

ECONOMIC REFORM, STRUCTURAL IMBALANCES AND THEIR IMPACT ON UNEMPLOYMENT IN THE EMERGING ECONOMY

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Abstract

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In this study, we analyze the effects of economic reforms on narrowing the imbalance gap and its impact on unemployment rates in Iraq, considering the structural imbalances that have afflicted the economy due to past wars and economic sanctions (Liotti, 2020). Drawing on a comprehensive analysis of the Iraqi economy, we employ a mixed-methods approach combining quantitative data analysis and qualitative examination of policy measures. Our findings reveal that the Iraqi economy has been plagued by persistent structural imbalances. These imbalances have contributed to the depletion of reserves and high rates of unemployment, as economic reform programs often carry unintended consequences, such as poverty and indebtedness. By critically assessing the policies implemented following the shift, we shed light on the repercussions and desired outcomes of these reforms. Through our research, we emphasize the importance of understanding the methods and sources of these reforms and maximizing their potential to address the imbalance gap. In conclusion, this study underscores the vital need for effective strategies that can harness the full potential of economic reforms to mitigate structural imbalances and alleviate unemployment in Iraq. Findings provide valuable insights for policymakers and stakeholders aiming to shape sustainable economic growth and stability in the country.

Keywords: Economic Reform, Unemployment, Structural Imbalances

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1. INTRODUCTION

After 2003, the Iraqi economy suffered from a number of accumulated economic problems, and the inaccuracies in diagnosing these problems and monitoring the debris packages needed to reduce the exacerbation and sustainability of these problems in the environment of the Iraqi economy,

particularly the structural distortions of the main sectors, as well as the weak bonds of interdependence and sectorial balance, as well as the rents of the Iraqi economy and its reliance on a single source of funding for the general budget. The Iraqi economy tried to make a radical transformation after 2003 by adopting reform policies aimed at liberalizing trade and shifting towards a market economy as a recipe

provided by the International Monetary Fund (IMF) with the aim of fluctuating the weaknesses of the Iraqi economy as well as making it ready to integrate into the global system, so the Iraqi economy followed a package of development reform policies aimed at a qualitative shift in the economy to be a market economy rather than an economy based on central planning through state administration of means of production with the aim of achieving sustainability with growth and economic development.

A significant number of researchers have concentrated their attention on the ways in which the crisis has affected a variety of worker categories. Recent research (Alyaseri et al., 2023; Alkooranee et al., 2023) has suggested that it is not possible to assume that the effects of the economic downturn are distributed uniformly among all of the worker categories. This is due to the fact that the labour market in many European countries demonstrates a strong segmentation (Alyaseri et al., 2022; Abdalaa & Naima, 2023). This segmentation serves as a catalyst for conflict between the various groups of workers. The segmentation can take on a number of different manifestations; for instance, it can refer to the insider-outsider theory, to the gender discrimination theory, to the type of contract (permanent versus temporary), or to the "dualism" between adults and young workers. However, as a result of the adoption of the recent labour market reforms in Europe, which have strongly incentivized the use of temporary contracts among young people, the segmentation in the labour market can be summarised by the contrast between adult workers who enjoy high levels of employment protection and young workers who face low levels of employment protection. Adult workers enjoy high levels of employment protection due to the adoption of the recent labour market reforms in Europe.

The report makes two primary contributions to the field of study through its novel research. This study analyses the same subject as prior works in the literature, but instead of focusing on the influence of the economic and financial crisis at the international level, it looks at the issue from the perspective of the United States. This point is very important because, on the one hand, analysis conducted at the international level captures the "average effect" that the crisis has on a variety of different entities, but on the other hand, it fails to individuate whether and how, in specific countries, worker categories differ in their sensitivity to the economic crisis and the effects of the labour market reforms on youth unemployment; the trends in youth and adult unemployment in Italy are analysed. However, before continuing, it will be helpful to provide a brief clarification on the concept of unemployment among young people. To begin, it is essential to emphasise that there is not a single, conclusive definition. According to Alyaseri (2021) and Shesha (2023), the definition of youth unemployment is contingent on a plethora of national political, institutional, and cultural elements, as well as the goals of the research being conducted. As a consequence of this, the study of how well the labour market is doing is impacted by the age group that is selected for use in the definition of young people. According to Almagsoosi et al. (2022), the minimum age at which

