



# The Economic Role Of Fiscal Policy And Reducing The Phenomenon Of Unemployment And How To Address It (Iraq As A Model)

Iqbal Sagban Thabbah<sup>1</sup>, Ammar Hussein Chichan Al\_Asadi<sup>2\*</sup>, Layth Hussein Salman Al\_Jassani<sup>3</sup>

<sup>1,2,3</sup>Wasit University, Department of Internal Departments Affairs  
ammarr.hussen2020@gmail.com

**Citation:** Iqbal Sagban Thabbah, et al. (2024), The Economic Role Of Fiscal Policy And Reducing The Phenomenon Of Unemployment And How To Address It (Iraq As A Model), *Educational Administration: Theory and Practice*, 30(4), 967-977, Doi: 10.53555/kuey.v30i4.1595

## ARTICLE INFO

## ABSTRACT

### Introduction

This research seeks to focus on the role played by financial policies to reduce the phenomenon of rampant unemployment in Iraq in light of the financial crisis and the current conditions that the country is going through, as financial policy plays through its tools an important role at the economic, social and political level in modern countries as one of the effective and main tools of economic policy, as the importance of this research stems from the fact that it is exposed to a very important phenomenon in terms of social and economic as well as other aspects, The lack of access to the individual on a suitable job or the loss of his work exposes him to poverty and the consequent serious effects, and suffer many developing countries from the phenomenon of unemployment, especially Iraq, which was subjected to exceptional circumstances during which he fought three wars as well as being subjected to economic sanctions for thirteen years, which led to the collapse of infrastructure and productive sectors and exacerbated the phenomenon of unemployment, and in the end the research came out with a set of conclusions, the most important of which is that structural imbalance is one of The most important reasons for the spread of unemployment and that government planning and intervention has an important role in maintaining a balance between the economic sectors through a database under which the government works to stimulate and direct investments towards a specific sector.

**Keywords:** Financial policy , unemployment and Economy

## Importance of research

The importance of this research stems from the fact that it is exposed to the phenomenon of unemployment is very important in terms of social and economic as well as other aspects, especially in Iraq, which has witnessed serious repercussions of the effects of unemployment in light of the financial crises experienced by the country.

## Search problem

The problem of research includes the weakness of the possibilities of fiscal policies in Iraq that have been adopted in addressing economic problems, including unemployment, which cast a shadow on Iraqi society, especially after the change of the regime after 2003.

## Research Objective

The research aims to demonstrate the effectiveness of fiscal policies in reducing the phenomenon of unemployment, especially in Iraq, as well as to show the importance of activating the role of the private sector in Iraq, which is an important means to reduce unemployment rates in light of the crises experienced by the current Iraq.

## Research hypothesis

The hypothesis of the research is that fiscal policy, when its tools are used scientifically and thoughtfully, can contribute significantly along with other policies to affect many economic variables, including unemployment.

### The first topic

#### Fiscal policy: its concept and tools to achieve it

##### First: Definition of Fiscal Policy

Fiscal policy has been defined by several definitions, all of which agree on the use of government spending and taxes to achieve specific goals, and among these definitions is the following:

Fiscal policy is defined as the various effects of the government's role in determining the general level of aggregate demand, and the government role represents government spending, taxes and transfer payments that are often used as tools to control economic activity (Saqr Ahmed Saqr, 1977, p. 288).

Fiscal policy is also defined as government spending and tax policy as a tool to control the determinants of aggregate production (James Guartini and Richard Strobe, 1999, p. 299).

Also, "spending on government procurement and taxes to achieve general economic objectives is called fiscal policy" (Michael Abed Juman, 1988, p. 124).

Fiscal policy is also defined as government efforts and attempts aimed at achieving full employment, taking into account the absence of inflation, through spending, tax and public borrowing policies (Rajaa Al-Rubaie, 2013, p. 66), and is also defined as "moving budget tools from expenditures and revenues to influence investment and achieve economic goals" (Kamal Youssef Mohamed, 2010, p. 12).

##### Second: Objectives of Fiscal Policy

###### • Achieving the full level of operation:

One of the most important goals of fiscal policy is to bring the level of unemployment to a minimum and that one of the ways to achieve this is to increase government expenditures to stimulate aggregate demand while keeping taxes the same, when government spending increases in various fields such as education, national defense, construction, training and others, the total demand for goods and services will increase (James Guartini and Richard Stroup, 1999, p. 203) In order for fiscal policy to be successful in achieving economic stability, the appropriate timing must be chosen for its implementation. It is better to rely on taxes and transfer expenditures that change with income rather than on cautious fiscal policy, and these transfer payments and taxes are self-stabilizing factors as they reduce fluctuations in income without the need for policymakers to take action (Michael Abdgman, 1988, p. 127).

###### • Income redistribution and social justice:

Since the marginal tendency to consume for the poor is greater than for the rich, the conversion of part of the income of the rich into the income of the poor through financial plans (social security, unemployment benefits, taxes, etc.) that lead to a rise in the level of total consumption and thus increase aggregate demand (Saleh Youssef Ajina, 1966, p. 505).

