
<b>Total</b>	55	135	22	9	5	3	1	1	231
	23.8%	58.4%	9.5%	3.9%	2.2%	1.3%	.4%	.4%	100.0 %

Source: Based on the corruption questionnaire, Cross tabulation analyses, Appendix II, question 8, p242.

<sup>345</sup> Nokan Company announces the ownership of Gorran movement place, PUKMedia, on 19th April 2011.

<http://xendan.org/dreja.aspx?hewal&jmara=24098&Jor=1>

<sup>346</sup> None of the public properties has been returned to the KRG in Duhok city, On 7<sup>th</sup> July 2011.

<http://xendan.org/dreja.aspx?hewal&jmara=27212&Jor=1>.

<sup>347</sup> Four pices of pblic properties have been taken back by KRG in Erbil, Xendan, On 16 June 2011.

<http://xendan.org/dreja.aspx?hewal&jmara=26360&Jor=1>.



In people's point of view, corruption is the main source behind many current tensions. For them, rent-seeking activities are more serious than the pains of poverty and unemployment or electricity and water.<sup>348</sup>

It seems that inflation, followed by poverty and unemployment, is the second force that directly deteriorates the standard of living of them. Although many documents show that women badly face violence, but still a very tiny fraction of people consider it as the main obstacle compare to other listed problems. Unfortunately, people have to some extent neglected the critical issue of environment. It seems, perhaps due to war and corruption. Kurds are more focused internally, ignoring threats such as global warming.<sup>349</sup> In addition, there are no huge differences between males and females' point of view regarding the priority of problems in the Kurdistan Region. This also reaffirms that there is a social agreement among people against corruption as a first problem in this region.

Corruption is the main problem for both urban and rural areas, too. Approximately, 57 percent of urban and 60 percent of rural respondents acknowledge this. But seems clear that poverty and unemployment is much harder for rural (60 percent) than urban populations (8.0 percent). Nevertheless, it appears that inflation is much more harmful for urban than rural area (26 percent). This might be due to the increased needs of urban inhabitants.

To open the door up to opportunities, people need a personal mediating contact. According to the results, less than 5.0 percent of the sample says people either 'never' or 'rarely' need such a mediating contact (WASTA, as is known in Kurdish and Arabic) to get a job. But more than 87 percent claimed that it is either 'often' or 'very' necessary. Another tiny fraction, around 6.5 percent, replied that this tool is sometimes used to overcome the routines or the obstacles of getting an opportunity. However, in terms of sex, people are homogenous in the sense that there is not much difference between their perspectives.

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<sup>348</sup> Although poverty and unemployment, water and electricity, and education and health care are quite different spheres, but we put them together to compare them with the issue of corruption. We asked whether poverty and unemployment together is more serious than corruption. It gives a clear idea that people believe that its corruption which should be challenged first, not unemployment or poverty.

<sup>349</sup> As is clear from the questionnaire, the question was about defining the first three problems among the list. When I distributed the forms and explained the purpose of the question, many of them told me: "all are important, how can we make comparisons among them?"

Corruption in accessing education is another important source. It is well known that education is highly under the control of the public sector. The picture can be looked at from two different perspectives. On the one hand, the demand of high school graduates may not match the supply of seats in the institutions and Universities. Hence, it is expected that people, or high school graduates, do need a means, '*Wasta*' in public language, to get a seat. While the figures for undergraduate studies are not overly negative in general, they show more harmful evidence when it comes to the higher degrees. Slightly above 37 percent of the sample reports a situation that people either 'often' or 'very' much refer to a mean to afford a place at the higher educational level (Masters and PhD programs). But men support this view more than women. More than 30 percent of government employees, private employees, and students are addressed that either 'often' or 'very much' people need to find one way or another to afford a place at Universities and Institutions, though, interestingly, the higher rate is in favour of lack of corruption in access to this public service.

Youth pay more attention to education than older age ranges. For example, the result of age 25-34 shows that they are unhappier in access to education than upper ages (35-44 and 45-52). Around 13 percent of the first group against 6.0 percent of 35-44 and 5.0 percent of 45-52 answered that they rarely had access to education. In contrast, about 44 percent of aged 25-43 replied that they rarely were able to afford hospital against 67 percent of aged 45-52. This of course reflects the natural primary interests of these respective groups.

Distribution of pieces of land was started in the last few years. Many spaces of the available area, particularly in urban area, have been taken by households. There were rules in getting it. Basically, each agent could have 200 meter if either has been struggling in pre-uprising era and sacrificed or if it concerns someone who has been working for government for a long time. This policy was helpful in tackling the housing crisis in Kurdistan Region. But, at least in people's perception, the distribution went unfair. For example, around 80 percent of the sample asserts that people do either 'often' or 'very much' needs an illegal tool to get a piece of land. In regard to pieces of land and mortgage, on the one hand, it seems that unemployed people, with 77 percent, and students, with 67 percent, are having less access to be benefited from pieces of land. On the other hand, it appears that private employees are having difficulties accessing a mortgage. However, people rarely have problems with accessing mortgage payments.

**Table (5.2)****Means to get the selected opportunities and requirements**

Scales/ means	Never	Rarely	Sometimes	Often	Very	Total
<b>Means for job</b>	2.6%	1.7%	6.5%	45.9%	42.0%	98.7%
<b>For undergrad studies</b>	7.8%	37.7%	27.7%	14.3%	10.0%	97.4%
<b>For higher studies</b>	5.6%	24.7%	31.2%	22.5%	14.7%	98.7%
<b>Piece of land</b>	1.3%	3.0%	11.7%	45.9%	36.4%	98.3%
<b>For mortgage</b>	45.5%	27.3%	12.1%	7.8%	5.6%	98.3%
<b>Other normal needs</b>	2.2%	7.8%	30.7%	41.6%	15.6%	97.8%

Source: based on Inequality Questionnaire, Cross tabulation analyses, Appendix II, question 18, p236.

For this distribution, there was a support policy. Every single person who has got up to 200 meter was able to get a mortgage. The good news here is only a small fraction claims that people do need a mediating contact to get this fund. Finally, people generally confirm that *Wasta* is an effective tool to obtain their daily requirements.<sup>350</sup> According to the results of our survey, the Corruption Survey, for any other needs, such as overcoming routines or in making the procedures for obtaining citizens' requirements, only around 10 percent believe that can be done without some help.

According to slightly more than 63 percent of the sample (68 percent of male and 57 percent of females), *Wasta* has a major effect on the speed of obtaining their requirements. Another 24 percent also believe that *Wasta* has a fair chance of getting them what they want without trouble. To put it differently, almost 84 percent have a sense that without *Wasta* there will be no guarantee for their requirements to be paid attention to in the public sector. This feeling is equally prevalent among males and females'. The table below illustrates this.

<sup>350</sup> Many reports published on some Kurdish websites support this data. For example, in an interviewee with Sirwan Said, aged 32, he claims that even if you need judges you have to find an indirect way. He says: "I was waiting for a whole wait just to get his stamp, but could not get through, while many more passed by me and did it. So I found someone the next day and got his stamp." See the whole report at:

<http://chawyxelk.com/Detail.aspx?id=264&TypeID=1&AutherID=46>

**Table (5.3)****People's perception in regard to the effectiveness of WASTA**

	<b>Extremely Uncertain</b>	<b>Uncertain</b>	<b>Fairly certain</b>	<b>Extremely Certain</b>	<b>Don't know</b>	<b>Total</b>
<b>Male</b>	1	12	27	94	4	138
	0.7%	8.7%	19.6%	68.1%	2.9%	100.0%
<b>Female</b>	1	10	28	53	1	93
	1.1%	10.8%	30.1%	57.0%	1.1%	100.0%
<b>Total</b>	2	22	55	147	5	231
	0.9%	9.5%	23.8%	63.6%	2.2%	100.0%

Source: Based on Corruption Questionnaire, Cross tabulation analyses, Appendix II , question 9, p242.

To look at the table (5.3) from another dimension, about 57 percent of public employees realize that they need to go through social and political relations if they have requirements from the public sector. This confirmation by public employees themselves is supporting the fact that the managerial system is still traditional and cannot be challenged without some interference. Overall, there is not much difference according to sexes.

Of course, these indicators mostly confirm that economic resources and opportunities are unjustly distributed, leading to increased distance between one person and another. In people's perception, corruption is responsible for making people poor and unequal distribution of opportunities. Around 52 percent of the sample responded that rent-seeking is a main source of poverty. People have not equally had access to opportunity; they go through different roads to achieve their goals. Around 38 percent says that if people had had equal access to opportunities, poverty would have declined. True, corruption may be advantageous to many. But social groups and individuals are not all at the same distance from authority, and therefore not all have benefited equally from this arbitrary distribution. Still some 8 percent of respondents believe that people themselves are to blame for their poverty, by not looking for jobs. It is probably more realistic to say that in a dominated-oil economy like Iraq and Kurdistan which is often creating jobs far from the need of the labour market, people are remarkably pessimistic that their effort will yield anything.

**Table (5.4)****Causes of Poverty in People's Perception**

	<b>Fate and luck</b>	<b>Not looking for work</b>	<b>Corrupted authorities</b>	<b>Unequal opportunities</b>	<b>Total</b>
<b>Male</b>	1	14	78	45	138
	0.7%	10.1%	56.5%	32.6%	100.0%
<b>Female</b>	2	6	42	43	93
	2.2%	6.5%	45.2%	46.2%	100.0%
<b>Total</b>	3	20	120	88	231
	1.3%	8.7%	51.9%	38.1%	100.0%

Source: Based on the Corruption Questionnaire, Cross tabulation analyses, Appendix II, question 16, p244.

Finally, it can be observed from the table (5.4) that 54 percent of unemployed, 48.5 percent of self-employed, and 56 percent of retired respectively point to unequal opportunity as a main source of poverty, paying a lot of attention to corruption, too.

## **5.5 Government and Corruption**

To understand how big the issue of corruption in Iraqi Kurdistan, I mostly refer to the data collected within the fieldwork. Along with, there will be an attempt to refer to this and that reliable report or article.