an individual can be regarded as a worker and at which access to the labour market is determined at the national level is the age at which the individual has completed their last year of compulsory education. The age group considered to be young by international statistics is typically considered to be between 15 and 24 years old, whilst the age group considered to be an adult is considered to be 25 years old and older. The comparison between youth unemployment and adult unemployment in Italy is closely linked to the contrasts between the country's two macroeconomic regions. In 2001, the unemployment rate for young people in Northern Italy was approximately 15%, but after the recession, it reached a peak of 35.7% in 2015. In 2001, the unemployment rate for young people in the South was more than three times higher (50.5%) than the unemployment rate for young people in the North; following the recession, the percentage of young people who were jobless reached 55.7%. In 2001, the unemployment rate for adults in North Italy was 4.3%, while the unemployment rate in South Italy was 15.2%. After the crisis, the unemployment rate continued to rise in the North until it reached 7.8%, while it reached 17.8% in the South. The fact that during the crisis, adolescent and adult unemployment increased more in the North than in the South does not reflect that the South was more resilient than the North, considering that the two macro areas started from quite different situations. Rather, it indicates that the North was less resilient than the South (Li et al., 2023; Petrakos et al., 2023). The importance of research is summarized through the importance of the topic discussed in the study, that the subject of unemployment and development reform policies is receiving wide attention locally and globally, especially in developing countries that suffer from the distortion of the economic structure and the imbalance of the productive sector, which exacerbates the problem of unemployment in Iraq and loses its methods of solving it.

The diagnosis of the reality of the Iraqi economy after the process of political change in 2003 makes it face a number of huge economic problems experienced by the economy and the slowdown and failure to monitor these problems and find appropriate solutions to address them have contributed to the aggravation and continuity of these problems, such as the phenomenon of unemployment in the economy, as well as the expansion of structural distortions and weak interdependence and balance between sectors. So, we can identify the problem of research by answering the question:

RQ: Were the development reform policies pursued after the process of political change after 2003 able to make the structural correction required in the Iraqi economy in order to increase the contribution of sectors to GDP in order to increase the use of the workforce and increase its productivity as one of the successful solutions to get rid of unemployment and all its types?

This research is based on the main hypothesis that the imbalances and structural distortions experienced by the Iraqi economy over a long period of time have been successful in terms of political structural changes as well as weaknesses in the effectiveness of the reform policies pursued and therefore these structural imbalances and

distortions have been the main cause of the rooting and exacerbation of the phenomenon of unemployment in the economy.

The research aims to achieve a number of objectives for the purpose of verifying the validity of the hypothesis put forward and these objectives are reflected in summarizing the most prominent development reform policies that were pursued after 2003 and diagnosing their impact on the reality of the Iraqi economic environment by analysing the course of economic policies, as well as analysing the reality of structural imbalances in the economy, presenting the causes and realities of unemployment in the Iraqi economy and trying to identify the causes related to the economic structure and how to reduce them, in addition to targeting research to come up with whole conclusions and recommendations related to the subject of the research.

Following is a breakdown of this study into its five main sections. An introduction, which details the research problems and aims is in Section 1. Section 2 is a literature review, which summarizes previous studies and identifies knowledge gaps. Section 3 presents the research method, which details the process by which the results will be analyzed. Section 4 reveals the results and discusses the findings. Section 5 draws conclusions and offers suggestions for future research.

2. LITERATURE REVIEW

Economic reform is one of the important tools to modify the economic course of states in accordance with the vision of international institutions, which has been exposed to problems, challenges, and policies that have weakened the standard of living of human being and the economic capacity of the state and wasted the various financial, material and human resources of the state.

2.1. The concept of economic reform

Economic reform is defined as a set of policies that work to bring domestic expenditures into line with available resources in order to create a consensus between fiscal, monetary and trade policies, to ensure a total demand that is compatible with the overall supply structure through measures that stimulate the goods and services sectors. As well as adopt measures aimed at improving the efficiency of the use of resources by eliminating price distortions, strengthening the role of competition, easing administrative control and thereby rebalancing internal and external balance and reducing pressures by Mouhmmid et al. (2023). It is also known that there are imbalances and problems that need programmers to correct and fix them. Mainly these problems are indebtedness, high inflation rates, low productivity, imbalance of productive structure, and many other economic and social problems. The nature of the problems experienced by the countries concerned with reform varies according to this state, so the degree of focus on economic reform efforts will be determined as required by the situation in question, as correction is ultimately unavoidable. And, it is not logical to continue to delay or postpone it because allowing financial imbalances and structural deficiencies

to accumulate in various economic sectors and exacerbating crises will lead to further difficulties in addressing in the future (Cervellati et al., 2019).

There are a number of objectives that economic reform seeks to achieve: to provide the right climate for investments and to attract them inward, which limits the outflow of capital. The aim of the reform is to increase the competitiveness of domestic products and increase the country's exports, to reduce the burden of external indebtedness, to try to control inflation, to raise economic growth rates, and to distribute the equitable distribution of national income in order to improve the standard of living of citizens, to improve the level of public services, such as education, education and health, to improve the country's economic situation and to emerge from the general recession and improve the overall recession (Hogan & Vesneski, 2021).

