



Towards An Adaptive Fiscal Policy in Iraq in Light of Rising Aging Rates in The Future

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نحو سياسة مالية تكيفية في العراق في ضوء ارتفاع معدلات الشيخوخة في المستقبل

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Abstract

The population structure in Iraq is characterized by significant demographic transition owing to both declining fertility and increasing longevity, the latter resulting in a rising proportion of elderly people. These changes impose huge economic and financial strains on State financial policy — the pension system, health expenditure, tax and labour market — down to the household level. This study aims to examine the implications of an ageing population in Iraq as well as its multi-faceted nature in order to make more sustainable plans to help mitigate the fiscal and socio-economic risk of an ageing population. Proposed fixes could broadly be grouped under four headings: pension reform; health service efficiency gain; labour market improvement; and tax reform – and the scant detail was often common across OECD member states. Conclusion: This study concluded that there is an urgent and unconditional need for proposal of systemic financial reforms that must be applied in order to both stabilize and reinforce the Iraqi economy, as harvesting the high elevation recorded in the rate of elderly can be expected to last at least several more decades. **Keywords: Iraq, fiscal policy, social security, Aging population.**

1.Introduction

Siren of Iraq Every country on Earth is currently caught up in rapid and profound demographic transformations that fundamentally change the nature of the economy and financial policy — Iraq is no exception to this trend. Fertility decline together with social progress in health services has



resulted in elevated life expectancies leading to expanding old-age cohorts in the population. However, despite the youthful population structure of Iraq when compared to less developed countries, population ageing is widely established trend resulting in considerable socio-economic burden on the national economy and public finances. This has consequences for pension and social security systems because a growing number of retirees relative to the number of workers leads to rising stress on pension funds. This implies more costs for the government for health care, which in turn is an additional strain on the overall budget. However a smaller labour force may mean lower economic growth (and tax revenue), which may indicate the need for new money systems allowing sustainable state spending over the long run.

2. Objective of the Study

The goal of this research is to explore the economic effects of population aging in Iraq and to point out the most important challenges and opportunities that may arise from population aging. This study also discusses financial tactics and reform policies that the state can implement to mitigate the adverse effects of aging like pension system reform, increasing efficiency of health services, labor market reform, and improvement of tax system.

3. Research Methodology:

The research study depends on the analytical and inductive methodology as a result of analyzing the available demographic and financial data and reviewing previous studies about the relationship between population aging and financial policy. The paper will also draw contrasting comparisons between the Iraqi experience and the experiences of countries which have procured success in addressing issues relating to aging.

4. Demographic transformations and population aging in Iraq

There are demographic data supporting that Iraq is in a slow transition of population aging, elderly people (60 yr and over) accounted for a higher proportion than in previous decades. The economic and financial consequences of these changes must be accommodated by government policies.

Causes of population aging in Iraq

Lowering fertility rates: While Iraq retains some of the highest fertility rates in the region, as social and economical changes take place, the fertility rate is slowly declining. Better health services: Better health care, better nutrition and better living conditions have all contributed to an increase in longevity. Young Migration: The open migration of youth to search for opportunities or hope for political asylum is also something that affects the population age structure.



4.1. Financial impacts of population aging

1. Higher expenditure on medical treatment

Consequently, among the major financial burdens on the state budget is an increase in the demand for health care services as the population ages, Contributed to: Higher expenses for hospitals and drugs and medical insurance. The requirement of constructing additional health facilities designed for elder care, Putting additional strain on the line item for Ministry of Health budget, which will redirect funds away from other sectors.

2. Impacts on the pension system

Increasing numbers of retirees compared to the number of workers, which puts pressure on pension funds. Lack of pension revenues due to the small number of contributors to the fund compared to the large number of beneficiaries. Possibility of a financial deficit in public pension systems unless financial and pension policies are reformed.

3. Implications on the labor market and productivity

Shrinking labor force due to the increase in the percentage of retirees, which affects economic productivity , Possibility of raising the retirement age to reduce the financial burden on the state. Need for policies that encourage the participation of the elderly in the labor market through training programs and part-time work.

4. Impact on tax policy

Decreasing number of taxpayers with an increase in the number of beneficiaries of social assistance ,Need to amend the tax system to increase revenues, whether through new taxes or amending the rates of currently imposed taxes ,Possibility of increasing government borrowing to finance the deficit resulting from the increase in social and health spending.

