

# **The Lose-Lose Game for the Iranian Workers**

**A Critical Evaluation of the Proposed Draft of Labor Law in Iran**

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**In June 2005, Mahmoud Ahmadinejad unexpectedly won the presidency of the Islamic Republic of Iran, after an intense campaign in which he placed the social justice high on his agenda, exerting great effort to present himself as the defender of the poor and the working class. These classes, badly hurt by neo-liberal economic policies in the period following the 1980–1988 Iran-Iraq war, had staged a number of organized and noisy protests in the years preceding Ahmadinejad’s campaign, and they responded in significant numbers to his appeal for votes. The first year and a half of Ahmadinejad’s presidency, however, has seen an erosion of the social contract between working Iranians and the state of a magnitude that may be decisive for the future of democracy in Iran. To discuss a comprehensive framework for grasping the ongoing trends under the new president would be a too demanding task, but here my aim is much more modest. I intend to have a critical attitude**

toward the draft amendments of the 1990 labor law proposed by president Ahmadinejad's Ministry of Labor in 2006, deconstructing the free market-oriented discourse on the basis of which the new draft is being proposed in Iran.

Following the victory of the Islamic Revolution in 1979 and the establishment of the Islamic Republic of Iran, the culmination of popular demands for the introduction and implementation of higher standards on working and living conditions in general, and those of the working population in particular<sup>1</sup>, emerged as determining factors in the shaping and adoption of a new labor law, but after more than one decade. In November 1990, Labor Law of Iran comprising 203 sections and 121 sub-sections replaced the former labor law of 1958. The 1990 Labor Law has been criticized for a long time by both worker activists and employers though from different viewpoints.

To mollify the critics, the Ministry of Labor has very recently submitted draft amendments of the 1990 labor law since 2006. The new draft seems, however, to be

strongly influenced by the discourse of the free market in framing labor law problem and its solution. According to neo-liberal economists, the main conflict in worker-employer relations is not so much between labor and capital as between the employed and unemployed: It is not labor in a titanic battle against capital, but one good for labor against another good for labor. Such rhetoric holds that Iran's labor law offers a high degree of protection to employed workers in the form of job security and fixed remuneration unrelated to productivity and, accordingly, advises more intense competition between the employed and unemployed in the labor market through modifying the labor law.<sup>2</sup> According to such argument, if a modified labor law loosens restrictions on employers, allowing them to dismiss workers more easily, employed workers may lose their job security, but unemployed workers will be better able to find jobs. Therefore, in this way, there is a trade-off between job security and job creation: job creation against job security.

Theoretically rooted in such theory, the draft amendments propose several changes giving carte blanche to employers seeking to get rid of employees. As far as the dismissal of workers is concerned, the suggested changes to sections 21 and 27 of the labor law are quite important. According to section 21, which has to do with termination of employment contracts, “an employment contract shall be terminated only by any one of the following events: the worker’s death, the worker’s retirement, the worker’s total disability; the expiry of the period specified in an employment contract concluded for a fixed term and its non-renewal, either explicit or implicit; the completion of work under a contract concluded for a specified assignment; and the worker’s resignation.”<sup>3</sup> The proposed draft, however, adds two other possible events: first, a decrease in the firm’s productivity, firm restructuring or technological updating, be it owing to economic, social or political conditions; and second, a decrease in the physical power of the worker leading to a decrease in firm productivity.<sup>4</sup>

On the other hand, according to section 27, “where a worker is negligent in discharging his duties or if, after written warnings, he continues to violate the disciplinary rules of the workplace, the employer shall, provided that the Islamic Labor Council is in agreement, be entitled to pay to the worker a sum equal to his last monthly wage for each year of service as a length-of-service allowance, in addition to any deferred entitlements, and to terminate his employment contract.”<sup>5</sup>

The new draft would alter section 27 so that the employer can terminate an employment contract with a worker after two written warnings, without any need for the approval of the Islamic Labor Council.<sup>6</sup> These changes to sections 21 and 27, if passed, will allow employers to dismiss workers much more easily.

If employers are to obtain such an advantage, is there any advantage accruing to workers in the draft amendments to the 1990 labor law? For answering this question, one should pay attention to chapter six of the Labor Law titled “Workers’ and Employers’ Organization.” A glance at chapter 6 of the existing law shows that

it does not allow for the existence of any independent worker organization, except the Islamic Labor Councils, that is, worker-management councils which exist in every establishment with more than 35 employees and which are overseen by the state-run Workers' House, which is really a channel for government control over workers. According to section 130 of the chapter, "in order to propagate and disseminate Islamic culture and to defend the achievements of the Islamic Revolution,"<sup>7</sup> workers in industrial, agricultural, service and craftsman's establishments may establish Islamic associations whose duties, powers and functions shall be drawn up by the Ministry of the Interior, the Ministry of Labor and Social Affairs and the Islamic Propagation Organization, and approved by the Council of Ministries. Moreover, according to note 4 of section 131 in the chapter, "the workers of any given unit may establish only an Islamic Labor Council, a guild society or workers' representatives,"<sup>8</sup> which in practice means that workers are not allowed to set up anything, since Islamic Labor Councils already exist in every

**workplace of any size. All these provisions remain in the draft, in which a single section has replaced six sections of the 1990 law, but with the same consequences for workers. According to the new section, “in order to propagate and disseminate Islamic culture and to protect the legitimate and statutory rights and interests of workers and employers and to improve their economic situation, in a manner guaranteeing the protection of the interests of society as a whole,”<sup>9</sup> workers subject to the labor code and the employers of a given profession or industry may establish Islamic associations, Islamic Labor Councils or elect their own representatives. It seems, at least as far as workers’ demand for having independent organizations is concerned, the changes made in the draft give no advantage to the workers. The new draft proposed by the Ministry of Labor under Ahmadinejad seems to be a lose-lose game for workers: Employers get the right of expedited dismissal, without workers gaining any right to form independent trade unions.**