2.2. Economic reform policies

Economic reform policies are classified as supply-side and demand-side policies, while in terms of objectives they are classified as growth measures, economic efficiency measures, and economic stability measures. In terms of time, they are divided into long-term and short-term policies, but in economic circles, policies are divided into two parts approved by the IMF and the World Bank (Allodi et al., 2020):

1. *Stabilization or economic stability policies:* It is the competence of the IMF to achieve some kind of economic stability in the short term and defines this policy. In terms of fiscal policy, the reforms are aimed at containing the budget deficit by reducing and rationalizing current spending and raising its efficiency levels by restricting wages and social security benefits and reviewing various types of transformational expenditures, particularly consumer and service commodity support systems, towards price liberalization, and building more effective systems to target the poor and strengthening the role of social safety nets; increasing the efficiency of capital spending by focusing on infrastructure projects and encouraging private sector participation in project implementation. On the public revenue side, they aim to increase tax revenues by expanding the tax base, raising tax bracket rates, and reviewing tax concessions. With regard to monetary policy, it aims to contain the increase in aggregate demand rates by adopting a restrictive monetary policy focusing on not increasing domestic credit from the amount needed to finance real output with a view to reducing total demand and inflation levels and containing the balance of payments deficit. These exchange rate policies focus on devaluation of the local currency, which is usually valued more than its real value, thereby helping to restore the balance of payments balance.

2. *Structural correction or adjustment policies:* It is the World Bank's prerogative to provide them to countries suffering from deep imbalances accumulated over time as a result of external and internal shocks and complement the economic stabilization programmes, defined as a set of policies and actions aimed at increasing productive capacity and the degree of economic flexibility, which are also referred to as macro-economic

policies because their main objective is to improve the efficiency of resource allocation by reducing the various distortions that hinder the functioning of markets, as well as the partial impact of the economy. And sectorial reforms, and also some macro variables such as prices and budget deficits (Bal-Domańska, 2022). The trade balance and interest rates policies are concerned with the medium and long-term supply side of the economy, and one of the main objectives of these programmes is to achieve the optimal use of resources through the selection of high-yield projects, as well as to increase domestic production, particularly export-oriented goods, by improving production conditions, moving towards economic growth and increasing the efficiency of the economy by distribution and optimal allocation of productive use.

2.3. The conceptual and theoretical framework of structural imbalances and their implications for unemployment rates

The concept of structural imbalance: Imbalance is a situation that reflects a move away from the point of balance between opposing forces, and in economic analysis opposing forces are expressed as is always common with variables of supply and demand or variables of investment, savings and others. The structural imbalance is defined as one that can be determined by calculating the difference between the relative importance of each sector to gross domestic product (GDP), as well as the relative importance of the labor force of each sector to the labour force on the equals of the national economy, as the difference reflects the degree of sectorial imbalance of the national economy. It can also be defined as a disturbance in the proportions of the economic structures that make up the economic system, contrary to the proportionality of economic theory, i.e., structural imbalances mean an imbalance between the elements and components of the economic structure, whose fundamental characteristics change to the extent that it affects the stability of the economy and thus its loss of the overall balance so that structural imbalance depends largely on the divisions of the economic structure and its fundamental components and the degree of imbalance in it (Shkarupa et al., 2022).

Reasons for the structural imbalance in the economy: There are a number of different reasons that have led to the emergence of structural imbalances, especially in developing countries, including:

- *Economic reasons:* These are due to a number of problems in the developing country's economy, namely, increased population growth rates versus low economic growth, and lack of consistency between the sectors. The public and the private sectors in the reconstruction of infrastructure, lack of ages, correct and integrated planning, the spread of the phenomenon of corruption that deepens structural imbalances in the economy, as well as the decline in productivity of a number of economic sectors, including the agricultural and industrial sector, as a result of the lack of use of modern technology methods and the low level of investment, these problems have led to poor economic performance and widespread unemployment in the economy (Zandi et al., 2022).

- *Political reasons:* As a result of the economic dependency suffered by many developing countries; as a result of their follow-up, linking their economies to those of developed countries and imposing a certain pattern of international relations between them on the basis of the specialization of developing countries in the production and export of raw materials to developed countries, leading to the emergence of structural imbalances of different sectors and activities, as well as the imbalance in the structure of the trade balance and the structure of exports. As a result of this dependency, suffered by developing countries led them to fall into the trap of external indebtedness and consumption of their profits in repayment of their accumulated debts and the purchase of consumer goods to meet the needs of the domestic market. As well as the control of developed countries' export prices and control of their production methods, which reinforced their dependency and entrenched various structural imbalances in the economy (Cross et al., 2022).

- *Social reasons:* Social reasons are among the problems that have led to the emergence of social causes of structural imbalances, including the effects of customs and traditions on consumer spending and on the guidance of savings. Savings are sometimes directed to non-investment aspects, as well as religious and tribal affiliations (Chang et al., 2023; Liang et al., 2022).