4.2. Financial solutions and policies to address challenges

1.Higher expenditure on health care

The ageing of the population means that more demands are placed on the provision of health care services and this represents a growing economic cost for the state budget. Consequently: Higher expenses for hospitals, drugs, and medical coverage. Compulsory construction of additional health centres dedicated to geriatric care Strain on the Ministry of Health budget, with possible diversion of funds from other sectors

2. Impacts on the pension system

More retirees to workers which creates strain on pension funds Few contributors and many beneficiaries mean little in the way of pension



revenues. Public pension systems may face a financial shortfall in the absence of needed reforms to financial and pension policies.

3. Effects on the labor market and productivity

Retirement ratio, affecting economic production shrinkage of workforce
Consequences age limit, raising the efficiency of economy to relieve the state burden
You need policies that encourage older persons to remain in the labor market, through vocational training and even part-time jobs.

4. Impact on tax policy

Declining taxpayers with increasing beneficiaries from social assistance so that the tax set has to be reformed to increase revenues either through new taxes or amending existing tax rates ,which need financial support through borrowing to cover the deficit due to increased social and health spending.

4.3. Population aging in Iraq compared to other countries

Similarly to many other aspects of demography, the dynamics of population aging are specific to each country, influenced by various economic, social and governmental policy elements that slow down or speed up this process. Table showing the ratio of the elderly people in Iraq and comparable between financial policies and the problems each country is facing.

Comparison of Population Aging and Its Impact on Fiscal Policy between Iraq and Other Countries.

Country	Percentage of Elderly Population (60+ Years)	Main Challenges	Adopted Fiscal Policies
Iraq	Approximately 6-8% (2023)	<ul style="list-style-type: none"> - Increased pressure on the pension system. - Rising healthcare expenditures. - Declining tax revenues due to a shrinking workforce. 	<ul style="list-style-type: none"> - Gradual pension system reform. - Development of a more comprehensive health insurance system. - Encouraging informal labor to contribute to pension funds.
Japan	30% (2023)	<ul style="list-style-type: none"> - Severe labor shortages. - Huge rise in healthcare and pension expenses. 	<ul style="list-style-type: none"> - Relying on robotics and automation to compensate for labor shortages. - Strict tax policies to



Country	Percentage of Elderly Population (60+ Years)	Main Challenges	Adopted Fiscal Policies
		- Slowing economic growth.	support pension funds. - Immigration policies to attract young workers.
Germany	22% (2023)	- Rapid aging threatens the labor market. - Increased financial burdens on the government.	- Raising the retirement age to 67. - Attracting skilled immigrants to boost the workforce. - Supporting innovation and technology to offset labor shortages.
United States	17% (2023)	- Rising spending on Medicare. - Increasing deficits in social security funds.	- Encouraging investments in technology-driven industries. - Implementing part-time work programs for seniors. - Restructuring the tax system to generate higher revenues.
China	18% (2023)	- Declining workforce due to the former one-child policy. - Heavy strain on the social security system.	- Relaxing birth restrictions and increasing family support. - Enhancing automation-dependent industries. - Expanding elderly healthcare programs.

Sources: United Nations. (2022). *World Population Prospects 2022*



Analysis Population Aging and Its Fiscal Impact

1. Iraq's Relatively Young Population: A Temporary Advantage

- Iraq is one of the countries least affected by aging in the short term; where the percentage of elderly people (6-8%) is still low.
- Whereas Japan or Germany are already past 20 percent of their populations over 65 years, Iraq has still a large working-age population ahead of them which is an opportunity for long-term economic growth.
- Yet, absent of timely reforms, Iraq may one day be confronted by the same structural fiscal crises associated with a rising pension deficit and growing health care expenditure.

2. Economic and Fiscal Challenges of Aging in Other Countries

- High service expenses related to social security and pensions as a result of serious labor shortages in Japan and Germany
- Challenge of U.S. versus China: U.S. challenges are of maintaining balance between tax reforms as well as funding of social security while China is backtracking from previously viable policies for birth rate control in order to maintain sustainable workforce.

3. Iraq's Fiscal Risks and Required Policy Adjustments

- Tithing and religiously oriented tax bases: The public pension system of Iraq is primarily reliant on government financing and thus, runs risks from future fiscal stress.
- As costs of healthcare rise slowly yet surely — and more old people mean more sick people — people will demand better savings vehicles and more reform of healthcare insurance.
- Iraq still has a large informal labor market, so many workers will not contribute to the pension systems, which will further exacerbate financial pressures down the line.