As said before, according to neo-liberal discourse, one of the obstacles of investment in Iran is the inflexibility of employment in labor market. It is said that, with the existing labor law in Iran, once a worker is hired, the employer has too difficulties to dismiss him or her. This keeps the unemployment rate in the short-run low. However, in the long-run, due to the inflexibility of the labor law, investors have not enough motivation for investing, causing an increase in the unemployment rate in Iran. Accordingly, as a neo-liberal Iranian economist has written, “workers' desire for job security and the economy's need for flexibility constitute the horns of the political and economic dilemma confronting any progressive force in Iran.”<sup>10</sup> With such way of framing both the problem and its solution, the neo-liberal economists seem to close their minds to such other obstacles of investment as unproductive performance of banking system in allocating its credits and facilities, tariffs and taxes system, the improper role played by capital market, the monopolistic structures of many goods and services markets etc. The economic

**growth constraints in Iran seem to have their origins not so much in inflexibility of labor market as in other political, economic, and organizational inefficiencies. Nevertheless, the neo-liberal discourse tends to construct such framing mostly because any attempt to eliminate of other constraints and obstacles of investment in Iran will usually confront the monopolistic interests of powerful groups, while it is mostly worker class which has not strong independent organizations for doing collective voice. Trying to modify the labor law seems to be a matter of power relations. This makes us to focus upon the right of workers to form independent unions.**

**Attempts to establish independent trade unions have been strongly repressed in Iran. The most recent example is the activist bus drivers from the Tehran Bus Company, which tried to recreate their independent trade union, but had many missteps in doing so.<sup>11</sup> The legal reasoning invoked by the authorities in blocking the union has its origins in the 1990 labor law, according to which any independent**

trade union must be banned when an Islamic Labor Council already exists in the establishment in question. Security forces and the Islamic Labor Councils cited exactly this statute in their successful drive to prevent Tehran Bus Company drivers from organizing a general assembly to establish a new union. As said before, as far as workers' demand for having independent organizations is concerned, the proposed draft of the labor law under Ahmadinejad makes no change in this regard.

The suggested changes to sections 21 and 27 as well as to chapter 6 of the labor law, with their double result, that is, giving employers the right of expedited dismissal while not recognizing workers' right to establish their own independent trade unions, contribute to weaken the working class power mobilization in current social struggles in Iran. The right of expedited dismissal given to employers plays an increasingly significant role in the process of labor commodification, with the result that workers are increasingly exposed to job insecurity and hence to increasing

**economic difficulties that compel them to concentrate on finding a job, keeping it, and making ends meet. This is a sort of economic policy for turning workers into atomized persons with strong concentration on their own private interests. On the other hand, the fact that workers' right to form independent trade unions is not recognized by the new draft is a sort of political policy with the same result: trying to turning workers into scattered individuals without collective voice.**

**These two interrelated but distinct policies must be seen in a unified framework that views the processes of labor commodification and individualization as a power dynamic between two social actors, namely labor and pro-market elites, with the state playing a significant role in regulating this dynamic. Pro-market elites are for security and high-profit potentials for capital, holding that the state must not only commit itself to pursuing a policy to protect the domain and freedom of activity of capital by its own withdrawal from the market, both as a producer and as a regulator, but also reformulate the rules of the market to facilitate capital**

**accumulation. One of the main areas of legal contentions is the Labor Law of 1990.<sup>12</sup>**

**In radical contrast to the myth of neo-liberal economists, while modifying the existing labor law, it is not one good for labor against another good for labor, but capital in a titanic battle against labor. In order to emancipate the working class in the current global economy, the progressive forces should try to reduce the speed of labor commodification and individualization processes. In Iranian local context, this can be done with focusing upon the suggested changes to sections 21 and 27 and chapter 6 of the 1990 labor law.**

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## Notes

<sup>1</sup> For a good discussion on workers' demands immediately after the 1979 Islamic Revolution, see: Asef Bayat, "Workers' Control After the Revolution," *MERIP Reports*, No. 113 (March-April 1983), and Chris Goodey, "Workers' Councils in Iranian Factories," *MERIP Reports*, No. 88 (June 1980).

<sup>2</sup> For example, see: Djavad Salehi-Isfahani, "Human Resources in Iran: Potentials and Challenges," *Iranian Studies*, Vol. 38, No. 1 (March 2005).

<sup>3</sup> *Labor Law of the Islamic Republic of Iran* (Tehran: Labor and Social Security Institute, 1993)

<sup>4</sup> *Atieh Weekly*, December 5, 2006. (In Persian)

<sup>5</sup> *Labor Law of the Islamic Republic of Iran*, Op. Cit.

<sup>6</sup> *Atieh Weekly*, Op. Cit.

<sup>7</sup> *Labor Law of the Islamic Republic of Iran*, Op. Cit.

<sup>8</sup> Ibid.

<sup>9</sup> *Atieh Weekly*, Op. Cit.

<sup>10</sup> Djavad Salehi-Isfahani, "Labor and Challenge of Economic Restructuring in Iran," *Middle East Report*, No. 210 (Spring 1999) p. 36.

<sup>11</sup> Mohammad Maljoo, "Worker Protest in the Age of Ahmadinejad," *Middle East Report*, No. 241, (Winter 2006).

<sup>12</sup> For seeing this idea in a wider economic context, see: Farhad Nomani and Sohrab Behdad, *Class and Labor in Iran: Did the Revolution Matter?* (New York: Syracuse University Press, 2006) p. 58.