###### • Stability of the general level of prices:

Fiscal policy plays an important role in stabilizing the general level of prices, whether in the period of depression or boom because of its impact on economic variables (Raja Al-Rubaie, 2013, p. 69), the general level of prices is affected by public expenditures through their impact on aggregate supply and aggregate demand directly or through the impact on the factors affecting the total supply and aggregate demand indirectly and here the government is forced to determine prices and the price may be less than the cost of production where the allocation of The government subsidizes the expenses of basic products to maintain prices, but the direct impact is the entry of the government as a buyer of surplus goods and their export, and the export price may be lower than the purchase price, but the government supports the difference between the two prices in order not to harm the producers, and also the government withdraws from the stock in case of lack of supply (Khadija Al-Assar, 2016, pp. 99-100).

### Third: Fiscal Policy Tools

The tools of fiscal policy are represented in the two aspects of the state's general budget, namely the spending policy (public expenditures) and what is related to it, and the revenue policy (public revenues) and what it contains.

###### • Overhead:

Public expenditures represent one of the two sides of the general budget and have been defined as a cash amount spent by a public entity with the intention of achieving a general goal and its forms can be determined as follows (Taher Al-Janabi, 2015, p. 17):

- 1- Salaries and wages paid to state employees, employees and retirees from its institutions
- 2- The values of goods and services purchased by the State for the purpose of satisfying public needs .

- 3- The various subsidies spent by the state on various segments of society or to countries or international organizations.
- 4- Interest installments on the public debt.
- 5- Transfer payments.

The Public Finance Book has expanded by dividing public expenditures into the following:

1. In terms of periodicity, any ordinary and extraordinary expenses:

As for ordinary expenses, they are those whose duration is determined during each year, such as operating expenses, while extraordinary expenses are those that are spent on sudden and unexpected events that do not recur annually, such as the expenses of earthquake victims, fires, an emergency epidemic, and others (Hisham Muhammad Safwat Al-Omari, 1988, p. 31).

- 2- In terms of its impact on national income:

According to this criterion, public expenditures are divided into real expenditures and transfer expenditures, and they can be distinguished by adopting the following two criteria (Khadija Al-Asar, 2016, pp. 80-81).

#### **A- Consideration Criterion:**

Public expenditure is considered real if it is achieved against services, for example, educational or health services, and unlike it, public expenditures are considered transformative such as production subsidies because they are made free of charge.

#### **B - The criterion of the entity that directly consumes the economic resources of the community:**

If the state directly consumes the economic resources of the community, the alimony is considered real, that is, if its expenses are to obtain goods and services, such as paying wages and salaries to employees and workers, but if the individuals directly consume the economic resources of the community, the expense is considered transformative for not corresponding consumption in the form of goods and services, such as subsidies paid to individuals in cases of old age, disability and illness.

- 3- In terms of their functions, it is possible to distinguish according to this criterion between several functions it undertakes, the most important of which are (Taher Al-Janabi, 2015, p. 29):

A - The economic function of the state: It means the state to implement public services to achieve economic goals.

B - Social function: It is intended to bear the expenses of social services such as subsidies and grants provided to people with limited income.

C- Administrative function: It is concerned with the management of public utilities such as internal security, state relations with abroad, development of public culture and scientific research.

#### **• General Revenues:**

It is the financial means through which the state can implement its public policy and distribute financial burdens in accordance with the principle of justice and equality (Rania Mahmoud Emara, 2015, p. 32), and it is also defined as the total amounts of cash or money received by the state or public persons associated with it to cover its public expenses according to its financial policy (Raed Naji Ahmed, 2017, p. 43) and public revenues can be divided into the following:

- 1- Sovereign revenues:** They are the revenues obtained by the state by force using its sovereign right to collect them, namely (taxes, fees, fines, royalties, compensation, compulsory loan) (Hassan Muhammad Al-Qadi, 2014, p. 29)

- 2- Economic revenues:** They are the revenues obtained by the state through the exercise of an economic activity or because of the state's ownership of private and public property, and these revenues include:

A - State revenues from its property (domain) and divided into two parts:

- Public property (public domain), which is land, water resources, forests and others owned by the state or one of its public institutions.
- Private property (private domain), which is a property subject to the provisions of the private law and is represented by the revenues of real estate property (commercial and residential complexes, agricultural lands), industrial revenues (factories) and revenues from financial activities (shares, bonds, loan interests)

B - The general price: which is what the state obtains in exchange for carrying out commercial, industrial or service business, and sometimes the general price is less than the cost of production and compensates the difference from the general treasury of the state for social and economic reasons, but if the state intends to obtain financial revenues as a result of doing business or industrial, in the case of complete competition between the public sector and the private sector, the state resorts to reducing prices to a level lower than the market price in order to achieve profits In the case of monopoly, the state prevents the private sector from carrying out projects similar to state projects, and this allows the state to control the prices of goods and services and achieve large financial revenues (Taher Al-Janabi, 2015, p. 63).

