



# ▶ Causes and Repercussions of the Unemployment

Who Hold University Degrees in Iraq



**PREPARING**

The Team of Researchers  
at East Gate

**SUPERVISED BY**

Dr. Ibrahim Adeeb Ibrahim  
Senior Researcher at East Gate

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## Introduction

The unemployment crisis among university degree holders in Iraq marked a turning point in Iraq's political history, following the demonstrations that began demanding the appointment of university degree holders and higher degrees in particular, which developed into a stormy mass movement that overthrew the existing government and almost destroyed the political system in the entire country.

This crisis prompted the new government to reconsider the economic approach of the country in general, which has its roots dating back more than half a century, as the Iraqi state adopted in its republican era the socialist approach that mortgaged the economy in its various joints with the ruling authority with the almost complete exclusion of the private sector and the disruption of market mechanisms and replacing them with central planning mechanisms.

With the fall of the last socialist regime after a period of economic blockade that lasted for more than 13 years, Iraq entered a stage of economic confusion and financial corruption unique in the history of Iraq that caused theft and waste of the equivalent of Iraq's budgets for more than five years, but internal conflicts and sectarian wars occupied people with securing their lives and sources of livelihood, and once the last chapter of internal wars ended after the battle of Mosul against the Islamic State (ISIS), the economic crisis began to emerge more and more. Foremost among them is the unemployment of young people, especially those with university degrees, after the suspension of appointments, in light of the almost complete paralysis of the agricultural and industrial production sectors due to dysfunctional trade policies that toppled the remnants of the productive capacities of the private sector.

Today, the country is reaping the harvest of decades of distorted economic policies that have left the country blown by internal and external economic storms, foremost of which is the unemployment crisis, which is worsening day by day, and which prompted many international organizations to intervene, foremost of which is the International Labor Organization.

The problem of unemployment of university degree holders is not limited to solving the problem of a segment of society, but is linked to the entire economic reality due to the fact that this problem is linked to the economic approach of the country over many decades, which has brought the country to what it is of a wide paralysis in private economic activity and the low efficiency of government performance in general and economic performance in particular, to the level where the holder of a doctorate degree has become unemployed.

The fact that unemployment rates among university degree holders are high according to the statistics of the Ministry of Planning compared to unemployment rates among all other groups with lower educational levels raises the following questions:

- What policies have brought the country to this pattern of unemployment of graduates?

- What are its current and future implications?
- Are there any treatment solutions and programs? And what are they?

## Unemployment in Iraq:

Suffice it to point out that the unemployment rates among holders of university degrees (bachelor's degree and above) according to the Poverty Monitoring and Evaluation Survey in Iraq 2017–2018 are 20.2%, and the unemployment rate among diploma holders according to the same report is 16 %, while the unemployment rate among illiterates is 14.6%, among those who read and write is 13.5%, and among holders of primary certificate 10.4%, among holders of intermediate degrees is 14.2%, and among holders of preparatory degrees is 10.9%. What makes a university degree holder unemployed in a developing country that is in dire need of top talent? What kind of policies have led to this distortion in the labor market in which the illiterate is preferred over the holder of a university degree in employment?

Iraq has seen after 2003 a rapid growth in its oil revenues after the lifting of the economic embargo imposed on it for thirteen years, this increase in revenues prompted the government to increase the payment of employees' salaries on the one hand, and increases in employment in the public sector on the other hand, as the percentage of employees in the public sector rose from 1,794 million employees in 2004, which constitutes 29.7% of the percentage of workers in the economy to 3.16 million employees in 2011, which constitutes 40% of those employed in the economy.

These jobs were not related to the services provided by the government to society, which increase the productivity of the individual in various productive sectors, but were mostly for political purposes, which led to the budget being charged with high operating expenses that drained 95% of public revenues in 2019, and 97% of public revenues in 2021.

This policy led to a number of factors that harmed the economy and its effects were deeply reflected in the labor market, including the following:

### 1. Draining budgets:

Public expenditures during the period 2005–2019, which witnessed the succession of Iraqi governments after the fall of the former regime, did not have a productive return on the Iraqi economy if compared to the economies of neighboring regional countries, while the Iraqi per capita share of public spending increased from \$791 at constant prices in 2005 to \$991 at constant prices in 2019, it is no longer The average per capita contribution to value added in the manufacturing sector was \$65 at constant prices in 2005, which fell to less than \$ 59 at constant prices in 2019.

That is, the Iraqi individual produced manufactured goods did not exceed 8% of what he received from public expenditures in 2005 and 7% in 2019, and if we compare this percentage with the regional neighborhood, it becomes clear that the impact of public expenditures on increasing per capita productivity in the field of manufacturing industries, and **Table (1)** and **Figure (1)** show that Productivity of public expenditures for the manufacturing sector in Iraq and its regional neighboring countries, where the productivity of public expenditures for the manufacturing sector was calculated by dividing the average per capita contribution to the value added in the manufacturing sector by the average per capita share of public expenditures.

**Table 1**

Productivity of public expenditures for the manufacturing sector in Iraq and neighboring regional countries.