### ***5.5.1 Inequality in Resources and Opportunities***

Other aspects of inequality, such as a comparison between men and women or urban with rural, have been previously discussed but this leaves us with one comparison to undertaken: that between the public and the private sector.

Discrimination comes in different shapes within the public and private sector. A majority say that there is discrimination in monthly or annual rewards. Rewards are said to be neither for all nor distributed based on skills and ability. Nearly 27.5 percent say employees often receive unequal rewards. 23 percent says it happens 'always'.

However, the figures are different between private and public sector. The table (5.5) reflects this fact.

**Table 5.5**

**Discrimination against employees in Rewards according to sectors**

Sectors	Never	Very Rarely	Rarely	Often	Always	Total
<b>Private</b>	8	18	12	21	12	71
	2.5%	5.7%	3.8%	6.7%	3.8%	22.6%
<b>Public</b>	21	39	58	65	59	242
	6.7%	12.4%	18.5%	20.7%	18.8%	77.1%
<b>Total</b>	29	57	70	86	71	313
	9.2%	18.2%	22.3%	27.4%	22.6%	99.7%

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix II , question 5 and 22, p.233 and p.237.

It seems that this kind of discrimination is more controlled in the private sector. Around 4.0 percent of employees of private sector say that this happens ‘always’, 7.0 percent say ‘Often’. In the public sector these figures are 19 percent and 21 percent respectively.

In allocating positions within an organisation, more than half of the sample says that either ‘Often’ or ‘Always’ positions are allocated in violation of the concept of equal opportunity (see table 5.6). They have been distributed according to patronage relations, relations to powerful men and so on. This view predominates in both private and public employees’ perception. For example, 7.0 percent of the private employees reply that job positions are largely distributed according to factors other than certificate, experience, and abilities. In contrast, around 9.0 percent say that positions are allocated without discrimination. The critique is harder in the public sector. Nearly 21.0 percent say positions are always unequally allocated and 27.7 percent say often.

**Table (5.6)****Discrimination in allocating positions according to sectors**

<b>Sectors</b>	<b>Never</b>	<b>Very Rarely</b>	<b>Rarely</b>	<b>Often</b>	<b>Always</b>	<b>Total</b>
<b>Private</b>	6	10	9	22	24	71
	1.9%	3.2%	2.9%	7.0%	7.6%	22.6%
<b>Public</b>	20	26	43	87	66	242
	6.4%	8.3%	13.7%	27.7%	21.0%	77.1%
<b>Total</b>	26	36	52	109	91	314
	8.3%	11.5%	16.6%	34.7%	29.0%	100.0%

Source: Inequality Questionnaire, Cross tabulation analyses, Appendix Ii, question 5 and 22, p.233 and p.237.

Though 69 percent confirms that women are discriminated within both public and the private sector, the percentage is much higher among public than private employees: 56 percent against 13 percent. It is true that women are enjoying some privileges in the public sector that cannot be found in the private sector, such as maternity leave, but still some types of discrimination are much more prevalent in the former. One of these is in discrimination in rewards. Only 5.0 percent of the private employees, within the sample, reply that rewards are often not distributed in a just way, against 14.3 percent of the public employees. And around 5 percent says women are sometimes discriminated in receiving rewards against 22.6 percent. This kind of discrimination could be among women themselves or between men and women. 46.8 percent of the sample says discrimination in rewards is either ‘sometimes’ or ‘often’ felt (Appendix, table 3, p.234).

One may rightly resist the importance of discrimination in rewards as it makes up a tiny part of total income someone receives annually. Unjust allocation of job positions is a more serious. According to the results, 29 percent of the sample emphasised that workers have often no equal chance in distributing job positions within their organization and another 24.5 percent have the same feeling but with choosing the scale of ‘sometimes’. At the level of sectors, it seems that job allocation is more equally distributed in the private sector than in the public sector. Around 22 percent of the public employees are claiming that they, sometimes, see unjust distribution of positions against only 2.0 percent of the private employees. Moreover, the biggest percentage

among private sector employees reaction is 10; showing that employees of the private sector are treated more equally in this regard (Appendix, table 4, p234). The private sector seeks profit; thus it cares about effective allocation of skills.

Training sessions are other grounds of discrimination. Though there is little attention to improving workers' abilities, particularly women's, by both public and private organizations, if there is a chance, it is private sector's owners and managers that take care of it. Firms understand that they also need to invest in human capital of their staff, even though it can be costly. I evidence, 28.3 percent of the sample says that men more than women have often had a chance to participate in development programs through training sessions. Nevertheless, female employees of the private sector have more chance than female employees of the public sector (see appendix, table 5, p235). Finally, women less than men are given mission, such as sending them to another city or country for the purpose of contracting or improving the organization's foreign relations, or any other task (see appendix, table 5, p235). For each trip, the worker will be rewarded; in addition to gathering information and improving skills. Hence, the gap of ability between men and women is growing.

If anything, one point is clear: the poor quality of the labour force of the public sector is a reason for poor performance of this sector. According to one study, in 2006 the percentage of higher educated employees was less than 1 percent of the total rate of the labour force, excluding the ministry of Higher Education. Conversely, 19.11 percent had no certificate at all. In addition, 12.94 percent and 7.43 percent had either primary certificate or secondary certificate, respectively. Concerning gender, the rate of female employees who were finished higher education far behind male employees: 82.35 percent against 17.65 percent, respectively.<sup>351</sup>

Over-all, the data shows that discrimination is more felt in the public sector, though workers are more protected economically within it and have some specific rights.

### ***5.5.2 The Power of the Private Sector***

The relationship between public and private sector is always a matter of consideration. The channels between these two sectors are often under suspicions.

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<sup>351</sup> Shiler Ali Salih, April 2008, "Dimensions of Empowerment and the Reality of Women Labourers in Kurdistan Region-Iraq/ Erbil Governorate is example", *ibid*, p104, table 3-2.



There is a huge debate about this link whether it goes in favour of public or private sector in Kurdistan Region. Indeed, political parties have some companies that mostly take public properties and affect government decisions. For example, though it was an initiative by PUK, on 10<sup>th</sup> April 2011, around 100 acres controlled by PUK companies was returned to KRG.<sup>352</sup> This is an evidence for the power of party firms.

A majority believe decisions sometimes being made based on the gains of firms' owners, not the citizenry as a whole. In other words, the fear is that the public sector is used for private gains. This in turn raises suspicious against privatization.

**Table (5.7)**

**The Illegal Relationship between Government Sector and Private Sector**

	Missing	Never	Seldom	Sometimes	Often	Don't know	Total
<b>Male</b>	0	4	23	80	22	9	138
	.0%	2.9%	16.7%	58.0%	15.9%	6.5%	100.0%
<b>Female</b>	3	1	23	32	9	25	93
	3.2%	1.1%	24.7%	34.4%	9.7%	26.9%	100.0%
<b>Total</b>	3	5	46	112	31	34	231
	1.3%	2.2%	19.9%	48.5%	13.4%	14.7%	100.0%

Source: Based on Corruption Questionnaire, Cross tabulation analyses, Appendix II, question 1 and 12, p.240 and p.243.

More than half of the sample, as the table (5.7) documents, believes that 'sometimes' government decisions are under the influence of private sector's managers or owners. Another 16 percent say that authorities often made their decisions in favour of firms.

In addition, around 45 percent of public employees and 47 percent of private employees emphasize that sometimes the government sector made its decision under the influence of firms' managers and owners. Interestingly, there is a different level of awareness between male and female respondents. 7.0 percent of men say that this link is not clear for them or they have no idea about it at all, while 27 percent of women say so, presumably since women are less involved with business environment.

<sup>352</sup> Xendan, Some properties of Nokan Company has returned to KRG, A report, available at <http://xendan.org/dreja.aspx?hewal&jmara=23697&Jor=1>

The owners use many channels to get access to government, being quite adept at finding the best person for their purpose – usually a director. In an interview, a 30-year-old man on 28/07/2010 explained that in an agricultural company where he is one of the shareholders, they

had a project that should have been seen by the relative public authority to make decision on. [They] knew that the manager of the public institution was one of those people who would like to have a short trip. Instead of bribing directly, [they] talked to and offered him a short trip to Lebanon on our budget by the name of checking the agriculture market there. He immediately agreed. Once he returned, [they] easily discussed [their] project with him and he decided on it without difficulties.” (Ebrahim)

The story seems plausible. People in the region do like travel as they had not had a chance to see at least neighbouring countries. Bribing directors take many forms. KRG and other state institutions have realized this. In this respect, and as a reaction to multiplying anti-corruption calls, the president of Kurdistan Region, Masud Barzani, gave a speech in Nawroz ceremony, the Kurdish national ceremony, on 21th March 2011 where he said “all government projects and contracts must be transparent, contracts must not be given on the base of patronage or the distance from political parties or socio-political status, and must not be sold to anyone”.<sup>353</sup> Three months later, in a letter to public, the president announced that “some 118 contracts were terminated, which included approximately 633 acres of land being returned to the government.”<sup>354</sup> However, the rest of the project declared by the president of KRG Masud Barzani was a preparation for fighting against corruption, such as establishing judicial institution to improve judiciary. Arguably, more could have been done by way of pushing institutions throughout KRG to address the issue.

Government projects, of course, are a prime opportunity for wasting public resources. Most of such projects, with the details of contract instructions and conditions, must be announced in the press. The same interviewed businessman explained that he could get a project of importing some copy machines, using a quite different scenario. He said that one of the conditions is, for any announced contract, at least three persons

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<sup>353</sup> The President of Region has announced another phase of the Reform of the Road-map, A report, On 23th March 2011.

<http://xendan.org/dreja.aspx?hewal&jmara=22914&Jor=1>.

<sup>354</sup> President Barzani’s Statement on the First Phase of the Reform Program, A report, On 16<sup>th</sup> June 2011. <http://www.krp.org/english/articledisplay.aspx?id=24751>

should apply. If no one interested, then you can send two friends of yourself and determine everything for them, such as the price and the period, in a way that benefits you or guarantees you to win the contract, “as I personally did once”. The factors that lead to push firms to take this way are many, but routines implemented by the public institutions are always a big part of the issue. Thus, the government sector is partly under the influence of businessmen, but not all businessmen are equal: by and large it would seem that small business owners are relative losers – although the public at large loses the most.