C- Public loans: "Money borrowed by the state from creditors inside or outside the country, and these creditors may be individuals, bodies or financial banking institutions, provided that the borrowing state undertakes to pay the value of the debt on its due date with the payment of the annual interest prescribed on it" (Suhair Muhammad Al-Sayed Hassan, 2002, p. 322)

**3- Cash issuance :** One of the important tools that the state can use to cover the planned projects in the general budget, that is, the state pursues an expansionary fiscal policy with the intention of increasing public spending and stimulating aggregate demand (Haifa Ghadeer, 2010, p. 16) After gold coins were previously issued according to the rule of full golden cover, countries retreated from working with this rule, for many reasons, the task of issuing money has become a very sensitive task and requires a high budget, if the state relies on the issuance of new banknotes (banknote) by Greater than the real cover of goods and services, this means the occurrence of monetary inflation, meaning that a large amount of money chases a small amount of goods and services, and this is monetary inflation (Khadija Al-Asar, 2016, p. 217).

#### **Fourth: The concept of unemployment**

Unemployment is one of the most important obstacles to progress and development that all societies seek to achieve, as unemployment leads to a reduction in the standard of living and high poverty rates, as well as a threat to the security, safety, stability and cohesion of society (Tariq Abdul Raouf Amer, 2015, p. 11). Unemployment can be defined as an expression of the excess of labor supply compared to the demand for it at a certain wage level, meaning that unemployment is measured by the number of job seekers within the limits of the prevailing wage in the market (Arab Planning Institute, 2006, p. 2).

Unemployment is also defined as "the lack of full employment for members of society, and means: that individuals wishing to work are greater than the opportunities available, which exist in these communities."

#### **Fifth: Types of unemployment**

##### **1- Forced or compulsory unemployment**

Forced unemployment is defined as the force of work that is willing and capable of it and the prevailing wage without obtaining it, and this type of unemployment is one of the most dangerous types and also an indicator of an imbalance in the national economy (Mahmoud Hussein Al-Wadi and Kazem Jassim Al-Issawi, 2007, p. 164)

It is also defined as the forced disruption of part of the labor force despite the worker's quest and desire to obtain economically productive work (Jamal Ahmed Hassan Al-Sarakhneh, 2000, p. 48).

According to the US Department of Labor, unemployment is defined as "the percentage of the civilian labor force that is not employed at any given time; the civilian labor force (or labor force) is defined as all people employed outside the armed force plus all people who fall into the age group (16 to 46) years who are actually looking for work but are currently not employed" (J. Holton Wilson, 2011, p. 609).

##### **2- Frictional unemployment**

This type of unemployment appears temporarily due to developments in working conditions and technological advances, which causes the transition or search for new, better and more paid jobs, meaning that the unemployed have not been temporarily able to get a job commensurate with their qualifications, but expect to get a job quickly (J. Holton-Wilson, 2011, p. 612).

##### **3- Periodic unemployment**

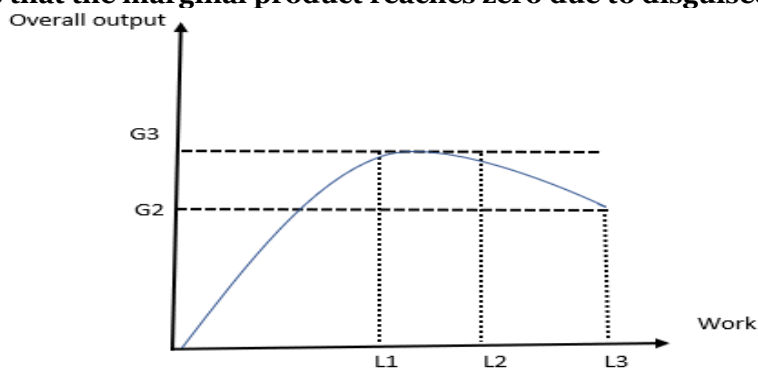
This type of unemployment occurs during periods of economic recession and low employment due to an imbalance between aggregate supply and demand (Paul A. Samuelson William Nord House, 2001, p. 592).

##### **4- Seasonal unemployment**

This unemployment arises as a result of the lack of continuity and regularity of work, for example, what happens in the agricultural sector of time periods between one crop and another, and then part of the labor force remains idle for the rest of the year because its work is seasonal. (Tariq Abdul Raouf Amer, 2015, p. 26)

##### **5- Disguised unemployment**

Many people in developing countries work in various fields, whether in agriculture, government jobs and others, but a large percentage of them can be dispensed with without being affected by agricultural output or that government work is disrupted (Ahmed Mohamed Mandhour, 2004, p. 339), and the neoclassical theory defines disguised unemployment as the decline in marginal productivity to zero first less (becomes negative) and this can be shown through the following aggregate output curve:

**Figure (1) shows that the marginal product reaches zero due to disguised unemployment**

Source: Ahmed Mohamed Mandour, Introduction to Macroeconomic Theory, Department of Economics, Faculty of Commerce, Alexandria University, 2003-2004, p 340

The curve of the total output reaches its maximum and then begins to fall due to the conditions of decreasing yields, so that all users in production after the marginal output reaches the highest level their productivity is equal to zero, but those who are employed at the stage when the total output decreases are negative, in Figure (1) we note that all workers used in the distance for L1 to L2 do not add anything to the output, while users in the distance between L2 to L3, their marginal productivity is negative where the output decreases Because of them to G2 and getting rid of them leads to an increase in the output to G3.

