



مركز المنصة للتنمية المستدامة  
PLATFORM CENTER FOR SUSTAINABLE DEVELOPMENT

# Issue & Analysis Proposed Salary Ladder



# Issue & Analysis

Monthly publication from PSDIraq that sheds light on a salient issue that dominates policymaking circles and public opinion



## About the Center

Platform Center for Sustainable Development (PSDIraq) is a registered NGO at the Directorate of Non-governmental organisations in the General Secretariat of the Council of Ministers under the number (152106012). It is a space for thinking, discussing, and working towards positive change in Iraq.

## Vision

We seek to establish a platform for dialogue and policies to contribute to achieving sustainable development goals in Iraq.

## Mission

Bridging the gap between the state and society in a way that ensures the realization of the essence of democracy represented by the participation of citizens in the decision-making processes, through training, monitoring, analyzing, researching, awareness raising, and advocacy campaigns.

## Strategic Goals

Preparing Youth to fulfill their societal obligations by analyzing root causes of problems, proposing feasible and desirable policy alternatives and advocating for their implementation

Presenting statistics and issues that occupy the political and societal scene to reflect a deeper understanding of Iraq's realities

Encouraging youth to work towards achieving sustainable development goals

Establishing a network of active, informed, and committed citizens towards Iraq's state-building project



# Issue/subject

Despite the enactment of the State and Public Sector Employees’ Salaries Law No. (22) of 2008, and its appendix that includes a unified salary scale for all state and public sector employees, significant financial differences have emerged in the employees’ salaries due to the enactment of special laws that grant some ministries and agencies and other pounces, in addition to special approvals from the Council of Ministers and its president to grant other allocations whose amount varies according to the ministry or government agency. These allocations have generated large differences in the income level of government employees, triggering those not covered by these allocations to demands pay increase, prompting the government to form a committee of Executive Order No. (24) of 2022 to prepare a draft of a new salary scale





## Analysis

### Current Salary Ladder

- The current salary scale includes the amount of nominal salaries, plus bonuses for educational level and marital status uniformly for all state institutions. However, the enactment of new special laws for many institutions that increased its employees' salaries up to (300%).

### There have been previous attempts to amend the current salary ladder:

- 2011:** The second Maliki government initially applied an upgraded salary ladder to self-financed State Owned Enterprises (SOEs) but was suspended due to the drop in oil prices and Daesh occupation.
- 2015:** The government of then-PM Abadi issued a new salary scale; however, popular pressure prompted the government to cancel it.
- 2017:** The Parliamentary Finance Committee attempted to amend the salary scale.
- 2018:** The government of then-PM Adel Abdul-Mahdi had legal articles attached to the budget law that included a reduction in allocations for some agencies and not others.
- 2021:** The government of then-PM Kadhimi attempted to impose an income tax to reduce the salary bill in light of the Covid pandemic and dropping oil prices. However, it did not succeed due to the ease of the economic situation as a result of increasing oil prices.



## Proposed Salary Ladder

- The designated committee submitted a new salary ladder that increases the nominal salary for all grades, plus allocation for educational level, **50%** allocation for enhancing living standards, and **30%** ceiling for risk allocation, based on the approval of a minister, in addition to allocations for those hold a position, marriage, kids, and geographical location, as seen in Table I.

**The salary will be calculated based on the following equation:**

Total salary equals the nominal salary + allocations (educational level + living standards + risk allocation (if approved) + marriage and kids allocation + geographic location-allocation

Table I. Proposed salary ladder

Grade	Current nominal salary	Proposed nominal salary	Amount of increase	Percentage of increase
First	910,000	<b>1,001,000</b>	91,000	<b>%10</b>
Second	723,000	<b>867,000</b>	144,000	<b>%20</b>
Third	600,000	<b>780,000</b>	180,000	<b>%30</b>
Fourth	509,000	<b>712,000</b>	203,000	<b>%40</b>
Fifth	429,000	<b>643,000</b>	214,000	<b>%50</b>
Sixth	362,000	<b>615,000</b>	253,000	<b>%70</b>
Seventh	296,000	<b>562,000</b>	266,000	<b>%90</b>
Eighth	260,000	<b>546,000</b>	286,000	<b>%110</b>
Ninth	210,000	<b>483,000</b>	273,000	<b>%130</b>
Tenth	170,000	<b>425,000</b>	255,000	<b>%150</b>





■ The following example demonstrates the decreasing gaps between the tenth and first grade, assuming two employees in the first and sixth grades subsequently both have a bachelor’s degree, are married, and have four kids, compared to an employee in the tenth grade who does not hold any educational decree, is married, and has four kids, as seen in the following tables II, III, IV .