### 5.5.3 Access to Information and Transparency

Transparency is an indicator of the level of corruption. Secrecy of information on, for example, the public budget, arouses suspicion against those in power.

People are entitled to know and understand how their national income is distributed annually. As table (5.8) shows, around 31 percent of the sample says that government either ‘often’ or ‘sometimes’ publishes information on the budget while some 60 percent says that the KRG either ‘never’ or ‘rarely’ publishes it. A proportion of 9.0 percent who say that they do not know whether the government publishes such data, indicates that information certainly does not reach all people.

**Table (5.8)**

#### **Information on Budget and National Income Published by Government**

	<b>Never</b>	<b>Rarely</b>	<b>Sometimes</b>	<b>Often</b>	<b>I don’t know</b>	<b>Total</b>
<b>Male</b>	75	14	38	2	9	138
	54.3%	10.1%	27.5%	1.4%	6.5%	100.0%
<b>Female</b>	33	16	31	1	12	93
	35.5%	17.2%	33.3%	1.1%	12.9%	100.0%
<b>Total</b>	108	30	69	3	21	231
	46.8%	13.0%	29.9%	1.3%	9.1%	100.0%

Source: Based on Corruption Questionnaire, Cross tabulation analyses, Appendix, question 1 and 14, p.240 and p244.

It should be noted that around 49 percent of public employees and 45 percent of private employees absolutely announce that there is not much space to access to information. 21 percent of public employees and 7.5 percent of private employees

believe that people rarely have a chance to access information, or that government is rarely publishing information about budget and other related public policies and funds. Accordingly, it produces a perception that corruption is at a high level and officials do not want to challenge it but promote it.

It was hidden that the main two parties (PUK and PDK) take from the public purse around US\$ 70 million monthly. This information was hidden until a major member of PUK political office who was one of the most powerful men came out from the party and conveyed the information<sup>355</sup>.

The survey for this study, the Corruption Survey, also approached the same issue from a different angle, by asking whether the KRG effectively fights corruption. 74.5 percent of the sample responded that the government is ineffective in fighting corruption. This, then, is the problem: though corruption is, as we have argued, to a significant extent ‘inherited’, government has not comprehensively challenged it. Males (at 78 percent) stress this point slightly more than females (at 69 percent). By the same token, some 23 percent of females against 14 percent of males responded that the government is somewhat effective at fighting corruption. However, only a very tiny fraction is saying that the government is very effective in confronting rent-seeking.

**Table (5.9)**  
**Anti-corruption policies in People’s Perspective**

Answers	Male	Female	Total
<b>The government is very ineffective in the fight against corruption</b>	78.3%	68.8%	74.5%
<b>The government is somewhat ineffective in the fight against corruption</b>	6.5%	6.5%	6.5%
<b>The government is somewhat effective in the fight against corruption</b>	13.8%	22.6%	17.3%
<b>The government is effective in the fight against corruption</b>	.7%	2.2%	1.3%
<b>The government is very effective in the fight against corruption</b>	.7%	0%	.4%

Source: Based on Corruption Questionnaire, Cross tabulation analyses, Appendix II, question 15, p244.

<sup>355</sup> Interview with Omer Said Ali (2009). Available at [http://sbei.com/ku/inter\\_report.aspx?cat=1&lang=1&title=1](http://sbei.com/ku/inter_report.aspx?cat=1&lang=1&title=1)

Up to 70 percent of public and private sector employees are agreed that “the government is very ineffective in the fight against corruption”. Again, perception of people is at least as important as reality: to fight against corruption is to return people’s confidence in the government.

## 5.6 The Reaction of People against Corruption

What prevents people, on the whole, from making a claim against those employees or authorities who are putting obstacles in the way of obtaining their legitimate needs? The survey results below may help in investigating this question.

A majority of 62 percent of the sample, with no significant difference between men and women, is pessimistic that taking any action would help to punish the one who fails to do the task for which they are employed.<sup>356</sup> This administrative climate makes individuals build a kind of social network that is necessary for overcoming the obstacles.

**Table (5.10)**

### **Reasons to avoid Claiming against Authorities and the Relevant Employee**

<b>Scales/ means</b>	<b>Did not know how to do it</b>	<b>It would have taken too much time</b>	<b>would not have helped at all</b>	<b>Tried but with no result</b>	<b>Fear of reprisals</b>	<b>Missing</b>	<b>Total</b>
<b>Males</b>	10	10	82	10	25	1	138
	7.2%	7.2%	59.4%	7.2%	18.1%	.7%	100.0%
<b>Females</b>	4	3	61	11	14	0	93
	4.3%	3.2%	65.6%	11.8%	15.1%	.0%	100.0%
<b>Total</b>	14	13	143	21	39	1	231
	6.1%	5.6%	61.9%	9.1%	16.9%	.4%	100.0%

Source: Based on the Corruption Questionnaire, Cross tabulation analyses, Appendix II, question 10, p.243.

<sup>356</sup> The reader should be informed that the Corruption Surveys done before the protest of 17<sup>th</sup> February 2011.

No matter what is going on in reality, individuals on average have a sense that their job is likely to be done only by obtaining support from someone. Part of this pessimism comes from the fact that from experience people have learnt that there would be no result for taking any legal action against the employee or the official. This experience circulates among people; each tells his or her story to the other, encouraging each other to not wait in the queue as it takes time more than usual to reply for your application.

It should also be noted that a considerable fraction, around 17 percent, refers to fear of reprisals. They are worried if any legal action against the man or woman who is in charge of implementing their enquiry may conversely make the situation even worse. They do not believe that the offenders will be punished for what they have done, but instead fear that the officials may get angry and the procedure will even further delayed. These figures show that people are often waiting in a long queue; waiting particularly for the manager or general director to make his or her decision which takes a long time. If the general director is out of his office, then they have to wait for his return - no matter whether he is going on a long holiday. Ordinary employees are not able to make decisions on their own. Policies are designed by directors and ministers; they get Council of Ministers permission. Implementing these decisions also needs directors' and ministers' permission. It is with this environment that the government sector has lost its confidence among people. If there is a plan for recovery, it should start with returning this confidence back to the public sector. People should be certain that *Wasta* changes nothing and they do not need to refer to someone when they need something from the public sector. By contrast, at the moment, people tend to ask someone for help even if the procedures within a directorate in fact go automatically and swiftly.

### **5.7 The Budget and Public Policies**

Budget is a mirror of revenue and expenditure but it also gives a picture on the political system. It is possible to say that income distribution, not voting, is a proper measurement of the political system whether it runs by majority or minority. Therefore, before presenting some public policies to fight inequality and corruption in the final chapter, it is necessary to evaluate the public policies that have been implemented in Kurdistan Region during the period under study in addition to the distribution of public budget.

It is probably safe to say that there have not been appropriate policies prior to 2011 in wrestling inequality and corruption. Starting from 2001, a study which collected data from 171 firms, found that 72 percent of workers who were working for the private sector did not register in Labour Union against 62 percent of public employees. In addition, 70 percent of the employees had not had a contract with the employers at the time. It is also mentioned that private employees had absolutely no health care insurance while only 23 percent of public employees, mostly in service sector and industrial sector, enjoyed this entitlement. Equally important, there was no social insurance but only for 24 percent employees, particularly for those who were working in coal and electricity and petrol sectors. The story was even more painful as 93 percent of the interviewed employees claimed that they had received no training courses to improve their abilities.<sup>357</sup>

Following these years, Saddam Hussein's dictatorial regime was dismantled, but his party's style of life has remained. Another period of uncertainty started. From 2007, however, some positive actions have been taken. Most notably, the decision number 6943 on 24/06/2008, in regard to Employees' Salary, gave public employees a better standard of living. Since then, certificate, geographical area, job experience were more valued in the list of monthly allowance. For example, an illiterate person receives ID 140 thousands, a primary school holder receives ID 152 thousands, a secondary school holder ID 180 thousands, up to Master degree, with ID 274 thousands and PhD degree with ID 429 thousands; these allowance is called nominal salary at the time of the first job. Of course, some more allowances are monthly spending. Someone who has five years of public working and has Master degree receives around ID one million; it was half of this amount prior to 2007.<sup>358</sup>

Turning to public budget, detailed information on the elements of distribution before 2009 proved hard to get. After this, with improving political competence, people did get access to some basic information – although this did not appear until mid-2010. In a report on evaluating 2009's budget distribution, raised by the Finance and Economy Committee of Parliament (FEC), on 27<sup>th</sup> June 2010, the committee shows that the national income for 2009 was between eight and eight-and-a-half trillion Iraqi Dinars.

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<sup>357</sup> Nermin Othman *et. al.*, 'A Study about the Labour Market and the Relative Programs of Preparing the Labour Force by Vocational Schools', *Dirasa hawla swq al-'amal wa ma yete'alaq bi tahlil al-qwa al-'amila min qibal al-madaris al-mihania*, The first phase, The process of collecting information on the labour market, the KRG in accordance with UNISCO, 2002, pp19-20.

<sup>358</sup> Finance Instructions No. 40, A report to all Ministries, The Ministry of Region for Finance and Economy Affairs, The General Directory of Finance-Accounting, on 26/06/2008, p.2.