### Sixth: Causes of unemployment

The causes of unemployment vary according to its types, the different economic system and the degree of economic progress from one country to another, the causes of unemployment may be due to economic, political or social factors or related to the education system and technological progress etc. from the reasons that we will address as follows:

- 1- Increasing population growth rates at a higher rate than economic growth, which leads to the lack of creation of new job opportunities commensurate with population growth. As well as the accelerated and successive technological progress and the resulting reduction in the number of employees
- 2- The incompatibility between the outputs of education and the need of the labor market, the policies and programs of education and employment are not compatible with economic policies and programs to achieve the required goals, so education policies produce many numbers of graduates with qualifications that the labor market does not need at the present time and may not need them in the future as well (United Nations, Economic and Social Commission for Western Asia, p. 9)
- 3- The economic transition to the free market system followed by some countries through reform programs without careful planning leads to an increase in unemployment rates in the short term.
- 4- The lack of success of economic development plans, as well as the exacerbation of the external debt crisis with the high rate of economic underdevelopment, in addition to the inefficient use of financial resources, in addition to financial and administrative corruption, especially in developing countries (Ahmed Hafez, 2017, p. 111).

### The second topic

#### Iraq's fiscal policy to reduce unemployment and paths to combat it

After 2003, Iraq witnessed the opening to the outside, the lifting of economic sanctions, the formation of the new democratic system and its access to large resources from oil revenues, although it initially suffered from the effects of occupation and security turmoil, but then witnessed security stability in most of its provinces, such as a great opportunity to advance the economic reality and address many economic problems, including unemployment, which worsened during the past periods. This section will deal with the financial measures aimed at combating unemployment through the nature and course of public revenues and public expenditures:

First: Public expenditures during the period (2004-2019)

It is noted from Table (1) that public expenditures increased throughout the period, except for some years, and this increase came as a result of the change in the system of government and what it required from building the new state and increasing government appointments, as well as building the Iraqi army and police, and the movement of reconstruction and construction with the help of increasing oil revenues during this period, the increase in expenditures began from 2006 at a rate of 25.87% and continued until 2019 except for the years (2009, 20011, 2014, 2015, 2016).



**Table No. (1) Structure of public expenditures for the period (2004 - 2019) at current prices billion dinars**

Year	Overhead						Contribution of current expenditures to total expenditures %	Contribution of investment expenditures to total expenditures %
	Ongoing	Growth %	Investment	Growth %	Total	Growth %		
2004	13680	---	17912	---	31521	----	43.40	56.83
2005	14683	7.33	16147	-9.85	30831	-2.19	47.62	52.37
2006	32778	123.24	6027	-62.67	38806	25.87	84.47	15.53
2007	32719	-0.18	6588	9.31	39308	1.29	83.24	16.76
2008	52301	59.85	14976	127.32	67277	71.15	77.74	22.26
2009	45941	-12.16	9648	-35.58	55589	-17.37	82.64	17.36
2010	60981	32.74	23678	145.42	84659	52.29	72.03	27.97
2011	60926	-0.09	17832	-24.69	78758	-6.97	77.36	22.64
2012	75789	24.40	29351	64.60	105140	33.50	72.08	27.92
2013	78747	3.90	40831	39.11	119128	13.30	66.10	34.27
2014	77986	-0.97	35487	-13.09	113473	-4.75	68.73	31.27
2015	51823	-33.55	18564	-47.69	70397	-37.96	73.62	26.37
2016	51173	-1.25	15894	-14.38	67067	-4.73	76.30	23.70
2017	59025	15.34	16464	3.59	75490	12.56	78.19	21.81
2018	67052	13.60	13820	-16.06	80873	7.13	82.91	17.09
2019	87301	30.20	24422	76.71	111723	38.15	78.14	21.86

Source: Prepared by the researcher based on:

- Central Bank of Iraq annual statistical bulletins and annual economic report for the years (2003-2019).
- Ministry of Finance, Budget Department and Final Accounts Department for separate years.
- Percentages calculated by the researcher

The period (2004-2019) also witnessed a decrease in investment expenditures, as they constituted 56.83% of the total public expenditures in 2004 and then decreased until they reached their lowest level in 2006, where they constituted 53.15% of the total public expenditures, despite the existence of a surplus in the general budget starting from 2004, where it amounted to 1467423 million dinars, and the surplus continued until 2012, when it reached 14677648 million dinars, as shown in Table (2), then investment expenditures fluctuated between high and low with an average of approximately 20% and reached 21.86% in 2019.