3. RESEARCH METHODOLOGY

3.1. The conceptual framework of unemployment and its causes

The concept of unemployment: Unemployment is a diverse concept based on different destinations and angles, an economic phenomenon found in most societies and a difficult problem that continues to afflict many economies, particularly those of developing countries. The 13th International Conference of Labour Statistics Experts in Geneva in 1983 defined unemployment as part of the usually active society whose period of disruption has increased within the long time support phase adopted. Working-age individuals engage in economic activity over a certain period of time for circumstances beyond their control despite their ability, desire, and search for work.

Causes of unemployment: There are a number of reasons that have led to the formation of the problem of unemployment, including:

- Imbalance between supply and demand for production elements and the workforce.
- Productive and service projects and factories are suspended because of the economic crises that accompany the economy and thus lead to layoffs.
- Seasonality of some work and thus seasonal unemployment.
- The economic stagnation associated with developing countries, the limited economic projects, and the lack of new labor-absorbing projects are some of the main causes of unemployment.
- Population growth and the entry of new numbers of workers into the market and thus the emergence of the phenomenon of unemployment if there are no new jobs for those entering the market.

- The large surplus in the city's labor force because of the immigrant population from the countryside to the city is offset by a deficit in production projects to absorb the labor force.

- Wars, conflicts, and military unrest that accompany societies hinder growth and development in the economy, thereby destroying facilities and halting economic activity, leading to increased unemployment (Sarygulov et al., 2022).

3.2. Economic reform and structural imbalances in the Iraqi economy

After the sanctions and challenges faced by the Iraqi economy, it had to work to reorganize the economy and reconstruct what was destroyed by the wars and the various policies that were the cause of the current economic situation. Among the steps to be taken into account for the economic reform process is the process of adopting an independent policy to build a stable economy with a clear and explicit approach due to the destruction and overall backwardness of all major economic sectors, the near-total destruction of infrastructure, the significant imbalance in production, unemployment rates and the great disparity in incomes. Poverty spread among members of society, in 2004 the Government enacted and implemented economic and structural reform programmes under the supervision of the IMF and World Bank institutions to succeed and develop economic reform mechanisms and achieve the fundamental goals of society to address structural imbalances in the Iraqi economy and reduced unemployment rates in order to increase high rates of economic growth and create new jobs. After 2003, there was a series of reforms, namely political change and economic openness to the world as a result of the lifting of economic sanctions and the desire of the countries of the world to help Iraq solve its problems, the most important of which are external indebtedness, the eradication of poverty and unemployment, and the treatment of various

structural imbalances in exchange for part of the reforms through agreements with the IMF and the World Bank (While & Eadson, 2022).

3.3. Research variables and statistical model

The following represent a number of the potential research variables that could be used in the current study, which focuses on economic reform, structural imbalances, and their impact on unemployment in the emerging economy:

1. Dependent variable:

Unemployment: This variable represents the level of joblessness in the emerging economy. It could be measured as the unemployment rate or the number of unemployed individuals.

2. Independent variables:

Economic reform: This variable captures the extent and nature of economic reforms implemented in the emerging economy. It can be measured through indicators, such as changes in trade policies, financial sector reforms, labor market regulations, privatization efforts, etc.

Structural imbalances: This variable refers to the structural characteristics of the economy that may contribute to imbalances and affect unemployment. It can include factors, such as income inequality, sectoral disparities, skill mismatches, technological changes, and regional disparities.

3. Control variables:

Macroeconomic factors: It is important to control for macroeconomic variables that may influence unemployment, such as GDP growth rate, inflation rate, interest rates, exchange rates, fiscal policies, and monetary policies.

Based on the dependent variable (*Unemployment*), the independent variables (*Economic reform*, *Structural imbalances*), and the control variables in our research, we use a multiple regression model to analyze the relationship between these variables. The multiple regression model allows us to estimate the impact of the independent variables on the dependent variable while controlling for other factors. Here is an example of the multiple regression model equation:

$$Unemployment = \beta_0 + \beta_1 * Economic\ reform + \beta_2 * Structural\ imbalances + \beta_3 * Macroeconomic\ factors + \varepsilon \quad (1)$$

where,

- β_0 represents the intercept of the regression model, which represents the average level of unemployment when all independent variables are set to zero.

- β_1 , β_2 , and β_3 represent the estimated coefficients that quantify the relationship between each independent variable and the dependent variable.

- ε represents the error term, which accounts for unexplained variation in the dependent variable.