Of this, around 72 percent was spent on public employees' allowances and social security programs; only 28 percent was for investment. Moreover, only ID 465,445,720 million was made locally. The rest comes from the central government, Baghdad as Kurds have 17 percent of the Iraq's national income. Within the local public income, around 71 percent came from tax and fees.<sup>359</sup> Although the budget increased to ID 13,940 billion or US\$ 11.8 billion in 2011, about \$3.6 billion was devoted to investment.<sup>360</sup> It means that, again, around 70 percent is for public allowances and social security programs. There was no balance between investment and consumption expenditures. Back to 2009 budget, more than 62 percent of the public expenditure was for public employees' salaries and retirements. Against this, only 4.14 percent was for social security.<sup>361</sup>

Bear in mind that around 70 percent of the budget is for public sector, and mainly wages, and if the income out of oil revenue was only few hundred million dinars, which is far behind public employees' wages, the obvious question for KRG and the Kurdistan Parliament what they are likely to do when an economic crisis occurs. Any decrease in oil price will certainly create major difficulties for public employees, probably necessitating significant lay-offs. Hence, government was supposed to increase and diversify aspects of national income through, at least, increasing the budget of physical investment. The budget deficit in 2011 is US\$ 1.3 billion, "most of it incurred by the Ministry of Peshmerga"<sup>362</sup>, not for investment. Thus, even without economic recession, Kurdistan's economy is in trouble. To challenge this problem, government expenditure was supposed to have been decreased, particularly through distributing in favour of investment. Of course physical investment is not a miracle cure with which to fight unemployment, inflation, recession, poverty and inequality. Without investment in human capital, investment in the physical aspect will not achieve its goals. In other words, as we have shown in the last two chapters, with an army of illiterate workers and a weak system of health care, physical investment fails to achieve its potential. IN this light it seems unfortunate that the Ministry of Education received 4.38 percent of the budget, the Health Ministry 1.8 percent, and the Ministry of Higher Education 3.0

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<sup>359</sup> The Finance and Economy Committee, Annual Report, Kurdistan Parliament-Iraq, No. 47, on 27/06/2009, p2.

<sup>360</sup> Council of Ministers finalises 2011 Kurdistan Region draft budget, a report, available at: <http://www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&rnr=223&anr=39080>

<sup>361</sup> The Finance and Economy Committee, Annual Report, Kurdistan Parliament-Iraq, No. 47, on 27/06/2009, p3.

<sup>362</sup> Council of Ministers finalises 2011 Kurdistan Region draft budget, a report, available at: <http://www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&rnr=223&anr=39080>



percent. Against these, the biggest share went to the Ministries of Interior, Housing and Construction, and Finance and Economy. The first and the third of these are usually counted as service sector. With lack of job opportunity, the Ministry of Agriculture received 1.4 percent. (There was, moreover, no dedicated budget at all for Research).<sup>363</sup>

In 2010 and 2011 the trends of distribution and the designing of public policies changed for the better, especially in the 2011 budget. One of the achievements is to help public workers to move to the private sector. To do this, the government has decided to give 30 percent of the insurance and pension contribution if the worker is moving to the private sector, plus half of his or her salary through 2011 still being paid by the public sector. Moreover, US\$ 21 million is assigned to support developing small businesses, with giving full freedom to enter the sectors they would like to build their business.<sup>364</sup> Each person who is not recruited either in the public sector or private sector and lives in Kurdistan Region is entitled to receive ID 15 million in loans, in two phases. In the first phase, the recipient can apply for 50 percent of the cost of a project. 90 days after the start of the project, the rest can be obtained.<sup>365</sup> Equally important, any student who has either Bachelor or Diploma is entitled to receive ID 150 thousand per month “until he or she get a job”.<sup>366</sup> This is the second time that the KRG attempted to build unemployment insurance. The first time was in 2001, when nearly 4000 public employees, who had been recruited without being given any tasks, received unemployment insurance.<sup>367</sup> But this time the intervention appears more substantive. It is not for public employees, but for graduated students. Prior to this program, it was only their families who were responsible for their living expenses. Therefore, the program is important because it helps the families to direct their budget for other needs and wants. In the absence of unemployment insurance, more people will be shifted to the poverty line. The program also helps them in finding an appropriate job; accordingly, they are more likely to work hard at it. In addition, it is a base to expand the program for other social groups, including disabled people. Even the training

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<sup>363</sup> The Finance and Economy Committee, Annual Report, Kurdistan Parliament-Iraq, No. 47, on 27/06/2009, pp.7-9.

<sup>364</sup> Council of Ministers finalises 2011 Kurdistan Region draft budget, a report, *ibid*, available at: <http://www.krg.org/articles/detail.asp?lngnr=12&smap=02010100&rn=223&anr=39080>

<sup>365</sup> The report is available at the official Web of the KRG in Kurdish version: <http://www.krg.org/articles/detail.asp?lngnr=13&smap=01010200&rn=26&anr=40765>

<sup>366</sup> Eli Doosky, Government works to reduce Kurdistan unemployment, a report, available at <http://www.krg.org/articles/detail.asp?smap=02010200&lngnr=12&rn=73&anr=39943>

<sup>367</sup> The General Presidency of Employment, The KRG, Annual Report, 2001, p1.

programs cannot succeed if the trainee is not obliged to do it. It is easy to impose on those who receive unemployment insurance to go to the training course, if there is any.

However, some obvious measures to prepare and ensure success of the initiative were not taken. Firstly, in designing any policy a level of information should be gathered. The decision makers have not collected information on the number of those graduated students who have no job at all. And they do not have information on the composition of them, in terms of age and health at least. Secondly, once the program started to be implemented in September 2011, two sorts of job appeared: legal and illegal jobs. Some of the unemployed students may work and do not report to the Ministry of Labour and Social Affairs, which is responsible for implementing the program, that they got a job. They receive the allowance from the Ministry of Labour and wage from the firm, too.

What is encouraging this behaviour is that according to one of the rules of the program, the unemployed student will have right to get the amount for the time he or she is unemployed. But what if (s)he does not get a job for three years? The Ministry says that they will find a job for them. Again, what if they do not? Hence, the concept of Moral Hazard helps to understand the behaviour of the agent. Once they are assured that the program is forever, the incentive to search for a job weakens. Consequently, the program fails to achieve its objectives. But with determining the period, for example if it says for two years, the incentive of searching for a job would be strengthened. Moreover, the program does not differ between those unemployed students who are in a good health conditions with those who are not, those who are elder, and so on. Therefore, it violates the concept of equality. To be just is to distribute according to their needs. Those unemployed students who are disabled have difficulty in finding a job more than those who are enjoying a good health. This suggests that the disabled, for example, should stay in the unemployment insurance for a longer period than a healthy one.

The policy is an action plan within the general framework of the policy titled “[T]he Employment Policy of Iraqi Kurdistan Region,” designed by the Ministry of Labour in accordance with ILO and other local staff in 2011.<sup>368</sup> According to this proposal, four main policies are necessary to fight unemployment which stood at 14

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<sup>368</sup> The conference on the first draft held in Erbil in July. The author of this thesis was one of the members and got a copy of the draft.

percent. The main policy is to use fiscal and monetary policies to fight poverty and unemployment. But, as the proposal suggests, the latter policy is not under the control of KRG. This is an exogenous factor that restricts the development of Kurdistan region. In theory, having their own state, the Kurds of Iraq could do better, though there is no guarantee whether the political system will remove features of a totalitarian system. At any rate, Kurds cannot wait for their own state.

Instead, the proposal rightly calls for cooperation with Kurdish representative of political parties, working in Baghdad as Ministers or parliament member, to discuss the policy with central bank. Kurds have not been involved with designing monetary policy of Iraq and Kurdistan. Things such as interest rate or the amount of money supply is defined by central bank which Kurds are largely deprived from participation in, up to the time of writing in late 2011. The proposal also successfully turned to the roles of labour market institutions and training courses. But with the training courses, it only refers to improving skills, ignored the fact that employees have lost the incentive of working hard. Most of them have become outsiders, to borrow the term from Kranton and Akerlof. Soldiers are not working only for money; they have ideals they are even willing to die for. To become insiders, workers need more support, through training course, not only monetary compensations. These courses should pay a particular attention to strengthening the spirit of working and responsibility to words the institutions and customers. In short, the problem is with the specific action plan, including unemployment insurance discussed above, not with the general framework.

The 2011 budget also offers ID 20 million for anyone who wants to build a house, except for those who have already benefited from this policy, and ID 5 million as loans to those who wish to engage.<sup>369</sup> The first loan will certainly help slow the housing crisis. Nevertheless, it is hard to find any benefit from the second loan. The policy aims at matching the demand for and supply of marriage in the marriage market. However, it puts more pressure on the public expenditure, it is not central to people's basic needs, and it encourages the culture of traditional marriage in which relies on spending a lot of money from the very beginning of the project of marriage. It is true, culture imposes some unnecessary expenditure upon the couples, particularly the males, but it is the government's job to change this tradition which costs people a lot, not to support it. This amount is also adding nothing to the physical investment store.

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<sup>369</sup> Xendan, The Instructions to Implement housing and partnership allowances, A report, available at: <http://xendan.org/dreja.aspx?hewal&jmara=27353&Jor=1>

Finally, at the time of writing there is still no news from Parliament concerning Equality Act, Discrimination Act, or Labour Act, the most significant initiatives that should have been taken already.

## **5.8 Conclusion**

In this chapter, there has been an attempt to discuss the role of government intervention in creating distance among individuals and social groups. Two schools of economic thought were been discussed with particular attention to the link between corruption and inequality.

Starting from the latter point, whether inequality produces corruption or not, corruption leads to expanding inequality. When it exists, opportunities and resources are arbitrary allocated, causing unfair distribution of opportunity and resources. In this circumstance, people tend to invest in political relations more than in human abilities. People will have a pessimistic anticipation that investment in the latter will not be helpful to get their aspirations. At geographical level, rural more than urban area are depriving from basic capabilities and main services. Corruption leads to hiding large proportions of national income in the process of collecting taxes and fees. Accordingly, the amount that should be spent on rural needs will decrease. The data collected for the case study shows that in Kurdistan people have a perception that they are unable to get job opportunities, education seats, and other public services without an illegal means. Hence, resources are allocated in a way that increases inequality among geographical areas and social groups.

Some economists, such as Hayek and Friedman, believe that government intervention is a main source of corruption and inequality. They argue that huge intervention in the past creates corruption and inequality in the present time. To tackle both issues, they argue the free market is the solution. Others, such as Stiglitz and Sen, have argued that it is true that government sector and other state institutions are possibly corrupt, but that victims of the idea of the free market are not less than those of government intervention. In addition, without some sorts of regulations, it is hardly possible to control inequality and corruption.

In contrast, due to Moral Hazard and Agency problem, at least, financial agents are using public resources, tax revenue, for their benefit. They do not care about the

lives of others but themselves. Hence, government intervention into the economy to balance market forces is necessary. In fact, a level of regulation, particularly in those spaces that market certainly fails to function, is largely supportive for freedom and equality. Natural distribution is arbitrary. Thus, societies should be regulated unless we are ready to ignore others because of self-interest. However, this regulation is not the responsibility of the government or other state institutions. Every individual is responsible and should have his or her voice and share in determining his/her fate.