**Table (2) Net Budget in Iraq for the Period (2004-2019) Value (Million Dinars)**

Years	Overhead	Growth	Public revenues	Growth	Surplus or deficit	Ratio of surplus or deficit to public revenues %
2004	32988850		32988850	53.67	1467423	4.45
2005	40502890	-2.19	40502890	22.80	14127715	34.88
2006	49055545	25.87	49055545	21.55	10248866	20.89
2007	54599451	1.29	54599451	10.90	15568219	28.51
2008	80252182	71.15	80252182	46.98	20848807	25.98
2009	55209353	-17.37	55209353	-31.21	2642328	4.79
2010*	70178223	52.29	70178223	25.92	44022	0.06
2011*	103989089	-6.97	103989089	43.84	25231423	24.26
2012*	119817224	33.50	119817224	8.63	14677648	12.25
2013*	113840076	13.30	113840076	9.82	-5287479	-4.64
2014*	105364301	-4.75	105364301	-11.66	-10573461	-10.04
2015**	72546445	-37.96	72546445	-36.93	-10267166	-14.15
2016**	54409270	-4.73	54409270	-18.14	-12658164	-23.26
2017**	77422173	12.56	77422173	42.29	1932058	2.50
2018**	106569834	7.13	106569834	37.64	25696645	24.11
2019	107667000	38.15	107667000	1.02	-4056600	-3.77

Source:

- Ministry of Planning Statistical Groups 2017 and 2018-2019
- Central Bank of Iraq annual statistical bulletins and annual economic report for different years
- \*\* Preliminary Final Statements / \* Final Statements

**Table (3) Current expenditure trends in Iraq for selected years**

Years	Current expenses	Employee Compensation	Contribution to total current expenditure%	Social Welfare	Contribution to total current expenditure%
2011	60926	30586	50.20	5894	9.67
2012	75789	35849	47.30	7416	9.79
2013	78747	39788	50.53	6738	8.56
2014	77986	32578.1	41.77	14375	18.43
2015	51823	31833	61.43	11447	22.09
2016	51173	32651	63.81	10350	20.23
2018	67052	35835	53.44	15166	22.62
2019	87301	40633	46.54	19696	22.56

Source:

- Prepared by the researcher based on the Central Bank of Iraq, annual economic bulletins for the mentioned years

- Percentages of researcher work .

It is noted from Table (3) that the percentage of social welfare expenditures decreased, as it constituted a very small percentage in 2011 and 2013 and constituted 9.67% and 9.79% respectively, and then it began to rise in 2014, where it constituted 18.43%.

**Table No. (4) Total Public Debt in Iraq for the Period (2003-2018) (Billion Dollars)**

Years	Local debt	External debt	Total public debt	Total (GDP)	Debt ratio of GDP%
2003	2.863	75.8	78.663	15.8	497.87
2004	4.077	87	91.077	36.2	251.59
2005	4.249	84	88.249	43.7	201.94
2006	3.597	33.6	37.197	65.5	56.79
2007	4.099	33	37.099	86.4	42.94
2008	3.703	22.9	26.603	131.3	20.26
2009	7.135	23.2	30.335	119.8	25.32
2010	7.747	16	23.747	136.1	17.45
2011	6.226	20	26.226	181.4	14.46
2012	5.83	16.7	22.53	211.34	10.66
2013	3.454	17.7	21.154	234.6	9.02
2014	7.841	16.3	24.141	228.4	10.57
2015	25.776	25	50.776	166.8	30.44
2016	37.146	30	67.146	172.5	38.93
2017	37.9	29	66.9	187.5	35.68
2018	38.203	28.7	66.903	215.6	31.03

Source 1- Ministry of Finance: Public Debt Department, for different years (2010-2018). 2- Ministry of Planning, Central Bureau of Statistics, Annual Statistical Collection (2003-2018). 3 - Central Bank of Iraq, Department of Statistics and Research, miscellaneous annual bulletins (2003-2018). 4- Imad Muhammad Ali Al-Ani and Nisreen Hassan Johi, Measuring government debt indicators and its most important economic effects in Iraq for the period 1990-2013, Journal of Economic and Administrative Sciences, No. 98, Volume 23.\* Percentages of the researcher's work.

It is noted from Table (4) that the government continues to cover the budget deficit through internal debt at a high rate until the total internal and external debt in 2019 reached about 66.903 billion dollars.

## Second: Public Revenues

The structure of public revenues did not differ much during the period (2004-2019), as the common factor was its dependence on oil as a main source of public revenue, except for the nineties, in which oil exports stopped for some time.

We note from Table (5) that the period (2004-2019) has increased dependence on oil revenues more, as it constituted 93.69% of the total public revenues as an average for the period.

