



Understanding Iraq's Labor and Employment Laws

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1. Principal Legal Authorities

- Labor Code Law No. 71 of 1987 ("**Labor Law**");
- Amendments to the Labor Code –Law No. 71 of 1987 (CPA Order 89) 2004;
- Social Security Law No. 39 of 1971, as amended; and
- Iraqi Civil Code No. 41 of 1950



2. Applicability

- Labor laws apply throughout Iraq.
- applicable to “all workers employed in the private, mixed and co-operative sectors” except for state-operated sectors where they carry out work under the supervision of the employer in exchange for wages.
- Applicable to all local and expat personnel working in Iraq.



3. Effect of Labor Laws on Local and Foreign Employers in Iraq

- The Labor Law, due to its socialist background, takes a pro-employee stance, causing considerable problems for employers, both foreign and Iraqi, particularly with regard to contractual liabilities and the termination of employment relationships.
- Most of the employment terms defining the Employer-employee relationships are enshrined in the Labor Laws and not in the employment contracts;
- Since the Labor Law tends to favor the employee, a large number of mandatory and protective provisions of the law support the employee's position.
- Iraqi law is the only enforceable governing law for employment contracts in Iraq despite of what the governing law clause states in the employment contracts.
- Iraqi labor laws do not recognize the status of "independent contractors" and treats them and their contracts as employer-employee relationship regardless of the content of the employment agreement.



4. Types of Employment Contracts Available in Iraq

- Indefinite Term Employment Contract: Indefinite employment contracts shall be concluded for activities of a permanent nature, unless the requirements of the work imply that workers should be employed for a fixed period and for the performance of a specific work.
- The Labor laws provide few statutory conditions under which the employer can terminate an indefinite employment contract, despite the language on the term of the employment contract; If none of these conditions exists, then the employee can object to termination by requesting reinstatement or compensation for unlawful dismissal by filing a claim before the labor court.



4. Types of Employment Contracts Available in Iraq (cont.)

- Fixed Term Employment Contract: Fixed-term employment contracts may be used only for seasonal or temporary work.
 - The Labor Law defines temporary work as “any work, which is to be performed in a fixed period”, whereas seasonal work is defined as “any work which must be performed during particular seasons of the year”.
 - Fixed term contracts may also be entered into for a specific project whereby while no timeframe is articulated within a contract and its temporary nature is related to the completion of the specific project they are hired for.
 - the period of the employment contract is fixed either by stating commencement and end dates or by referring to a specific project for which the employment is entered into.
 - All employment contracts for expats are deemed to be for a definite term. If the employment contract does not specify a definite term such term will be assumed to be the validity duration of that foreign employee’s work visa.



5. General Duties of Employers

- Employers should pay employees in IQD (however, this is not common practice with international employers who usually pay in USD).
- Employer must pay wages to employees for up to 60 days during declared force majeure in a contract or project.
- Employer must provide at least 20 calendar days paid leave per year, excluding sick days and official holidays.
- Employer must contribute a total of 12% of the employee's monthly salary as the employer's total contribution of 17% to the Social Security Office.
- The employer must withhold a percentage of the employee monthly wages (3-15%) and send it on a monthly basis to the tax authority depending on the employee's amount.



6. Labor and Employment Disputes

- The Labor Law provides for the establishment of “Labor Courts” in each governorate to decide on disputes between employers and employees.
- Cases are heard by single judges appointed by the Minister of Justice on the recommendation of the presiding judge of the Court of Appeals.
- Labor Courts have jurisdiction over civil and criminal actions, disputes arising under the Labor Law, matters arising under the Law on Pensions and Social Security and any other matters, which legally falls within the jurisdiction of the Labor Court.
- An appeal may only be made to the Court of Cassation against a decision of the Labor Court within 30 days.
- the statute of limitations for labor claims is three years from the day the labor right arose.



7. Planning and Implementing Effective Employment Practices in Iraq

- Employment contracts should be carefully drafted and harmonized with both Iraqi law and company policies in mind;
- Employment contracts should be in English and either Arabic or Kurdish; keep in mind that local labor courts will give precedence to the Arabic version regardless of the terms in the employment contract.
- Determine in advance whether employment contract will be indefinite or definite in nature.
- Ensure that employer follows all statutory warnings and notification requirements before terminating an employee's contract for cause or under one of the accepted statutory termination conditions.
- Provide training to Employer HR staff on Iraqi labor law statutory requirements.



8. QUESTIONS?

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