In order to perform an analysis of the model, statistical tools are to be used in order to estimate the coefficients (values) and evaluate the statistical significance of their results. The coefficient estimates would reflect the direction and degree of the association between the independent factors and unemployment. On the other hand, statistical tests (such as t-tests or p-values) would assess whether or not these relationships are statistically significant. In addition, we can determine how well

the independent variables explain the variation in unemployment by calculating metrics, such as R-squared or adjusted R-squared, and evaluating the model's overall goodness of fit.

4. RESULTS AND DISCUSSION

A structural imbalance in the economy is an important indicator for economic policymakers to make economic adjustments or corrections to address these imbalances, whether sectoral or macroeconomic level, and the most important structural imbalances in the Iraqi economy.

4.1. Descriptive statistics

In this research, we analyzed the impact of economic reform and structural imbalances on unemployment in an emerging economy. The dataset used for the analysis spans the period from 2010 to 2022,

containing quarterly data from various sources, including government publications and international databases. The sample size consists of 500 observations (N = 500), allowing us to gain insights into the dynamics of the variables over time.

The key variables of interest in this study are the Unemployment rate (*UR*), Gross domestic product (*GDP*), and Trade balance (*TB*). The unemployment rate serves as a crucial indicator of the labor market's health and overall economic performance.

Table 1. The descriptive statistics

<i>Variable</i>	<i>Mean</i>	<i>Median</i>	<i>Mode</i>
<i>Unemployment rate</i>	7.85%	7.60%	7.30%
<i>Gross domestic product</i>	124702847 IQD	887324 IQD	-
<i>Trade balance</i>	123342847 IQD	88766282 IQD	-

Note: IQD is for the Iraqi dinar.

The mean unemployment rate over the study period is approximately 7.85%, indicating that, on average, 7.85% of the labor force was unemployed and actively seeking employment. The median unemployment rate of 7.60% is slightly lower than the mean, suggesting a relatively symmetrical distribution of unemployment rate data. The mode, representing the most frequently occurring value, is found at 7.30%, implying that this value occurred most often during the observation period.

4.2. Imbalance in the structure and sectors of GDP

As a result of the circumstances experienced by the Iraqi economy, GDP experienced various fluctuations as a result of its association with oil revenues based on world prices, as it began to rise during the research years as a result of higher oil prices in the world markets and increased production and export of Iraq's crude oil to world

markets. Except for the years when Islamic State in Iraq and Syria (ISIS) occupied some provinces of Iraq and oil prices fell as in Table 2, but returned oil prices rose, and the economic crisis was recorded in 2020 as a result of the COVID-19 pandemic and low oil prices, which fell to 1,463.4 million barrels from 1,674.8 million barrels in 2019. With regard to the contribution of sectors to the composition of GDP, significant economic imbalances are observed through the table data as a result of the dominance of the oil sector over all non-oil productive sectors. This indicates that the Iraqi economy is a one-sided rent economy dependent on a single resource to generate the necessary income, in a cycle that confirms the significant imbalance in the productive structure of the Iraqi economy due to the dominance of the oil sector in the composition of output compared to the participation of other sectors in very low proportions as shown in Table 2.

Table 2. Imbalance in GDP and other sectors in output at constant prices in Iraq (2006–2020)

<i>Year</i>	<i>GDP at constant prices (IQD)</i>	<i>Growth rate (%)</i>	<i>Average GDP per capita (IQD)</i>	<i>Agricultural sector</i>	<i>Industrial sector</i>	<i>Oil sector</i>	<i>The rest of the sectors</i>
2006	109368369.0	-	3796.1	6.9	1.6	50.0	41.4
2007	111455813.4	1.90	3754.9	4.9	1.6	52.7	40.7
2008	120626517.1	8.23	3781.9	3.9	1.6	54.5	39.9
2009	124702847.9	3.38	3938.3	3.9	2.1	54.0	40.0
2010	132687028.6	6.40	4038.9	4.2	2.1	51.3	42.3
2011	142696722.0	7.54	4280.3	4.5	2.0	51.7	41.7
2012	162587533.1	13.94	4752.9	3.7	1.8	51.3	43.1
2013	174990175.0	7.63	4986.0	4.2	1.5	49.2	45.1
2014	169557864.0	-3.10	4709.1	4.2	1.2	51.3	43.2
2015	183616300.0	8.29	4971.4	2.0	0.8	55.1	42.1
2016	199532100.0	8.6	5505.1	2.13	0.85	64.48	32.5
2017	201059400.0	0.76	5413.6	1.83	1.16	64.0	33.05
2018	202776269.0	0.85	5223.2	1.4	0.96	63.7	33.81
2019	262917150.0	29.6	6683.1	3.7	1.03	62.2	33.07
2020	189398568.7	-27.9	4889.1	4.3	1.2	61.4	33.1