Table (5) Oil and non-oil revenues and the percentage of their contribution to the total public revenues in Iraq for the period (2003-2019) The amount is one million dinars

Year	Public revenues	Growth	Oil revenues	Tax revenues	Other Income	Contribution to public revenues%		
						Oil	Tax	Other
2003	21463646	988.90	---	---	---	0.00	0.00	0.00
2004	32982739	53.67	32631920	154927	195892	98.94	0.47	0.59
2005	40502890	22.80	39507713	467638	527539	97.54	1.15	1.30
2006	49232349	21.55	48449698	589651	193000	98.41	1.20	0.39
2007	54599451	10.90	53163645	1101409	38702	97.37	2.02	0.07
2008	80252182	46.98	77589443	1023750	134760	96.68	1.28	0.17
2009	55209353	-31.21	51752350	1855594	191052	93.74	3.36	0.35
2010	69521117	25.92	66871100	1883080	1751370	96.19	2.71	2.52
2011	99998776	43.84	98090214	1177596	77369	98.09	1.18	0.08
2012	108626042	8.63	106661039	2354412	168724	98.19	2.17	0.16
2013	119296663	9.82	116363805	2743806	666581	97.54	2.300	0.56
2014	105386600	-11.66	97072400	1885100	1416100	92.11	1.789	1.34
2015	66470250	-36.93	51312260	2015010	9252990	77.20	3.031	13.92
2016	54409270	-18.14	44267600	3861890	1866910	81.36	7.098	3.43
2017	---		---	---	---	---	---	---
2018	106569800		95619800	5686200	1667000	89.73	5.336	1.56
2019	107567000	0.94	99216300	4014500	1674200	92.24	3.732	1.56
Average duration						93.69	1.98	1.66

Source: The work of the researcher based on:

- Adeeb Qasim Shendi and Haider Rabb Najm, Fiscal Policy and the Efficiency of the Investment Environment Performance in the Iraqi Economy for the Period (1980-2013), Al-Kout Journal for Economic and Administrative Sciences, Issue 18, 2015.
- Data for the period (2014-2019) based on the Central Bank, Economic Annual Report for the years (2014-2019) - Percentages calculated by the researcher, ---- means not available

### The third topic

#### The reality of unemployment in Iraq

##### First: Unemployment rates in Iraq

It is noted that unemployment rates in Iraq after 2003 tended to rise as a natural result of the devastating war conditions and the cessation of most of the work and the change of the ruling system and the instability of the new political system as well as sabotage, looting and destruction of state facilities and insecurity, so the unemployment rates in 2003 (28.9%) as in Table (6), and after the relative stability that occurred in 2005 and the consequent return of some sectors to the practice of their work as well as the return of political dismissed to State agencies and the expansion of government in employment in the public sector, especially in the security services (Ministry of Defense, Ministry of Interior) (Lawrence Yahya Saleh and Muhammad Taher Nouri, p. 317), It led to a decrease in the unemployment rate to (17.27%) in 2005 and continued to decline until it reached (15%) in 2009, then decreased in 2012 to (7.96%) due to the employment policy followed during this period, granting soft loans and increasing investment. Then it rose in 2014 to (10.7%) due to the entry of ISIS into Iraq, and the decline in crude oil prices, which was accompanied by significant austerity, and continued to rise until it reached (12.82%) in 2019 as a result of continued financial austerity.



**Table (6) Unemployment Rates % of the Total Labor Force in Iraq for the Period (2003-2019)**

Years	Percentage	Years	Percentage
2003	28,1	2012	7,96
2004	26,8	2013	9,27
2005	17,97	2014	10,59
2006	17,50	2015	10,71
2007	15,34	2016	10,81
2008	15,8	2017	13,02
2009	15	2018	12,86
2010	14,5	2019	12,82
2011	8,15		

Source: Researcher numbers based on World Bank data for the period (2003-2019)

### **Second: Causes of unemployment in Iraq**

Unemployment in Iraq is the result of the combination of several factors, including what is related to the Iraqi economy itself, and some of them are related to the situation of the labor market, and the causes of unemployment and its continuation in Iraq can be traced back to the following:

- **Rentier Iraqi economy:** The Iraqi economy is one of the rentier economies that depend on the oil sector, as it constitutes more than half of its gross domestic product, and constitutes more than (90%) of its exports, which is the main source on which the government budget depends, and despite its great importance, the percentage of workers in this sector at best does not exceed (2%) of the labor force in 2006 (Ministry of Planning and Development Cooperation, 2006, p. 195), as well as On the non-impact of development in the growth in the oil sector, where other sectors are supposed to grow three times the growth in the oil sector in order to absorb the workforce, knowing that rentier economies are inherently not generating jobs, which led to the exacerbation of unemployment rates (Feryal Musharraf et al., p. 166)
- **Trade liberalization and its impact on economic sectors:** After the US occupation in 2003, a lot of agricultural production deteriorated for most local agricultural crops until production rates reached low rates that are not enough to cover local demand, and this deterioration produced a large dependence on imported products to cover the need of the local market, and that the exposure of the Iraqi market after 2003 and the lifting of customs protection and support for the local product led to encouraging neighboring countries to flood the local market with inferior and priced agricultural goods and products. The depression that led to the elimination of the local product because it could not compete with these products in light of the high production costs and the absence of government support, and the same was reflected in the industrial sector, as many inferior goods entered Iraq without conforming to the qualitative specifications, This led to the exit of a lot of hard currency outside the country to cover the expenses of importing these goods instead of importing capital goods and building local industry, and then the industrial sector remained under the suffering of lack of competitiveness led to the decline of a number of large and medium industrial enterprises in the country (Lawrence Yahya Saleh and Muhammad Taher Nouri, p. 320)
- **The educational system and the problem of unemployment:** All countries of the world seek to balance between the outputs of education and the need of the labor market in order to avoid the problem of unemployment of graduates, but when there is no coordination and planning between the labor market and education, resources are wasted and time is wasted, which worsens the matter is the rigidity of educational institutions and their survival within the framework of the theoretical aspect, especially applied scientific studies, as well as the lack of investments they need. However, the imbalance between the labor market and the outputs of education from various government and private colleges and institutes, which has increased significantly in Iraq and with it the unemployment rates of graduates. (Feryal Musharraf et al., p. 168)

