



July 2020

Impact of COVID-19 on vulnerable populations and small-scale enterprises in Iraq

Key Findings

Introduction

Recognising the immediate challenges presented by the COVID-19 pandemic and its adverse impact on vulnerable individuals, households, and enterprises in Iraq, a rapid assessment on the impact of the COVID-19 was carried out in June 2020.

Based on a sample of 3,265 households and 1,175 business enterprises, the assessment highlights the immediate effects of the COVID-19 pandemic on vulnerable workers and their households, in relation to employment, income, economic conditions, and prospects for the immediate future. In addition, the assessment addresses the effects of the pandemic on small-scale enterprises, including how they are adapting to new challenges in light of the pandemic and their implications on workers.

The assessment was conducted by the International Labour Organization (ILO) and Fafo Institute for Labour and Social Research (Fafo), in collaboration with the Cash Consortium for Iraq (CCI), comprised of the Danish Refugee Council (DRC), the International Rescue Committee (IRC), Mercy Corps, the Norwegian Refugee Council (NRC), and Oxfam, in addition to the United Nations Development Programme (UNDP).

Key Findings

Household Survey

Unemployment rates were high among women and youth before the pandemic, particularly in areas within the Kurdistan Region of Iraq.

- ▶ Nineteen per cent of all respondents were unemployed, with unemployment being highest among women (at 28 per cent) and youth (at 42 per cent).
- ▶ Only 38 per cent of surveyed women were economically active in the labour market prior to the March 2020 lockdown.



High degree of informal employment among younger workers and almost no social security for workers.

- ▶ Thirty-five per cent of the surveyed workers were found to be self-employed (own-account workers). Fifteen per cent of the female respondents were own-account workers.
- ▶ More than 50 per cent of the respondents were hired on a temporary, seasonal or irregular basis.
- ▶ The majority of the respondents indicated that they had no social security coverage (95 per cent), or health insurance coverage (97 per cent).

The pandemic has an adverse impact on employment and household income, with younger workers and those in informal employment disproportionately affected.

- ▶ About a quarter of those who were employed prior to the lockdown reported that they became permanently laid-off.
- ▶ The pandemic is disproportionately affecting young workers, with 36 per cent of those in the age group of 18-24 reporting that they were permanently laid-off.
- ▶ With 36 per cent of the respondents who are the main providers for their households being permanently laid-off, the effect of the pandemic is expected to be substantial not only to those individuals but also to those who are economically dependent on them.
- ▶ Respondents employed with written contracts did not experience a decline in their income while those with verbal agreements have had about a 40 per cent reduction in their income.

Economically vulnerable households are affected by the pandemic with limited coping mechanisms available at their disposal.

- ▶ Only 16 per cent of the surveyed households have savings, with 85 per cent of them indicating that their savings would last for less than three months.
- ▶ While the households' abilities to tap into existing savings seem to be limited, the majority of them (81 per cent) reported that they have taken on debts to manage their pandemic-affected financial situation.

Limited awareness about measures taken by the government and high level of dissatisfaction among respondents.

- ▶ Various types of measures have been taken to mitigate COVID-19 transmission in workplaces. Employed respondents reported measures such as: the provision of protection equipment (68 per cent); disinfection (65 per cent); frequent hand washing (58 per cent), and reduced gatherings (40 per cent).
- ▶ While the government of Iraq may have taken measures to address the COVID-19-affected employment situation, a very limited number of households seem to be aware of any of the measures (22 per cent).

Enterprise Survey

The majority of the surveyed enterprises are micro and small businesses employing less than 5 workers, and almost half of the enterprises are located in the Ninawa province.

- ▶ Out of the 1,175 surveyed enterprises, 25 per cent were in wholesale and retail trade, followed by home-based businesses (13 per cent), services (11 per cent), and manufacturing and agriculture (both at 9 per cent).
- ▶ The majority of the surveyed enterprises were less than five years old (78 per cent). Out of these, 23 per cent were home-based businesses.

High degree of informality due to enterprises not being registered, and providing no social insurance or health coverage to their employees.

- ▶ About 60 per cent of the surveyed enterprises were unregistered.
- ▶ Written contracts were primarily offered to employees in larger enterprises, mainly found in the tourism, finance, health and education sectors.
- ▶ Very few of the surveyed enterprises offer any benefits beyond wages to their employees (12 per cent only). Three per cent of the enterprises are offering social insurance, 2 per cent health insurance, and 8 per cent flexible work arrangements. None of the enterprises offer childcare facilities to their workers. Non-wage benefits increase with the size of the enterprises.

All the surveyed enterprises serve local and domestic markets only, and half of the enterprises had revenues below IQD 1 million prior to lockdown.