**Table II. Differences between current and proposed salary**

Grade	Current Salary	Proposed Salary	Amount of Increase
First	1,409,500	2,041,950	632,450
Sixth	598,700	1,289,250	690,550
Tenth	285,500	791,250	505,750

**Table III. Proposed Salary Ladder**

Grade	Nominal salary	Living standards allocation	Education level allocation	Marital status allocation	Kids allocation	Total salary
First	1,001,000	500,500	450,450	50,000	40,000	2,041,950
Sixth	615,000	307,500	276,750	50,000	40,000	1,289,250
Tenth	425,000	212,500	63,750	50,000	40,000	791,250

**Table IV. Current Salary Ladder**

Grade	Nominal salary	Education level allocation	Marital status allocation	Kids allocation	Total salary
First	910,000	409,500	50,000	40,000	1,409,500
Sixth	362,000	146,700	50,000	40,000	598,700
Tenth	170,000	25,500	50,000	40,000	285,500





## Challenges of implementing the proposed salary ladder

### 1 Number of employees

- Iraqi state suffers from bloated bureaucracy due to hikes in public hiring to mitigate popular pressure and achieves political stability, plus obligatory hiring of medical students' graduates (Law no. 3 of 2000), postgraduate students (Law no. 59 of 2017), and top students (Law no. 67 of 2017). Hence, an increase in salaries will increase the cost of already exaggerated recurring expenditures, as seen in Table V and VI.

Table V. The increase of number of public sector employees (2021 – 2023)

No. employees 2021	No. employees 2023	Amount of Increase	Percentage of Increase
<b>3,263,834</b>	4,096,801	832.967	<b>%25.5</b>

Table VI. The increase of salary bill in federal budgets (2021 – 2023)

Salary bill 2021	Salary bill 2023	Amount of Increase	Percentage of Increase
<b>53.8</b> Trillion IQD	<b>59</b> Trillion IQD	<b>5.2</b> Trillion IQD	<b>%9.6</b>

### 2 Budget Deficit

- Draft of the Federal Budget of 2023-25 has a deficit of 64.5 trillion dinars, constituting 32% of total expenditure, the largest deficit Iraq ever had, and implementing the proposed salary ladder would increase expenditure by 10 trillion .dinars, increasing budget deficit, as seen in Table VII.

Table VII. Deficit increase in case of implementing proposed salary ladder

2023 Recurring Spending	2023 Planned Deficit	Cost of the proposed salary ladder	New Recurring Spending	New Deficit
<b>199</b> Trillion IQD	64.5 Trillion IQD	10 Trillion IQD	209 Trillion IQD	74.5 Trillion IQD





### 3 Special laws and political consensus

- Some Ministries and state entities have laws granting them certain privileges; hence, approving the proposed salary ladder requires a legislative intervention that cancels all allocations made in special laws. Such a measure requires political consensus.



### 4 Self-financed institutions and enterprises

- The proposed salary ladder increases the nominal salary, which might transfer some SOEs from being profitable into bankruptcy as a result of an increase in the salary bill. This would burden the finance ministry by dedicating funds for SOEs to maintain their operations. But even if these SOEs manage such an increase of salary bill, it would decrease its profit, of which 45% is revenue for the Federal Budget, minimizing non-oil revenue.

### 5 Retirement Fund

- 25% of employees' nominal salaries are paid to Retirement Fund, the government pays 15%, and the employee pays 10%. This will burden the finance ministry with additional costs to cover the 15% in proportion to the nominal salary increase, as seen in VIII.





Table VIII. Retirement Contribution

Grade	Current Salary	Current Retirement Contribution	Proposed Salary	New Retirement Contribution	Amount of increase	Percent of Increase
First	910,000	136,500	1,001,000	150,150	13,650	%10
Sixth	362,000	54,300	615,000	92,250	37,950	%70
Tenth	170,000	25,500	425,000	63,750	38250	%150

The retirement fund will also be burdened as a result of calculating retirement on the nominal salary of the employee for the last three years of service.

## 6 Prices inflation

- An increase in employees' salaries will increase their purchasing power, which in its turn increases prices. This would adversely impact those working in the private sector, freelancers, and social welfare beneficiaries.