### **Third: Policies to combat unemployment and their results in Iraq in the light of economic indicators**

- **Low financing of small and medium enterprises:** The efforts of the Iraqi government to address the problem of unemployment have focused on financing small and medium enterprises in general through the income-generating soft loan program implemented by the Ministry of Labor and Social Affairs, and in fact the amount of loans allocated to these projects did not exceed (10) million Iraqi dinars, which is certainly insufficient to establish any small or medium industrial project alike, so these loans tended to finance service projects that are characterized by low costs. That is, these loans did not contribute to correcting the structural imbalance suffered by the Iraqi economy represented by the deterioration of the industrial and agricultural sectors.
- **Deficit in the level of trade balance:** It is noted from Table (7) that the trade balance in Iraq recorded a deficit throughout the period (from 2003-2018) if non-oil exports are excluded, and the volume of non-oil exports decreased from 4004 to 2018, and this indicates the inability of government policies to address unequal trade exchange with the outside world and its impact on unemployment rates.

**Table (7) Iraqi Trade Balance with the Outside World for the Period (2003-2018) (Million USD)**

Years	Oil Exports	Non-oil exports	Total Exports	Total Imports	Trade balance with oil	Trade balance without oil
2003	8459	1623.2	10082	10063	19	-8439.8
2004	17326	105.3	17432	21302	-3870	-21196.7
2005	23578.9	119	23697	23532	1659	-23413
2006	30298	230	30528	20892	9636	-20662
2007	39270	172	39442	19556	19886	-19384
2008	63216	510	63726	35496	28230	-34986
2009	39131	296	39427	38437	990	-38141
2010	51376	388	51764	43915	7849	-43527
2011	79083	598	79681	47803	31878	-47205
2012	93503	706	94209	59006	35203	-58300
2013	89095	673	89768	59349	30419	-58676
2014	83351	630	83981	53117	30864	-52487
2015	49058	191.2	49330	47467	1863	-47275.8
2016	43622	90.3	43774	34208	9566	-34117.7
2017	59560	291.9	60022	37866	22156	-37574.1
2018	83814	535	84349	45736	38613	-45201

Source: 1- Ministry of Planning, Central Bureau of Statistics, Foreign Trade Sector, miscellaneous reports for the period (2003-2018). 2- Central Bank of Iraq, Department of Statistics and Research, miscellaneous annual bulletins for the period (2003-2018).

### Conclusions

- 1- The structural imbalance is one of the most important causes of the spread of unemployment and that planning and government intervention has an important role in maintaining a balance between various sectors, including economic, through a database under which the government works to stimulate and direct investments towards a specific sector and intervene to prevent unproductive investments that have adverse results at the micro and macroeconomic level, as these new investments will be surplus and this will create harmful competition, either to expel some projects out of the activity Economic or that the demand for the goods of these projects decreases because it is distributed over a large number of projects that exceed the total demand if it is not exported abroad.
- 2- Many industrial, commercial or service projects in Iraq are not defined by the government and there are no restrictions or control of many projects, this will lead to a weakness in the performance of the administrative apparatus of the labor offices and the relevant authorities.
- 3- The fiscal policy in Iraq proved its failure in combating unemployment because its measures were focused on employment in the public sector and supporting small and medium enterprises with loans whose amounts did not exceed (10) million dinars as a maximum, as well as the small numbers and lack of continuity, so it had little impact on repairing the structural imbalance that contributes to reducing unemployment.

### Recommendations

- 1- The establishment of a national body specialized in formulating strategies for the development of small and medium enterprises by providing guidance and support and coordinating with the relevant authorities for what these projects need, i.e. not leaving the owner of the new project alone in the face of competition and the exposure of the Iraqi economy to the outside, especially if he is a young person who does not have sufficient experience in this field, and the amounts of these loans must be increased in proportion to the establishment of these industrial projects.
- 2- The oil sector dominates the rest of the sectors in Iraq by its contribution to the GDP, especially the large reserves it possesses, but this sector does not absorb only 2% of the total labor force, and that Iraq's needs of car oils and part of the other oil derivatives are imported from abroad, which Iraq is supposed to be an exporter, so the door must be opened for investment in front of sober international foreign companies to develop the automotive oils industry and other oil derivatives And the consequent absorption of large numbers of unemployed.