In Kurdistan, the idea of free market, as a response to totalitarian system, has largely dominated. The society has moved from extreme intervention by Ba'ath state to extreme free market. Both are painful for Kurds and their economy. In the period under the study, it has been shown that the public budget and public policies have not been used to fight corruption and inequality, though there has been an attempt since late 2010 and early 2011.

In brief, corruption and inequality are two rivers going through the same land; each seeds different infections. In regard to Kurdistan, to fight inequality is to start from challenging corruption.

## Chapter Six

### Conclusion

In this concluding chapter I try to sum up the argument and findings of the thesis, drawing out the key conclusions.

#### *6.1 An Overview of Income Inequality*

The thesis started from an acknowledgement of the difference between diversity and inequality. Social inequality is different from 'natural' difference. The former is produced socially, by social units and institutions, while the latter is a given fact. Natural differences might be positive or problematic, but they produce inequality only through the inadequacies of society. A child born blind is, after all, made unequal only where society fails to enable it to interact with the world in social activities, including participating in production process.

The search for equality, then, is to remove those social restrictions that hamper the progress of individuals' lives. Accordingly, inequality is a measurement that shows the distance of an individual, a social group, an area, or a nation with another in some basic capabilities. It tells us why an individual's achievements are less (or more) than another's.

Within the concept of inequality, the thesis then distinguished income inequality from economic inequality. Income inequality shows only a fraction of the distance that occurs among people, in wages in particular. Nevertheless, it reflects unfair distribution of resources and opportunities in other spaces. It is a symptom that shows that something is wrong elsewhere - e.g. the labour market, access to health care and education, and social opportunities. Therefore, it is 'economic inequality' that is the more useful focus. This term incorporates a focus on 'quality of life', as measured by indicators such as life expectancy, the labour force participation rate, unemployment rate, poverty rate, and illiteracy rate. These indicators tell us much about the nature and foibles of the wider social and political system, too.

Despite elaborating the above debate, in our exploration of the roots and dynamics of economic inequality in Iraqi Kurdistan, we were guided by four major theories. The thesis has discussed them in details and tried to have its own assessment.

Since Adam Smith, the role of education has been paid much attention. This point will be returned to. Karl Marx added the observation that the mode of production produces two classes: proletariat and bourgeoisie, and that capitalism give unequal opportunities. Marx was right when he discusses some structural weaknesses of capitalism which does not let the society to provide equal opportunity to its children. This structure also restricts a fair distribution of wealth. In addition, the concept of fetishism of commodity is always a profound idea to understand the behaviour of social agents, including working class. In this respect, and for an emerging country like Kurdistan, Marx's approach is still helpful to understand a phenomenon like inequality. In Kurdistan, therefore, the first face of inequality to look at is in earnings. From the perspective of class inequality, the poorest 20 percent receive less than 7 percent of total Iraqi income, while the richest 20 percent receive 44 percent. At least here, Marx's approach is vital.

Nevertheless, Marx goes on to accuse capitalists, not only the mode of production, for exploiting poor people. However, it is the mode of production, not capitalists of a specific stage that distributes the return the factors of production (wage, interest rate, profit, and rent) in unfair ways. Whether or not there is a case for overturning, in an ideal world, a mode of production that puts profit, not people at its centre, in the practical world in which inequality has its immediate impact, there is an unanswerable case for acting against unfair distribution, even remaining within capitalism. Marx also neglected other roots of inequality, not least those within a class.

This led us to turn to the theory of human capital, developed first by Jacob Mincer and Gary Becker. At the core of this theory is that, through the process of investment in human capital, each individual has either accumulated human capital or depreciated it. In the early forms of the equation, the earning equation, Mincer points out that job experience, education, and age are three main variables that affecting this accumulation (depreciation). As a result, individuals will have different fates. For example, those who are literate or have higher education may receive more from distribution of income than those who are illiterate or less educated. Furthermore, those individuals who are less disrupted from work have more years of job experience, leading their human capital to be accumulated further. Consequently, they earn more in the labour market. Later, formal educational attainment, the graduation certificate as a signal for the owners in particular, and family background were added as factors. Others, especially Alberto Alesina and George-Marios Angeletos, have argued that the

family tree is well describing the intergenerational impact on inequality. The fate of this generation is hugely impacted by the talents, abilities, and resources left by the past generations. By the same token, part of the coming generations' fate can be decided by this generation. This intergenerational effect can mathematically be taken into account through the family background: the family's financial background and their educational level. Those parents that have money may more able to buy a good quality of education for their children; their children will earn more in the labour market. But this is not all, as Schultz points out, poor parents have only their children as a capital. Therefore, they have sufficient incentive to sacrifice for their children. The quality of parents is a vital factor determining the fate of their children.

In the line of this theory, and regarding the Kurdistan Region, it would be appeared that education affects the well-being of people in general and wage inequality in particular. In Iraqi Kurdistan, the educational system is inadequate in several respects, including the bureaucratic framework. For example, anyone who studies 9 years but has not passed the final stage will lose around three years of job experience. Not having a certificate virtually precludes one from a well-paid job.

People are leaving schools for several reasons. Unavailability of schools is one of the main reasons, though Kurdistan enjoyed a greater rate of enrolment in primary school and in intermediate school compared to other parts of Iraq.

To investigate other faces of inequality, we administered types of questionnaire surveys. In the Inequality questionnaire, which was done with 314 individuals of the public and private sector, it was found that wage (W) moves with age (A): Moving from age 18-24 to age 25-34, all other factors held constant, monthly wage increases by ID 462 on average. The same is true for other categories of A.

The impact of experience (X) on wage proves greater than that of A. Moving on from 1-4 years of experience to 5-8 years increases by ID 579 per month. The same goes for other categories. The Standardized Coefficients, indicating the significance of the variables, is supportive. The weight of X is also larger than A, 0.196 against 0.376. Using the T-test, both are significant, but X is much more powerful in determining the value of W. Model 2 in chapter 3 confirms that education (E) is significant: when adding E into the model, W goes up by ID 0.535, ID 0.661, and ID 1047 with A, X, and E per month.



Cross-generational effects also come into play. The wage of the child increases hand in hand with father's educational level, by ID 0.177 per month. But in comparison to other variables, it is not so powerful. The reason is children are often growing up with their mother more than father. The latter is more focused on outdoor job. Therefore, W increases by ID 0.218 per month with adding mother's education. It also has a role in declining the impact of father's education. These two variables are more profound variables in determining gender gap. Inequality within rural areas is also significant: 85 percent of rural inhabitant documents that the main reason of leaving school is an unavailability of schools while only 16 in the centre of the cities replied the same. Lack of transportation instruments is another source. Access to healthcare is also very unequal. Deprivation of basic capabilities (e.g. the health care, education, transportation) has made a huge gap between rural and urban areas not only in earnings but also in the way they live.

Unemployment among the educated is higher than among the less educated. In 2007, the rate among who hold secondary certificate was 37.2 against 31.8 for those without formal education. Geographically, rural unemployment is higher than in urban areas. This suggests that frictional unemployment is more available among educated people. The reason is that the educated person would not like to accept the least privileged job opportunity. He or she waits for a period; and would not like to surrender himself or herself to the firm owners. This conflict is normal and is not specific to the Kurdistan region only.

Finally, to investigate roots of inequality the human capital theory reinforces itself; however, it lacks the ability to use a number of other indicators and measurements that show inequalities in the other spaces out of earnings. Moving to a broader view allows the focus to shift from standard of living to quality of life and from economic growth to economic development. This point will be neglected until the last sentences of the thesis.

## *6.2 Gender inequality*

Marx's point of view is not so useful in understanding the gender question. Conversely, the theory of human capital has an interesting implication for race and gender inequality. In regard to race, even African American may receive less from investment in human capital than the rest; thus the latter earns more. The same goes for gender.

Investment in human capital of women is far less than men; not surprisingly, the latter's performance is much better than the former, including in earnings. This inequality in earnings refers to the amount of human capital each accumulates. Within a family, parents are more willing to spend their resources on males than females. Governments or political parties' roles should not be overlooked.

Becker focuses on the natural sexual division of labour as a major obstacle before women. Women are spending more on home activities than outdoors. As a result, they will have less hours and energy to spend on the market activities. This circumstance directs them to choose those sorts of job that may enjoy low level of wage. Moreover, as far as women are more disrupting from work, due to home responsibilities, they are accumulating less capital - including human capital. Not surprisingly, they end up earning less than men.

In regard to job experience, men have had long years'. We have shown that, in other words, women are collected less years of experience than men. Child bearing is a main cause for women to be unpaid workers; unemployment for men.

In the line of the same theory, both men and women's fate is less influenced by father's educational background. But females, in contrast to males are more affected by mother's educational level. The reason might be lies with the opportunity given to them. Males are often free in access to job opportunity while females are restricted by social choices provided to them. In addition, as mentioned, it is mother's job to look after the children.

Finally, with lack of schools and social pressures, women enjoy lower status in politics. In 1992, the rate of women from the total parliament members in Kurdistan was 5.7 percent. The changes between these two decades show an improvement in favour of women. Higher positions, such as ministers, are also more available for men. In 2005, after the second election, there were three female ministers out of 40.

Sen focuses on the deprivation of basic capabilities. In this respect, women are more deprived of the basic capabilities than men. Again, in Kurdistan, it is clear that women are more than men deprived of basic capabilities. Therefore, not surprisingly, they are not performing well compared to men, for example, in the workplace or in the education sector. They are not freed to do so. Lack of freedom and equal opportunity are behind low abilities of women at work and other outdoor activities. In addition,

women's standard of living as well as quality of life will consequently not be as men's. The deprivation of basic capabilities is explaining part of high earnings of urban men compared to rural men and women in general. It also analyzes the difference between the achievements of women in urban areas versus women outside the cities. In the education sector, women are largely deprived of education opportunities. Only 12 percent of men were recorded illiterate versus 26 per cent of women.