5. Recommendations

A long-run cost of population ageing in Iraq beats the solution: a comprehensive and proactive strategy that focuses on pensions, health, taxation, labour markets and technical investments.

Some of the reforms that might represent first steps to assure that pension funds can make a sustainable over time are first, reforms in pension systems Slowly adapting the retirement age to life expectancy to relieve pressure on pension systems Hence the new funding through the new private and employer based pension schemes would open new avenue for funds and lessen the burden on state coffers. Better investment strategies are needed to provide highest long-term investment yields on pension fund assets to complement pension sustainability.

Second, we need to adapt the healthcare system so that it is financially workable in the face of an aging population. The Iraqi government should focus on developing and improving medical infrastructure particularly for geriatric facilities. Lastly, the introduction of mandatory health insurance would ensure that any sustained cost of frail dependent seniors is properly compensated to prevent financially strangling publicly funded universal care programs. Public-private partnerships can also be encouraged to expand healthcare, enhance accessibility and raise the quality of health services for the senior population.

Third, taxes and fiscal policy need to be adjusted until, at the very least, there is sufficient revenue to uphold the social safety net. It would make for a more sustainable fiscal system based on a broader tax base underpinned by improved tax collection mechanisms, and less tax evasion', the minister noted. A second Avenue the government could take would be progressive taxation policies that require higher income earners to contribute more towards social security funds. Moreover, consumption-based taxes (e.g. VAT) can contribute additional revenue to finance age-related spending in a way that does not impose a disproportionate burden on lower-income groups



Fourth, the law and policy must direct or concentrate education and technology investment into preparing an aging supplying-mature workforce, the law-tackling chronic labor shortages in the future, the government needs, besides automatic worker constructing technology developing technology developing technology, automation and man-made intellect in crucial sectors. It would also allow those middle-aged and older workers to undergo retraining programs to most effectively help them continue to contribute and remain useful to society, a much-needed boost to the economy. The increased focus on health care and the public sector can enable us to continue to reach out to the service and reduce unnecessary administrative costs at the same time, while still improving efficiency through digital transformation.

Fifth, modifying labor market policies should be a no-brainer to accommodate aged workers. They have to put in place policies that provides companies economic incentives to retain older workers, e.g. rather, part-time work, telecommuting, gradual retirement schemes. Wage subsidies could also incentivize companies to create mentorship and advisory roles for senior employees to ensure they can apply their expertise even if they are no longer working full time. It will not only help the old-age of workers with financial security but will also boost governments' money by drastically putting informal work within social security coverage. In gaiety note, diversification strategic may find population ageing a budgetary burden, however, it inlay nostalgia come sure saving economy executive irreversibly crabbed in Iraq. So, the specter of changing demographics does not have to mean doom and gloom for the Chinese economy; rather a host of interrelated pension, health care, taxation, technology and labor reform will facilitate the necessary adjustments for the economy to adjust and ready itself to confront the new demographic reality.

6. Conclusion

While Iraq is sickle-shaped by having a youthful population, the future growth in the share of older persons will be economically and fiscally challenging in the decades to come. Not addressing population aging will lead to pension fund shortfalls, spiraling healthcare expenditures, labor shortages, and shrinking tax bases, all of which will put strain on public finances. The lessons learnt from countries such as Japan, Germany, the U.S. and maybe the most relevant one, China show that an ageing society can be managed successfully, if acted early and planned for the long term. It is not a path that guarantees debilitating economic stagnation and fiscal crisis for Iraq — and its absence gives Iraq a rare opportunity for pre-emptive action.



The government must implement essential reforms in social security, tax, health and labour markets, to make growth sustainable and the economy resilient. Lost jobs will be replaced by technological innovation and automation, while retraining programs and flexible labor laws will keep older citizens active contributors to the economy. Likewise, re-organizing fiscal policy with the objective of a tax system that is both more effective and that helps achieve distributions of income and wealth that are fairer will provide the resources necessary to finance social programs without passing on the debt to future generations.

How well required policies are implemented will determine whether Iraq meets the challenge of an ageing population. A well-crafted strategy can find the right equilibrium among economic growth, social health and environmental impacts, ensuring that ageing does not spell economic collapse, but is the gateway to a more fair, sustainable and interesting.

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