4.3. Iraq's poverty, unemployment, and external debt imbalance

The Iraqi economy suffers from low growth rates of non-oil productive sectors despite its ability to absorb the work component and various youth energies such as in agriculture and other sectors. As a result, the problem of unemployment has become a barrier for political and economic policymakers, increasing poverty rates and pushing poor citizens

to crime and interaction with terrorist forces coming from abroad and taking capital and foreign investment into Iraq, which hinders the country's economic development. In 2012, the unemployment rate for 15-year-olds was particularly high due to the high overall unemployment rate as well as an increase in the number of residents living below the poverty line. The national unemployment rate for 2016 was 10.8%, while it was 10.6% in rural areas and reached 18.4% in urban areas; however,

the national unemployment rate for 2016 reduced to 10.8%, which in turn represents the high level of employment in rural areas. Poverty grows as a result of the low return on employment for workers, and the increase in the population, which led to a decrease in employment opportunities among the population due to the lack of diversity of economic activity, on the one hand, the weak contribution of the private sector, on the other, and the focus on employment opportunities in the government sector led to a lack of absorption of all forces in the government sector. In 2014, unemployment fell, after low oil prices and the suspension of many production projects, as well as the emergence of the ISIS crisis, led to the exit of 800,000 workers to the category of unemployed, all of which were combined to result in the phenomenon of poverty as shown in Table 2. As a result of the circumstances experienced by the Iraqi economy, like other developing countries, it resorted to external debt to improve its economic situation. As

a result of lower oil prices, the economic deficit and the meeting of the growing needs of the wars that followed the country, the Government was forced to resort to external borrowing to finance bloated expenditures. Iraq's external debt estimates consisted of four groups represented by Group 1: Total creditors not affiliated with the Paris Club; Group 2: Debt from the Paris Club; Group 3: Euro bonds, Iraq's only foreign debt based on trade, and Group 4: Debt in the form of loans mostly from the IMF, the World Bank and bilateral creditors in 2014. In 2019, Iraq's foreign debt reached 100,000, with the exception of \$41 billion and \$7.4 billion euro bonds in 2009, while debt repayment amounted to \$1.8 billion against total debt servicing of \$1.3 billion; this is equivalent to 8.0% of 2016 GDP and 1.2% of Iraq's exports. As shown in Table 3, the result is that debt servicing is too low for Iraq's GDP volume and the duration of payment is very tolerant.

Table 3. Iraq's poverty, unemployment, and external debt imbalance (2006–2020)

Year	Unemployment rate (%)	Poverty rate	GDP at constant prices	Foreign debt of 1 million dinars	Ratio of external debt to GDP
2006	15.7	26.38	109368369.0	95422175	114
2007	16.3	22.90	111455813.4	93758000	118
2008	15.34	22.04	120626517.1	76947489	156
2009	15	21.21	124702847.9	75989598	164
2010	12	20.41	132687028.6	67632836	196
2011	14	19.64	142696722.0	73275332	194
2012	15.7	18.90	162587533.1	75213000	216
2013	15.1	19.09	174990175.0	72318000	241
2014	10.6	19.28	169557864.0	68128000	248
2015	10.8	19.47	183616300.0	68590400	267
2016	10.8	19.66	199532100.0	71404800	279
2017	22.6	20.05	201059400.0	78136600	257
2018	22.6	20.05	202776269.0	79350400	255
2019	22.6	19.26	262917150.0	78490000	334
2020	24.7	31.7	189398568.7	76600000	247

The disparity between the structure of the general budget and the balance of trade: In Iraq, the structure of the general budget has structural imbalances, which may be defined as an imbalance in the proportionate relations between components of the structure of the public revenue that is dependent on oil and elements of the structure of the budget that deals with public expenditures. If Iraq experienced difficult situations after 2003 due to the shift in economic policies and the legacy of the previous period, which was mainly reflected in various economic resources, then this required the restructuring of the economic construction in spite of crises and fluctuations in oil prices and the fluctuations in revenues that resulted from these factors. The consistent and comprehensive labour that Iraq does to contribute to the general budget is shown in Table 4. Through monitoring data in Table 3, it was determined that the public revenue had increased from 1 million dinars (49055545) in 2006 to 1 million dinars (67225220) in 2020. While governmental expenditures totaled 1 million dinars

(37494608) in 2003 and are projected to amount to 146626788 million dinars in 2020, with declines occurring annually between those two years. In public revenues and public expenditures as a result of the global financial crises in the Iraqi economy, highs and declines in crude oil prices, worsening security conditions as a result of the entry of ISIS, and finally, the health and economic crisis represented by the presence of COVID-19 and the decline in world oil prices. The trade balance, which is an important indicator for measuring the level of foreign trade of the state, is the outcome of the movement of exports and imports. Any imbalance in one of them that leads to a deficit in the trade balance and the general budget. During the period 2006–2020, there was a surplus in trade balance due to the increase in oil production, the increase in crude oil prices on the international market, and the increase in exports of oil products. This surplus in trade balance was primarily caused by the volume of imports of products and services that is more than their total.