Although this approach is perhaps the predominant inspiration for this thesis, we also draw on the theory of Identity Economics developed by G. Akerlof and R. Kranton. They argue that culture and social values shapes the identity of the agents and their decisions. Hence, the main concept is social category. Employees can be dealt with as females and males, for instance. Each has its own identity and does not easily adopt the identity of the other sex. This approach turns our focus from division of labour within a house, homework versus outdoor working, to a sexual division of labour within the labour market.

In the labour market, some jobs are 'for women', others 'for men'. To adopt the identity of men, women need to act as men; otherwise men do not accept it. However, in most cases, or in a specific period, men are not ready to let women adopt their identity; job segregation will occur accordingly. This is illustrative enough to understand the deprivation of women in entering mainly into the transportation, the construction, and trade sectors. Another important conclusion here is some agents, employees for example, are becoming outsiders and others becoming insiders within the same organization (e.g. family, firms). The term 'Outsiders' can be used for those social groups and individuals that have not the same access to basic capabilities. Outsiders do not have the same incentive to invent, or even to work hard, because they feel that the organizations whose ceilings they find themselves under are not for them. This increases inequality, including income inequality, between insiders and outsiders. Hence, women can be considered as outsiders compared to men. The outsiders have not the sense of working hard, or putting their dreams into their jobs. Thus, they work less, earn less, and inequality grows. The same conceptual framework can be used to illustrate the new emerging labour market in Kurdistan region where Arab and other nation employees have recently entered it. This is a matter of another research that may give important conclusions.

Family as a social unit has its role in depriving women, more than men, of this basic capability. This has been documented in the thesis, supported by the previous surveys. Under the pressure of patriarchy system, on average, women leave school for homework but men for participating to the expense of their family. one of the reasons for interrupting from schools for women is a lack of schools itself

However, the opportunity of study or work may not even largely change the attitude of social institution towards women. Parents under social pressure from other families would not send their daughters to the areas far from their eyes. This means that urban women enjoy a wider range of freedom compare to the rural women. The threat comes in part from the fortune of women in the marriage market. Market in rural areas is too narrow; make parents to be more cautious in regard to their daughters as they are the symbol of their honour.

The patriarchy system, accompanied with the rentier state, which is slow in creating job opportunities comparison to the need of the labour market, restricts freedom of female's job mobility. This is responsible for the limited accumulation of human capital by women. For example, families, not managers, may fear from losing reputation of their daughters in the marriage market, or due to social pressure from other families; thus are not be ready to permit the woman to attend a training course, say in Jordan. The store of women's knowledge depreciates, accordingly. This case is much felt in the rural area due to the small size of the marriage market.

The above analysis is also supportive for low participation of women in the labour force: 13 percent against 70 percent for men. Broadly speaking, instead of supplying their talents for a firm, women are expected to supply their beauty, honour, and homework skills in the marriage market when they are still young. Otherwise, the chance of being engaged with a partner will be lost or the agent may be forced into worse choices in the labour market. Thus, choice is constructed by social institutions.

Arguably, the norms define and distribute opportunities – in this case jobs. True, it is socially acceptable to some extent for women to work outside. For example, only 4.8 percent of the sample of the Inequality Survey says that women should stay at home, not work outdoors. The rest either agree or strongly agree with women's work in the labour market. However, the spaces that women are expected to work in are limited. For instance, slightly less than 60 percent of men affirm that night works are not suitable for

women. Moreover, around 60 percent of men and 50 percent of women believe that Taxi driver is a job that fits men, not women. Meanwhile, the distribution of jobs among different identities, one for men and another for women, is making women suffering greater unemployment rates. As there is no biological reason that women should be less able to perform as drivers, it illustrates again the social factors behind the difference. Moreover, the trade sector is monopolised by men; only few women have been able to penetrate this area. Such misallocation of employment inevitably results in skewed distribution of income in favour of men.

As mentioned previously, women are sometimes demanded not for their ability but for their body, particularly to fill the sexual desire of men. Stronger evidence is that up to 61 percent of men against 38 percent of women claim that beauty is not an instrument for men as important as for women in finding a job or changing their job positions. This confirms that there are pressures from the labour market itself to make women out of the labour market. This pressure may cause women to accept exploitation within their family framework.

Finally, another distribution of gender employees is between public and private. Both ILCS 2004 and IHSES-2007 confirm that about 50 percent of women in the work force are working in the public sector. Only 17 percent of them were working in the private sector in 2004, though this increased to nearly 27 percent in 2007. This is due to the privileges (e.g. hours of working or maternity leave) given to women in the public sector. It is true that women are enjoying some privileges in the public sector that cannot be found in the private sector, such as maternity leave, but still some types of discrimination are much more prevalent in the former. One of these is in discrimination in rewards. Only 5.0 percent of the private employees, within the sample, reply that rewards are often not distributed in a just way, against 14.3 percent of the public employees. And around 5.0 percent says women are sometimes discriminated in receiving rewards against 23 percent. This kind of discrimination could be among women themselves or between men and women.

### *6.3 The Rentier State, Inequality, and Corruption*

Economists have long debated the role of free market, or market-oriented economy, vs. government regulation in reducing social distances. This question links with the structure of Iraq's and Kurdistan economy.

Free market economists argue that large government is a source of expanding the gap between rich and poor. A large government also produces corruption which generates inequality. Iraq was imported the ideology of central planning, and its impact on the whole country's economy and culture, including Kurdistan, should not be neglected. As Hayek explores, directing economic resources from the centre leads to the whole system becoming a tyranny that functions in favour of those who live in the centre of the state, the elite. Instead, Friedman and Rose argue, market mechanisms deliver free information to the producer about the changes without taking distance into account. Thus, government's roles should highly be restricted.

However, lack of job opportunity also reflects a structural change in the economy of Iraq and Kurdistan, from sectors such as agriculture and manufacture to oil; this produces structural unemployment regularly. It is here that the concept of "inequality of opportunity", provided by Hayek, can be useful. The structure of the economy, which is highly reliant on one sector and one product, paved the way to direct resources by political figures. One outcome of this is controlling human resources. The economy in itself does not create opportunities, job opportunities in particular. This is the nature of the rentier state along with the planned economy. More than any other kind of state (e.g. welfare state), this kind of state, which is available in Iraq and Kurdistan as part of it, cannot provide equal opportunity. Only 1 per cent of the labour force is enough to produce the national income of Iraq as oil industry is capital intensive. In addition, the economy, the oil economy, produces a kind of politics that does not care of enhancing the capacity of production in sectors others than oil, because it creates enough money, in particular for the elite.

When the majority of available opportunities and national income go through the public sector, and this sector is under political elite's power and their allied businessmen and patrons, then unsurprisingly people have to go and ask a powerful man to get a job or even to be registered in social security programmes. They do not provide these opportunities as the agent's basic entitlements, but as a present to them. Needless to say here, the economic structure also impedes developing a democratic system. With little space to make money elsewhere, one would need to go back to the public sector. In other words, the sector remained with little competition. This culture was left by the Ba'ath regime. There is also a claim that the public sector is largely dominated by political parties and that the elite have used public resources for expanding their power. In fact, the elite's hand is the invisible hand that disrupted the power of market.

This thesis, however, has supported a measure of regulations, drawing on the arguments of other economists such as Stiglitz and Sen. As Stiglitz states, there is no free information to get due to asymmetry information: one always has more information than the other. Moreover, due to moral hazard, the market does not work efficiently, let alone the effect of externalities. Sen argues that the government's role is necessary due to the agency problem and market failure. He proposes public action to force the government and society to act in favour of the least favoured groups.

Free market has become the main cure for the socio-economic illnesses. However, the trends of corruption have not been changed, if not worsening. Both political leaders and public acknowledge the threat of corruption. The perception that corruption is the main problem spreads across urban and rural areas alike. 57 percent of urban and 60 percent of rural respondents acknowledge this, but seems clear that poverty and unemployment is much harder for rural (60 percent) than urban populations (8.0 percent). Nevertheless, it appears that inflation is much more harmful for urban than rural area (26 percent). This might be due to the increased needs of urban inhabitants.

The Corruption Survey clearly shows there is a strong link between corruption and inequality. The results of the survey show that more than 87 percent claimed that it is either 'often' or 'very' necessary to use a mediating contact (*Wasta*). Interestingly, one area where the majority say *Wasta* is not needed is to get a place at Universities and Institutions. Some 80 percent of the sample asserts that people do either 'often' or 'very much' need such intercession to obtain a piece of land. Among those reporting they have problems accessing this benefit, the unemployed people, with 77 percent of the sample, come first, followed by students (67 percent), and private employees.

In allocating positions within an organisation, more than half of the sample says that either 'Often' or 'Always' positions are allocated in violation of the concept of equal opportunity. They have been distributed according to patronage relations, relations to powerful men and so on. This view predominates in both private and public employees' perception but worse for the public sector: 7.0 percent of the private employees reply that job positions are largely distributed according to factors other than certificate, experience, and abilities against 28 of the public employees. One part of the solution, if the KRG would, is to reduce inhabitants' perception towards corruption through reducing inequality of opportunity.

While the importance of discrimination in rewards may be queried, as such rewards make up a tiny part of total income; discriminatory allocation of job positions is more serious. 29 percent of the sample emphasised that workers have often no equal chance in distributing job positions within their organization; another 24.5 percent say this is 'sometimes' the case. It seems that job allocation is more equally distributed in the private sector than in the public sector. The private sector seeks profit; thus it cares about effective allocation of skills.

In regard to the power of firms over the public sector, around 45 percent of public employees and 47 percent of private employees emphasize that sometimes the government sector made its decision under the influence of firms' managers and owners. Interestingly, there is a different level of awareness between male and female respondents. 7 percent of men say that this link is not clear for them or they have no idea about it at all, while 27 percent of women say so, presumably since women are less involved with business environment. The interview evidence supports the same conclusions.

