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Editorial

Beyond the Pension Crisis: Activating Iran's Elderly Labor Market as a National Imperative

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The confluence of a plummeting fertility rate and steadily rising life expectancy has fundamentally reshaped Iran's demographic landscape. Consequently, the gradual increase in the proportion of the elderly within the population has placed considerable pressure on the financial resources of pension funds and the social security system (1). Pension funds are financial institutions that collect insurance contributions from employees and employers to provide pensions and related benefits upon retirement or disability, thereby ensuring the economic security and dignity of retirees (2). In contrast, the elderly labor market encompasses the segment of the workforce where individuals beyond typical retirement age engage in full-time, part-time, or self-employment activities (3). Labor market policies, comprising government measures, laws, regulations, and programs to regulate employment relations and enhance market conditions (4), can directly or indirectly shape elderly participation in this market by interacting with pension fund mechanisms.

Currently, Iran's pension system comprises several primary and secondary funds, with the most prominent being the Social Security Organization, the Civil Service Pension Fund, and the Armed Forces Pension Fund (5). According to recent reports from Iran's Social Security Organization, the support index (the ratio of insurers to pensioners) has declined from 6.66 in 2011 to 4.41 in 2020. Empirical studies further indicate that a decrease in this index below 5.35 would render the organization unable to fulfill its financial commitments (6). This financial instability has forced the government to inject heavy resources into pension funds. This huge volume of resource transfer not only puts a heavy pressure on the country's public budget, but also has seriously limited the possibility of investing in infrastructure, education, health and production support, and in practice, today's young and active generation pays the heavy price of inefficient retirement policies (6, 7).

This financial precarity is not incidental; it is the direct result of several structural failures. The root causes of this crisis are multifaceted and include increasing life expectancy and prolonged retirement periods, a declining influx of young workers into the insured labor market, and permissive early retirement regulations. These demographic and policy-driven pressures are compounded by inadequate long-term investment strategies and inefficient management structures within the pension funds themselves (2). Additionally, demographic shifts toward an aging society will further escalate the financial commitments of these funds in the near future. Without structural reforms and proactive policies, the continuation of this trend will not only jeopardize the quality of life for the elderly but also threaten the country's economic stability (6). Global statistics indicate that the average labor force participation rate worldwide reached 61% in 2023, whereas Iran's corresponding figure was markedly lower at approximately 43% (8). This substantial gap is attributable, in part, to the sizable cohort of retirees within the population.

Ageism, the absence of retraining programs tailored to the elderly's capabilities, challenging workplace conditions, and a lack of legal incentives for employers are among the most significant barriers facing this demographic. These barriers stand in stark contrast to strategies adopted by other nations facing similar demographic pressures, where activating the elderly workforce is a cornerstone of public policy (9). Economic participation by the elderly, whether full-time, part-time, or through voluntary activities, can mitigate their financial dependence on pension funds while promoting self-esteem, mental health, and social vitality (10). In this context, supportive policies such as creating

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age-appropriate occupations, providing insurance incentives for employers, developing lifelong learning programs, and reforming early retirement regulations could effectively tap into the vast potential of the elderly population in the national economy, thereby alleviating pressure on the pension system (11).

In summary, Iran stands at a critical juncture, facing a demographic tide that threatens both the economic security of its aging population and the nation's fiscal stability. The continuation of current trends threatens not only the financial sustainability of pension funds but also the quality of life for millions of future retirees. Yet, a critical gap persists in Iran's policy discourse. While biological and health aspects of aging receive attention, the economic dimensions —particularly the sustainability of pension systems and the potential of the elderly labor market —remain dangerously underexplored. Therefore, we urge an immediate and collaborative effort. The Ministry of Cooperatives, Labour, and Social Welfare, the Budget and Planning Organization, and pension funds must partner with academic institutions to formulate a National Action Plan for Productive Aging. This plan must move beyond rhetoric to concrete actions: reforming incentive-distorting retirement laws, creating flexible and age-friendly employment opportunities, implementing lifelong learning and reskilling initiatives, and launching public awareness campaigns to combat ageism in the workplace. Viewing the elderly not as a dependent burden, but as a valuable resource, is not merely an option —it is an economic and social imperative for Iran's sustainable development and intergenerational equity.

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