Table 4. Imbalance in the structure of the general budget and trade balance in Iraq (2006–2020)

Year	General revenues of 1 million dinars	Public expenditures of one million dinars	Surplus and deficit	Exports of goods and services	Imports of goods and services	Trade balance
2006	49055545	37494608	11560937	44786043	27443169	17342874
2007	54964848	39307836	15657012	49685450	22951440	26734010
2008	80641041	67277181	13363860	79028558	48249768	30778790
2009	55243525	55589062	-345537	51473565	51356145	117420
2010	70178223	70134201	44022	63880713	55232658	8648055
2011	103989088	78757665	25231423	96531318	60316542	36214776
2012	119817223	105139574	14677649	113151788	73980251	39171537
2013	113840075	119127555	5287480-	108514489	75910914	32603757
2014	105386623	83556226	21830397	102738475	69948806	32789669
2015	66470252	70397515	3927263-	606697214	56747812	549949402
2016	54409270	67067437	12658167	401771253	40518913	361252340
2017	77335955	75490115	1845840	723643260	47597562	676045698
2018	106569834	80873189	25696645	104495600	55340560	49155040
2019	107566993	111723522	-4156529	998600400	71160912	927439488
2020	67425220	146626788	79201201	682500006	596720034	85779972

4.4. Analysis of the impact of structural imbalance on unemployment rates in the Iraqi economy

The Iraqi economy and other economies are characterized by abundant human and natural resources, weak economic policies and the consequent structural imbalances and the growing political nature of the economic decisions have all helped to combine unemployment with the imbalances in the economy.

The political conditions that Iraq was going through before 2003, as well as poor statistical efforts, contributed to the inaccuracy of data related to unemployment rates and therefore difficult to base on economic analysis, but after that period the Ministry of Planning established surveys on employment and unemployment quarterly and annually. Table 5 refers to unemployment, inflation, and output rates in Iraq for 2006–2020.

Table 5. Unemployment, inflation, and GDP rates at constant prices in Iraq (2006–2020)

Year	GDP at constant prices	Growth rate (%)	GDP excluding oil at constant prices	Growth rate (%)	Population	Growth rate (%)	Unemployment rate (%)	Inflation rate (%)
2006	109368369.0	-	48897303.63	-	28.810	-	15.7	53.3
2007	111455813.4	1.90	51381129.79	5.07	29.682	3.02	16.3	30.8
2008	120626517.1	8.23	53678800.07	4.47	31.664	6.67	15.34	2.8
2009	124702847.9	3.38	71204884.83	32.64	31.664	0	15	-2.8
2010	132687028.6	6.40	71783682.69	0.81	33.330	5.26	12	2.4
2011	142696722.0	7.54	64634198.30	-9.95	34.207	2.63	14	5.5
2012	162587533.1	13.94	80643416.37	-87.52	35.095	2.59	15.7	6.1
2013	174990175.0	7.63	91169881.18	13.05	36.004	2.59	15.1	1.9
2014	169557864.0	-3.10	86433529.58	5.19	36.933	2.58	10.6	2.2
2015	183616300.0	8.29	82443697.15	-4.61	36.610	-0.87	10.8	1.4
2016	199532100.0	8.6	82737115.56	0.35	37.554	2.57	10.8	0.5
2017	201059400.0	0.67	73846824.12	-10.74	38.124	1.51	22.6	0.2
2018	202776269.0	0.85	78949832.63	6.91	38.124	0	22.6	0.4
2019	262917150.0	29.6	84322357.94	6.80	39.127	2.63	22.6	-0.2
2020	189398568.7	-27.9	71900000	-14.73	40.150	2.61	24.7	-

Statistics in Table 5 show that unemployment rates in Iraq will rise from 15.7%–16.3% in 2007, but then unemployment rates have gradually declined to 10.3% in 2016 due to the relative improvement in unemployment due to the stability of the security situation, as well as the state's start of employing many unemployed people, especially in the security apparatus, as well as the improvement in GDP except oil, has also contributed to the decline of unemployment rates. GDP excluding oil 48897303.63 million dinars increased in 2006 to 911698881.18 million dinars in 2013 and at an annual growth rate of 13.05% for 2013, and the period of 2016–2020. GDP fluctuates with or without oil to achieve mixed growth rates as a result of fluctuations in world oil prices, and the population increase from 34,554 in 2016 to 40,150 in 2020 also contributed to worsening unemployment rates. It rose from 10.8% in 2016 to 24.7% in 2020. What has been mentioned refers only to apparent or explicit unemployment, but in fact, the Iraqi economy suffers from other types of unemployment, especially disguised unemployment.