Transparency is an indicator of the level of corruption. Secrecy of information on, for example, the public budget, arouses suspicion against those in power. Around 31 percent of the sample says that government either 'often' or 'sometimes' publishes information on the budget while some 60 percent says that the KRG either 'never' or 'rarely' publishes it. Moreover, 74.5 percent of the sample responded that the government is ineffective in fighting corruption. This, then, is the problem: though corruption is to a significant extent 'inherited', government has not comprehensively challenged it. In addition, a majority of 62 percent of the sample, with no significant difference between men and women, is pessimistic that taking any action would help to punish the one who fails to do the task for which they are employed. Finally, Some 57 percent of public employees state they need to go through social and political relations if they have requirements from the public sector. This indicates that the managerial system is still traditional and cannot be challenged without some interference.

These figures show that people are often waiting in a long queue; waiting particularly for the manager or general director to make his or her decision which takes a long time. If the general director is out of his office, then they have to wait for his return - no matter whether he is going on a long holiday. Ordinary employees are not able to make decisions on their own. Policies are designed by directors and ministers;



they get Council of Ministers permission. Implementing these decisions also needs directors' and ministers' permission. It is with this environment that the government sector has lost its confidence among people.

This is where Amartya Sen's theory of Human Capability comes in, in which he links economic development and freedom. As he points out, there is no guarantee of the fruits of growth being harvested by the least favoured groups; indeed, growth may give a chance to the elite to foster their power. Therefore, we should turn to economic development, which in turn requires developing human beings. Human development will not occur without removing forms of unfreedom. Poverty, famine, unemployment, morbidity and lack of access to schools, let alone quality of education, are forms of unfreedom. Removing these obstacles means opening new opportunities for individuals, leading them to choose the life they value.

In the Kurdistan region, even a tourist who visited it in two different dates, say 2004 and 2011, can observe that in terms of increasing the number of cars and buildings, there has been an enhance in the standard of living. This is certainly important for the happiness of society. However, by the indicators of quality of life (e.g. the rate of death and life expectancy, the capacity of education sector in absorbing new students), it is still far behind what the society had struggled for in the last three decades at least.

Equality should not only be confined with increasing standard of living, it is related to the level of freedom that someone enjoys. Inequalities are likely to grow in a society that fails to provide economic facilities, political opportunities, social choices, and transparency, as Sen proposes. We can ask for "equal access to education, both in terms of quality and quantity", "access to health care services", or "food and healthy food" and so on to all. Therefore, while the theory of human capital asserts that production and income can be increased through investment in human capital, the next step is to distribute economic resources and opportunities equally or more fairly. In addition, if there is a plan for recovery, it should start with returning this confidence back to the public sector.



## Appendices

### I. APPENDIX I: Survey Result Tables

The following tables are from my own survey, Inequality survey, done for this thesis. Most of the data are used within the thesis, however. Some of the tables might be of less interest to discuss in details, such as table (9) and. (10).

**Table (1)**

**Discrimination against women at work according to gender**

	<b>Yes</b>	<b>No</b>	<b>Total</b>
Male	106	49	155
%	68.39	31.61	100.0
Female	111	48	159
%	69.81	31.19	100.0
Total	217	97	314
%	69.1	30.9	100.0

**Table (2)**

**Discrimination against women at work according to sectors**

	<b>Yes</b>	<b>No</b>	<b>Total</b>
<b>Private</b>	41	30	71
	13.1%	9.6%	22.6%
<b>Public</b>	176	66	242
	56.1%	21.0%	77.1%
<b>Total</b>	217	97	314
<b>%</b>	69.1%	30.9%	100.0%

**Table (3)****Discrimination against women in Rewards according to sectors**

Sectors	All are equal	rarely	Sometimes	Often	I do not know	Total
Private	35	4	15	16	1	71
	11.1%	1.3%	4.8%	5.1%	.3%	22.6%
Public	84	37	71	45	5	242
	26.8%	11.8%	22.6%	14.3%	1.6%	77.1%
Total	120	41	86	61	6	314
	38.2%	13.1%	27.4%	19.4%	1.9%	100.0%

**Table (4)****Discrimination against women in allocating position according to sectors**

Sectors	All are equal	rarely	Sometimes	Often	I do not know	Total
Private	31	8	7	25	0	71
	9.9%	2.5%	2.2%	8.0%	.0%	22.6%
Public	69	36	70	65	2	242
	22.0%	11.5%	22.3%	20.7%	.6%	77.1%
Total	101	44	77	90	2	314
	32.2%	14.0%	24.5%	28.7%	.6%	100.0%

**Table (5)****Discrimination against women in training sessions**

Sectors	All are equal	Rarely	Sometimes	Often	I do not know	Total
Private	30	11	11	16	3	71
	9.6%	3.5%	3.5%	5.1%	1.0%	22.6%
Public	73	39	50	73	7	242
	23.2%	12.4%	15.9%	23.2%	2.2%	77.1%
Total	104	50	61	89	10	314
	33.1%	15.9%	19.4%	28.3%	3.2%	100.0%

**Table (6)****Discrimination against women in work-related trips**

Sectors	All are equal	rarely	Sometimes	Often	I do not know	Total
Private	35	10	8	17	1	71
	11.1%	3.2%	2.5%	5.4%	.3%	22.6%
Public	80	37	29	88	8	242
	25.5%	11.8%	9.2%	28.0%	2.5%	77.1%
Total	116	47	37	105	9	314
	36.9%	15.0%	11.8%	33.4%	2.9%	100.0%

**Table (7)****Is your work creative and productive?**

<b>Sectors</b>	<b>Never</b>	<b>Just routine</b>	<b>Routine and creative</b>	<b>mostly creative</b>	<b>Absolutely creative</b>	<b>Total</b>
Private	9	8	19	21	14	71
	2.9%	2.5%	6.1%	6.7%	4.5%	22.6%
Public	31	33	68	48	62	242
	9.9%	10.5%	21.7%	15.3%	19.7%	77.1%
Total	40	41	87	69	77	314
	12.7%	13.1%	27.7%	22.0%	24.5%	100.0%

**Table (8)**  
**Job independence**

<b>Sectors</b>	<b>Largely dependent</b>	<b>Dependent</b>	<b>50-50</b>	<b>Independent</b>	<b>Largely independent</b>	<b>Total</b>
Private	11	7	21	19	13	71
	3.5%	2.2%	6.7%	6.1%	4.2%	22.7%
Public	33	45	88	35	40	241
	10.5%	14.4%	28.1%	11.2%	12.8%	77.0%
total	44	52	109	54	54	313
	14.1%	16.6%	34.8%	17.3%	17.3%	100.0%

**Table (9)****Income should be distributed equally**

<b>Frequencies/ Sex</b>	<b>Strongly agree</b>	<b>agree</b>	<b>neither agree nor disagree</b>	<b>Disagree</b>	<b>strongly disagree</b>	<b>Total</b>
Male	75	19	32	10	19	155
%	48.39	12.26	20.65	6.45	12.25	100.0
Female	76	27	29	14	13	159
%	47.79	16.98	18.24	8.81	8.18	100
Total	151	46	61	24	32	314
%	48.1	14.6	19.4	7.6	10.2	100.0



**Table (10)****Government should be owners of properties and economic projects**

<b>Frequencies/ Sex</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Half under Government</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>Total</b>
Male	52	25	46	10	19	152
%	34.21	16.45	30.26	6.58	12.5	100.0
Female	67	42	36	7	6	158
%	42.40	26.58	22.78	4.43	3.79	100
Total	119	67	82	17	25	310
%	37.9	21.3	26.1	5.4	8.0	98.7

**Table (11)**  
**Foreign workers' migration to Kurdistan?**

<b>Frequencies/ Sex</b>	<b>freely come</b>	<b>According to job opportunities</b>	<b>Should be restricted</b>	<b>Should be prohibited</b>	<b>Total</b>
Male	13	13	55	74	155
%	8.39	8.39	35.48	47.74	100.0
Female	6	5	37	111	159
%	3.77	3.14	23.27	69.81	100
Total	19	18	92	185	314
%	6.1	5.7	29.3	58.9	100.0

## APPENDIX II

### Questionnaires

#### Inequality questionnaire

##### Q1. Sex?

Sex	Male	female
Code	1	2

##### Q2. Marital status?

<b>Status</b>	Single	Married	Divorced (for any reason)
<b>Code</b>	1	2	3

##### Q3. What was your age when you got married?

<b>Age</b>	15-18	19-24	25-30	31-35	36+
<b>Code</b>	1	2	3	4	5

##### Q4. Your age? Code one number

<b>Old</b>	18-24	25-34	35-44	45-52	53-64	65+
<b>Code</b>	1	2	3	4	5	6

##### Q5. Are you working for the government or public institutions, or for private sector? Code one number

<b>Sector</b>	Private	Public
<b>Code</b>	1	2

##### Q6. Job title? Code one number

<b>Job title</b>	<b>Code</b>
Administration	1
Accounting	2
Manual worker	3
Fire-fighter	4

Technical	5
Driver	6
Engineer	7
Others (law, media, teaching, interpreter etc)	8

**Q7. Do you live in city or countryside? Code one number**

<b>Area</b>	City	Countryside (Rural)
<b>Code</b>	1	2

**Q8. How many children do you have? Code one number**

<b>No. of Children</b>	None	1-2	3-4	5-6	7+
<b>Code</b>	1	2	3	4	5

**Q9. How long have you been doing your current job? Code one number**

<b>Years</b>	1-2	3-5	6-8	9-11	12-14	15+
<b>Code</b>	1	2	3	4	5	6

**Q10. In general, how long have you been working during your life cycle? Code one number**

<b>Years of working</b>	<b>1-4</b>	<b>5-8</b>	<b>9-13</b>	<b>14-17</b>	<b>17+</b>
<b>Code</b>	1	2	3	4	5

**Q11. What was your previous job's sector? Code one number**

<b>Sector</b>	<b>Public</b>	<b>Private</b>	<b>Both Public-Private</b>	<b>Self-employed</b>	<b>I had not had a job before</b>
<b>Code</b>	1	2	3	4	5

**Q12. Have your previous job's experience reflected on your current wage positively? Or have your employer counted your previous job's experience for this current job? (Code one number)**

<b>Answer</b>	<b>Yes</b>	<b>No</b>
<b>Code</b>	1	2

**Q13. Have you ever interrupted from working, if yes, for how long? (Code one number)**

<b>Years</b>	Less than one Year	1-2	2-3	3-4	5+	Never interrupted
<b>Code</b>	1	2	3	4	5	6