- 3- The need to establish an incubating body or institution for business, inventions, research and development and link them to the educational system and the private sector to be associated with science and work, so it is not possible to translate scientific reality into practical reality without the care of the state, because individuals are unable to bear the costs of research and development, which can only be recovered after a long time of the implementation of the project or may not find its way to success at all.

### Sources

- 1- Ahmed Hafez, The phenomenon of youth unemployment in Iraq, its causes and methods of treatment, *Al-Mustansiriya Journal of Arab and International Studies*, Issue 47, 2017.
- 2- Ahmed Mohamed Mandour, Introduction to Macroeconomic Theory, Department of Economics, Faculty of Commerce, Alexandria University, 2003-2004.
- 3- United Nations, Economic and Social Commission for Western Asia, Social Policy Brief - 8, Youth unemployment in the Arab region: causes and solutions.
- 4- Paul A. Samuelson William D. Nord House, Economics, translated by Hisham Abdullah, Al-Ahliya House for Publishing and Distribution, Amman, Jordan, 1st Edition, 2001.
- 5- Jamal Hassan Ahmed Sarakhneh, the problem of unemployment and its treatment, a comparative study between jurisprudence and law, Al-Yamamah for printing, publishing and distribution, Damascus, Beirut, 1st floor, 2000.
- 6- J. Holton Wilson, Microeconomics Concepts and Applications, translated by Dr. Kamel Salman Al-Ani, Mars Publishing House, 2006-2011.
- 7- James Guartini and Richard Stroup, Macroeconomics, Public and Private Selection, Mars Publishing House, Riyadh, Saudi Arabia, 1999.
- 8- Hassan Mohammed Al-Qadi, Public Financial Management, Academics for Publishing and Distribution, Amman, 2014.
- 9- Khadija Al-Asar, Public Finance Economics, Faculty of Economics and Political Science, Cairo University, 2016.
- 10- Rania Mahmoud Emara, Public Finance Public Revenues, Center for Arab Studies for Publishing and Distribution, Arab Republic of Egypt, 1st Edition, 2015.
- 11- Rajaa Al-Rubaie, The Role of Fiscal and Monetary Policy in Addressing Recessionary Inflation, Dar Amna for Publishing and Distribution, Jordan, Amman 2013.
- 12- Saleh Yusuf Ajina, Principles of Economics, Part I, National Printing and Publishing Company, 6th Edition, Baghdad, 1966.
- 13- Saqr Ahmed Saqr, Macroeconomic Theory, Publications Agency, Kuwait, 1977.
- 14- Tariq Abdul Raouf Amer, Causes and dimensions of the phenomenon of unemployment and its negative repercussions on the individual, family and society and the role of the state in confronting it, Dar Al-Yazuri Scientific Publishing and Distribution, Amman, 2nd Edition, 2015.
- 15- Feryal Musharraf, Abbas Saadoun and Khudair Ibrahim, The phenomenon of unemployment in Iraq after 2003: causes, effects and solutions, *International Political Journal*, Vol. 39, No. 40.
- 16- Kamal Youssef Mohamed, jurisprudence of monetary economics, Cairo, Dar Al-Sabouni, 1993, p. 393. Quoted from Haifa Ghadeer Ghadeer, Fiscal and monetary policy and their developmental role in the Syrian economy, Ministry of Culture Publications, Damascus, 2010.
- 17- Lawrence Yahya Saleh and Muhammad Taher Nouri, Mechanisms of generating unemployment in Iraq and its types and calculating the disguised ones, including an analytical study for the period (2003-2015), *Journal of Economic and Administrative Sciences*, No. 108, Volume 24.
- 18- Michael Abdjman, Macroeconomics Theory and Politics, Mars Publishing House, Riyadh, Saudi Arabia, 1988.
- 19- Mahmoud Hussein Al-Wadi and Kazem Jassim Al-Issawi, Macroeconomics, Theoretical and Applied Analysis, Dar Al-Masirah for Publishing and Distribution, 1st Edition, 2007.
- 20- Arab Planning Institute in Kuwait, unemployment analysis, number fifty-eight, December, 2006, fifth year.
- 21- Hisham Muhammad Safwat Al-Omari, Economics of Public Finance, and Financial Policies, Administration and Economics Press, University of Baghdad, 2nd Edition, 1988.
- 22- Haifa Ghadeer, Fiscal and monetary policy and their developmental role in the Syrian economy, Ministry of Culture Publications, Damascus, 2010.
- 23- Ministry of Planning and Development Cooperation, Central Organization for Statistics and Information Technology, Map of deprivation and living standards in Iraq for the year 2006, Baghdad.
- 24- Taher Al-Janabi, Science of Public Finance and Financial Legislation, University of Baghdad, College of Law, printed for Al-Sahouri Library, Beirut, 2015.
- 25- Raed Naji Ahmed, Public Finance and Financial Legislation in Iraq, Republic of Iraq, Ministry of Higher Education and Scientific Research, University of Fallujah, 3rd Edition, 2017.