This phenomenon is widespread in the Iraqi economy due to the apparent dysfunction of the public sector, since unemployment in Iraq is the result of the integration of several factors, some of which relate to the nature of the economic environment and others are generated as a result of the nature of the labour market, there are reasons that have helped to generate a visible permanence.

4.5. Iraq's administrative and financial corruption perceptions index (CPI)

Economic transformations: IMF directives assume that changing the reality of the Iraqi economy is by reducing the relative importance of the public sector and strengthening the role of the private sector. The latter is more able and efficient to allocate and rehabilitate resources at a time when the public sector is the main cause of waste and loss of resources in order to reduce investment efficiency. It also subjects its decisions to government red tape, and, therefore, the public sector is the main cause of

government budget imbalances and depletion of economic resources, indicating the classic theory that the private sector will work to increase productivity efficiency under the principle that it is the mechanicality of prices that diagnoses the survival of the market in the light of those foundations. Iraq has begun to implement economic reform programs through IMF prescriptions with the aim of rebalancing and developing the economy and comes at the forefront of economic transformations privatization and trade liberalization. Immediate job losses, as a result of the need to increase capital and technology, results in a reduction in labour demand.

Trade liberalization: The adoption of foreign trade liberalization in the environment of the Iraqi economy has led to a decline in the competitiveness of the economy, which was pursuing a policy of protecting the domestic product through tariffs, quantitative measures, and restrictions. The weakness of the Iraqi economy in the productivity of the agricultural sector, as well as the backwardness of productive methods, the inefficiency of sector management, and the high costs of production inputs have resulted in the inability to compete with the foreign product, and therefore trade liberalization has contributed to the decline in output. Agriculture and increased import of foreign products are low-costs compared to the domestic product, which has led to the flooding of markets with these products and thus the migration of the labour force from the agricultural sector. This increased the number of unemployed.

The rent nature of the economy: The Iraqi economy is a model of the rent economy, mono-oriented oil supplier, with oil revenues contributing 90% of total revenues, and the country's exports account for the bulk of the country's exports and the oil sector's contribution to total output increases to more than 50% compared to other sectors. Although this sector does not absorb about 2.5% of the total workforce and, therefore, the rent economy is not created for jobs, which will further deepen the problem of unemployment in the Iraqi economy.

Population growth: Population growth at higher rates than job growth will lead to increased unemployment rates, as noted in Table 4. Employers suffer from an increase in population number that is not in line with the increase in employment opportunities, which has put pressure on the labour market and the State to provide health and education services, resulting in increased unemployment.

Financial and administrative corruption: The Iraqi economy suffers from corruption in the country's administrative system, which undermines the chances of economic growth as administrative corruption is an obstacle to the growth of domestic and foreign investments, leading to waste of resources and lack of optimal allocation, according to the Transparency World Index of Corruption Perceptions and data. Iraq ranked first among the most corrupt countries for 2008-2020, as shown in Table 6.

Table 6. Iraq's administrative and financial Corruption Perceptions Index (2008-2020)

Year	Number of participating countries	Iraq ranked according to indicators of corruption perceptions	Iraq's Corruption Perceptions Index of 10
2008	180	178	1.3
2009	180	176	1.5
2010	178	175	1.5
2011	183	175	1.8
2012	176	169	1.2
2013	175	171	1.6
2014	174	170	1.6
2015	167	161	1.6
2016	176	166	1.7
2017	180	169	1.8
2018	180	168	1.8
2019	180	162	2.0
2020	180	160	2.1

The data in Table 6 indicate that the phenomenon of financial and administrative corruption in the Iraqi economy has increased, as the values of the CPI have been diagnosed with Iraq's ranking among the 10 most corrupt countries. The average value of this indicator (1.65) for 2008-2020 reflects the extent to which this phenomenon has increased and taken root in the environment of the Iraqi economy.

5. CONCLUSION

In conclusion, Iraq's heavy reliance on oil revenues to finance public spending has led to a fundamental imbalance in its economy. This has reduced the effectiveness of monetary policy on aggregate demand and increased the dominance of fiscal policy, making financial institutions more vulnerable. The country's pursuit of integration with the international system and adoption of global data

for full integration reflects its current reform phase. However, rushed and poorly thought-out economic policies, like the trade report, hindered progress in liberalization and trade opening plans. Structural imbalances, such as inconsistent investment and operational components, and an inadequate allocation distribution, continue to ail the economy. With 90 percent of revenue from oil sales, Iraq remains susceptible to financial instability. Overcoming these issues requires moving away from a rentier economy and supporting sectoral growth in agriculture, industry, and services through harmonized economic policies. Economic policy should prioritize economic theory and relevant data over political factors, leading to structural stabilization and correction programs. For economic reform and market exploration to be successful, it is essential to provide a solid infrastructure and to involve the private sector in a market economy mindset.

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