**Q14. If you did interrupt, what was the reason? (Code one number)**

<b>Reason</b>	Bearing child	Sickness	Unemployed	Studying and training	Other reasons
<b>Code</b>	1	2	3	4	5

**Q15. What is the highest educational level that you have attained? [NOTE: if respondent indicates to be a student, code highest level s/he expects to complete]: (Code one number)**

<b>Degree level</b>	<b>Code</b>
<b>Uneducated</b>	1
<b>Read and write (with no degree)</b>	2
<b>Primary</b>	3
<b>Secondary</b>	4
<b>Preparatory</b>	5
<b>Diploma and Bachelor</b>	6
<b>Higher education (Higher diploma, master, and PhD)</b>	7

**Q16. What is your father's education level? (Code one number)**

<b>Degree level</b>	<b>Code</b>
<b>Uneducated</b>	1
<b>Read and write(with no degree)</b>	2
<b>Primary</b>	3
<b>Secondary</b>	4
<b>Preparatory</b>	5
<b>Diploma and Bachelor</b>	6
<b>Higher education (Higher diploma, master, and PhD)</b>	7

**Q17. What is your mother's education level? (Code one number)**

<b>Degree level</b>	<b>Code</b>
<b>Uneducated</b>	1
<b>Read and write (with no degree)</b>	2
<b>Primary</b>	3
<b>Secondary</b>	4
<b>Preparatory</b>	5
<b>Diploma and Bachelor</b>	6
<b>Higher education (Higher diploma, master, and PhD)</b>	7

**Q18. How significant are the criteria below in obtaining promotion or other privileges? (Code one number for each answer)**

<b>Promotion</b>	<b>Education level</b>	<b>Means (WASTA)</b>	<b>Beauty ad face</b>
<b>Not important</b>	1	1	1
<b>Not so much important</b>	2	2	2
<b>Moderate</b>	3	3	3

<b>Important</b>	4	4	4
<b>Very important</b>	5	5	5

**Q19. Total salary (ID/ thousands per month) ? (Code one number)**

<b>ID/ Thousands</b>	Less than 200	200- 300	301- 400	401- 500	501- 600	601- 700	701- 800	801- 900	900+
<b>Code</b>	1	2	3	4	5	6	7	8	9

**Q20. Do you feel any discrimination between you and your coworkers? (Code one number for each answer)**

<b>Promotion</b>	<b>Never</b>	<b>Very rarely</b>	<b>Rarely</b>	<b>Often</b>	<b>Always</b>
<b>Rewards</b>	1	2	3	4	5
<b>Allocating posts</b>	1	2	3	4	5

**Q21. Do you feel any discrimination between men and women (males and females)? (Code one number) nominal**

<b>Discrimination</b>	Yes	No
<b>Code</b>	1	2

**Q22. If there is discrimination, in which aspect do you think it applies? (Code one number for each answer).**

<b>Levels of discriminations</b>	<b>Rewards</b>	<b>Posts</b>	<b>Training sessions</b>	<b>Mission</b>
All are equal	1	1	1	1
Rarely	2	2	2	2
Sometimes	3	3	3	3
Often	4	4	4	4
I don't know	5	5	5	5

**Q23. Based on your experience, are parents paying more attention to their sons' education than daughters? Or are they giving more opportunity to their sons to study than their daughters? (Code one number)**

<b>Opportunity</b>	<b>Code</b>
Sons are more offered than daughters	1
Sons are less offered than daughters	2
Both are offered the same opportunity	3

**Q24. If parents leave bequest or wealth for their children after their death, by what rate should it be distributed? (Code one number)**

<b>Distribution</b>	<b>Code</b>
Two shares for heir, one share for heiress	1
Equally	2

**Q25. Some people believe that individuals can decide their own destiny, while others think that it is impossible to escape a predetermined fate. Please tell me which comes closest to your view on this scale on which 1 means "everything in life is determined by fate," and (5) means that "people shape their fate themselves." (Code one number):**

<b>Everything is determined by fate</b>			<b>People shape their fate themselves</b>	
1	2	3	4	5

**Q26. How strongly do you agree or disagree with each of the following statements? (Read out and code one answer for each statement):**

<b>Statements</b>	<b>Disagree</b>	<b>Agree</b>	<b>Strongly agree</b>
Women should be allowed to work outside (wage earner)	1	2	3
Women should not work at nights	1	2	3
Women should not work as taxi driver and bus driver	1	2	3
It is of duties of men to be a breadwinner	1	2	3



Undergraduate studies are more important for men than women	1	2	3
---	---	---	---

**Q27. How would you place your views on this scale? (1) means you agree completely with the statement on the left; 5 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between. (Code one number for each issue):**

Incomes should be made more equal		We need larger income differences as incentives for individual effort		
1	2	3	4	5

**Q28. Who should be the owner of the business and industry? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your views fall somewhere in between, you can choose any number in between. (Code one number for each issue):**

Government ownership of business and industry		Private ownership of business and industry		
1	2	3	4	5

**Q29. How about people from other countries coming here to work? Which one of the following do you think the government should do? (Read out and code one answer):**

Actions	Code
Let anyone come who wants to?	1
Let people come as long as there are jobs available?	2
Place strict limits on the number of foreigners who can come here?	3
Prohibit people coming here from other countries?	4

**Q30. Are the tasks you perform at work mostly routine tasks or mostly creative tasks? Use this scale where 1 means “mostly routine tasks” and 5 means “mostly creative tasks” (code one answer):**

Mostly routine tasks			Mostly creative tasks	
1	2	3	4	5

**Q31. How much independence do you have in performing your tasks at work? Use this scale to indicate your degree of independence where 1 means “no independence at all” and 10 means “complete independence” (code one answer):**

No independence at all			Complete independence	
1	2	3	4	5

**Q32. Would you describe yourself as belonging to the (read out and code one answer):**

Class	Code
Upper class	1
Upper middle class	2
Lower middle class	3
Working class	4
Lower class	5

### Corruption Questionnaire

**Q1. Sex?**

Sex	Male	Female
Code	1	2

**Q2. Your Age?**

Age	18-24	25-34	35-44	45-52	53-64	65+
Code	1	2	3	4	5	6

**Q3. Employment or occupation?**

<b>Occupation</b>	Unemployed	Government sector	Private sector	Self-employed	Retired	Student
<b>Code</b>	1	2	3	4	5	6

**Q4. Education level:**

<b>Education</b>	<b>Code</b>
Uneducated	1
Primary School	2
Secondary School	3
Preparatory	4
Institutions and University	5
Postgraduate	6

**Q5. Total household income (class position)?**

<b>Class position</b>	Very Low	Low	Medium	Medium high	Very High
<b>Code</b>	1	2	3	4	5

**Q6. You live in?**

<b>Area</b>	Urban Area	Rural area
<b>Code</b>	1	2

**Q7. Which of these problems do you consider the most serious one in Iraqi Kurdistan?**

**Which would be the next most important? (Code one answer only under “second choice”).**

**And the third?**

<b>Problems</b>	<b>First</b>	<b>Second</b>	<b>Third</b>
Inflation	1	1	1
Corruption	2	2	2
Poverty and unemployment	3	3	3

Electricity and water (sanitation)	4	4	4
education and health services	5	5	5
Roads and motorways	6	6	6
Environment (pollution)	7	7	7
Violence against women	8	8	8

**Q8. With which of the following views do you agree? Please use this scale to indicate your position (code one number):**

<b>Unacceptable behavior(Never justifiable)</b>			<b>Acceptable Behavior</b>	
1	2	3	4	5
<b>Paying Bribes</b>			<b>Not paying Taxes</b>	
1	2	3	4	5

**Q9. To what extent do people need to get each of the following items through means (WASTA) in the government sector?**

<b>Types of Means</b>	<b>Never</b>	<b>Rarely</b>	<b>Sometimes</b>	<b>Often</b>	<b>Very often</b>
Job and being employed	1	2	3	4	5
Undergraduate studies	1	2	3	4	5
Postgraduate	1	2	3	4	5
Piece of land	1	2	3	4	5
Mortgage loan	1	2	3	4	5
If you've any requirements	1	2	3	4	5

**Q10. If someone paid a bribe or get a means (WASTA) in order to obtain a service or to resolve a problem, how certain would be the delivery of the service or the resolution of the problem after the payment?**

<b>Scales</b>	<b>Codes</b>
Extremely Uncertain(or Never)	1
Uncertain(to some extend)	2
Fairly certain(to a larger extend)	3
Extremely Certain	4
I Don't know	5

**Q11. Why you did not present the complaint against the employee who was not paid attention to your require?**

<b>Reasons</b>	<b>Code</b>
Did not know how to do it	1
It would have taken too much time	2
It would not have helped at all	3
Tried but with no result	4
Fear of reprisals	5

**Q12. How often do you think the private sector/businessmen use bribery to influence government policies, laws or regulations?**

<b>Scales</b>	Never	Seldom	Sometimes	Often	Don't know
<b>Code</b>	1	2	3	4	5

**Q13. How often can you or your family access to the following services?**

<b>Services</b>	<b>Never</b>	<b>Rarely</b>	<b>Often</b>	<b>Very often</b>
<b>Water</b>	1	2	3	4
<b>Electricity</b>	1	2	3	4
<b>Roads</b>	1	2	3	4
<b>Education</b>	1	2	3	4
<b>Hospital</b>	1	2	3	4

**Q14. To what extent is government publishing information about budget and its distribution?**

<b>Scales</b>	Never	Rarely	Sometimes	Often	I don't know
<b>Code</b>	1	2	3	4	5

**Q15. How would you assess your current government's actions in the fight against corruption?**

<b>Assessments</b>	<b>Code</b>
The government is very ineffective in the fight against corruption	1
The government is somewhat ineffective in the fight against corruption	2
The government is somewhat effective in the fight against corruption	3
The government is effective in the fight against corruption	4
The government is very effective in the fight against corruption	5

**Q16. In your point of view, what is the main reason for poverty?**

<b>Reasons for poverty</b>	<b>Code</b>
Fate and luck	1
Not looking for work	2
Corrupted authorities	3
Unequal opportunities	4

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