- ▶ Nearly all of the surveyed enterprises serve the local market (90 per cent) and the national market (17 per cent).
- ▶ Although 94 per cent of the surveyed enterprises expressed that they were operating with economic profit or at break-even prior to the pandemic, only 6 per cent of the enterprises had an annual revenue higher than IQD 10 million (about USD 8,400). Fifty per cent of the enterprises had revenues below IQD 1 million (USD 840).

More than half of the surveyed enterprises indicated that they were profitable prior to COVID-19, with three-quarters having no financial commitments.

- ▶ Prior to the lockdown, 57 per cent of the enterprises operated with profit. Thirty-seven per cent were at break-even, while 6 per cent were losing money.
- ▶ Seventy-five per cent of the surveyed enterprises expressed that they had no financial commitments. Out of the enterprises with financial commitments, the majority (14 per cent) had microfinance loans.

One-third of the enterprises operate as before the pandemic.

- ▶ One-third (31 per cent) of the surveyed enterprises are operating as they did before the pandemic, while 39 per cent are operating with reduced hours, and 8 per cent with reduced hours and staff. Sixteen per cent have closed down their businesses.
- ▶ The main economic implications of the pandemic and lockdown have been reduced sales (74 per cent), loss of revenue (38 per cent), less access to cash (23 per cent) and increased debt (18 per cent).
- ▶ Future challenges anticipated by the enterprises include reduced demand (60 per cent), loss of revenue (32 per cent), lack of cash (24 per cent), and reduced access to production materials (20 per cent).

Only a few enterprises have laid off employees, but the majority do not pay employees who are not able to come to work.

- ▶ Only a few enterprises have laid off workers (20 per cent), either permanently (7 per cent) or temporarily (13 per cent).
- ▶ The majority of employees who are currently not able to work do not received any payments from their employers (92 per cent). Out of these, about 40 per cent receive full payment while the rest receive only partial payment.
- ▶ Only 3 per cent of enterprises that have hired workers for temporary or seasonal work have paid any compensation to those who have had to terminate their work because of the pandemic.

Few enterprises will be able to remain operational in the coming months, but almost half of them are confident they will weather through the crisis.

- ▶ Eighteen per cent of surveyed enterprises expected to be operational not longer than one month from the time of the survey, while 20 per cent indicated they would be able to remain operational up to three months and 37 per cent anticipated that they could be operational for 6 months or more.
- ▶ Some 45 per cent of enterprises were confident they would weather through the crisis, while 33 per cent indicated that they were not confident to survive the crisis.

In response to the health threats imposed by COVID-19, most enterprises distributed personal protective equipment.

- ▶ When asked what measures they had introduced to prevent the spread of the COVID-19 virus in their workplaces, 74 per cent of the enterprises reported that they distributed Personal Protective Equipment (PPE), and 58 per cent reported to have introduced disinfection procedures of their workplaces. Sixteen per cent of the enterprises reported that they had taken no measures.
- ▶ Thirteen per cent of the enterprises had reduced the number of staff to cope with the situation, while 33 per cent had reduced the time of work.

The vast majority of enterprises are not aware of any support schemes available to help them cope with the crisis.

- ▶ Eighty-nine per cent of the surveyed enterprises were not aware of any support packages offered by the government or other actors to help them cope with the present crisis.
- ▶ The most sought-after support was direct financial support (81 per cent), followed by wage subsidies (19 per cent), technical assistance for developing business continuity plans (11 per cent), and emergency unemployment insurance funds (6 per cent).

Key Recommendations

- ▶ Ensure that workers, households and enterprises are made aware of existing support packages available to them.
- ▶ Provide cash and in-kind support to workers, households and enterprises that have lost, or significantly reduced, their incomes due to the COVID-19 pandemic, and prepare for expanding this support in the coming weeks and months.
- ▶ Consider establishing technical support and mentor programmes for small-scale enterprises to develop business skills and strategic competence, including the development of business continuity plans and e-commerce systems.
- ▶ Expand private sector opportunities for women and empower their active participation in the labour market by developing and upgrading their technical skills, life skills, financial literacy and digital skills.
- ▶ Support a comprehensive reform of labour inspection and occupational safety and health policies in consultation with social partners in a COVID-19 -responsive manner.
- ▶ Integrate labour intensive approaches in public works projects, which boost much-needed employment creation for vulnerable groups and support local infrastructure development.
- ▶ Provide equal social security benefits for both public and private employees in Iraq, regardless of nationality or status to ensure the inclusion of the poorest and most vulnerable in social protection schemes, which promote basic income security and access to health services.
- ▶ Support the design and piloting of strategies for an extension of social insurance to vulnerable workers in the informal economy based on a series of feasibility assessments.
- ▶ Support a transition from the informal to the formal economy.
- ▶ Design a comprehensive employment policy strategy to ensure that workers are quickly transitioned to decent employment during the recession and recovery periods.