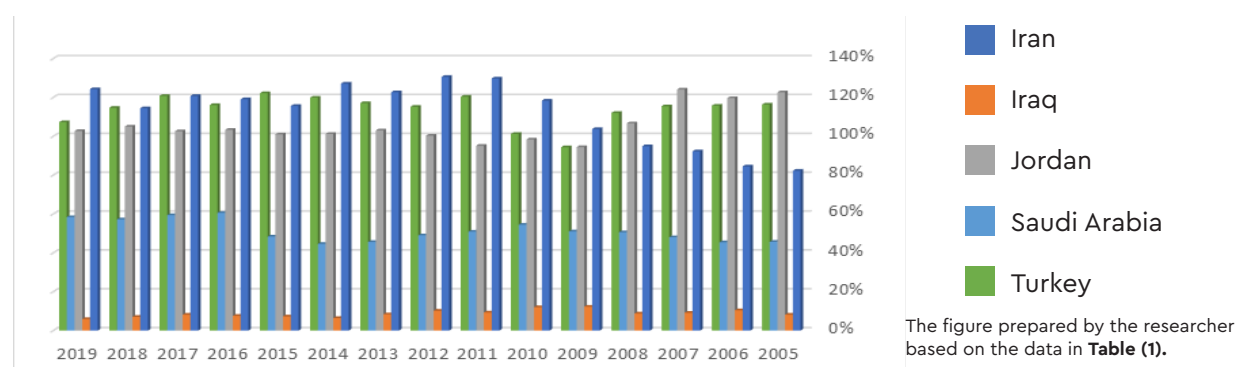
For (2005–2019)

Years	Iraq	Iran	Jordan	Saudi Arabia	Turkey
2005	8%	82%	123%	46%	116%
2006	10%	84%	120%	45%	116%
2007	9%	92%	124%	48%	115%
2008	9%	95%	107%	51%	112%
2009	12%	104%	94%	51%	94%
2010	12%	118%	98%	55%	101%
2011	9%	130%	95%	51%	120%
2012	10%	131%	100%	49%	115%
2013	8%	123%	103%	46%	117%
2014	6%	127%	101%	45%	120%
2015	7%	116%	101%	48%	122%
2016	8%	119%	103%	61%	116%
2017	8%	121%	103%	59%	121%
2018	7%	114%	105%	57%	115%
2019	6%	124%	103%	58%	107%

**Note:** The required data has been obtained from the World Bank database: World Development Indicators WDI.

**Figure 1**

Productivity of public expenditures for the manufacturing sector for (2005–2019)



We note from **Table (1)** that the productivity of public expenditures exceeded 100% in most years in Iran, Jordan and Turkey, while it ranged between 46% and 60% in Saudi Arabia, while in Iraq, the productivity of public expenditures ranged between 6% and 12%, the decrease in this percentage confirms the low productivity of the labor force that is employed in the public sector, as the productivity of the Iraqi individual does not exceed on average 9% of the amount of expenditures spent by the government on it. while this productivity exceeds 100% in Iran, Jordan and Turkey.

The situation is not much different when taking the productivity of public expenditures in the agricultural sector, although Iraq is classified as an agricultural country par excellence because of its fresh water and fertile land, but the productivity of public expenditures in the agricultural sector did not exceed 44% in 2005 and 20% in 2019, meaning that the increase in average per capita public expenditure was associated with a decrease in per capita productivity in the agricultural sector, here we ask an important question:

*Public expenditures were beneficial to the Iraqi economy in general and the agricultural sector in particular? Or was it destructive to him?"*

**Table (2)** and **Figure (2)** show the evolution of the productivity of public expenditure in the agricultural sector during the period 2005 to 2019 in Iraq compared to the regional neighboring countries.

## Table 2

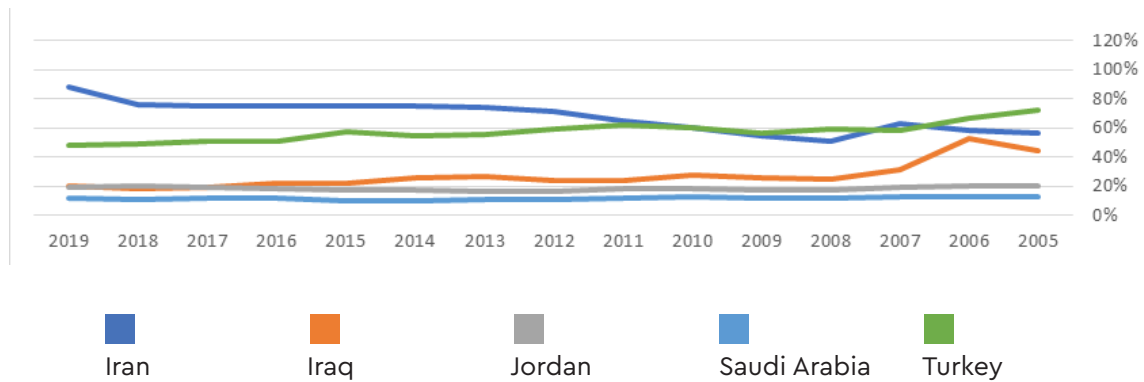
Productivity of public expenditures for the manufacturing sector in Iraq and neighboring regional countries.

For (2005–2019)

Years	Iraq	Iran	Jordan	Saudi Arabia	Turkey
2005	44%	57%	21%	13%	72%
2006	53%	58%	20%	12%	67%
2007	32%	63%	20%	12%	59%
2008	25%	50%	17%	12%	59%
2009	26%	55%	17%	12%	57%
2010	27%	60%	19%	13%	60%
2011	24%	65%	18%	12%	62%
2012	24%	71%	17%	11%	59%
2013	27%	74%	16%	10%	56%
2014	26%	75%	17%	9%	55%
2015	22%	75%	18%	10%	57%
2016	22%	75%	18%	12%	51%
2017	19%	75%	19%	12%	51%
2018	18%	76%	20%	11%	49%
2019	20%	88%	20%	11%	49%

**Note:** The required data has been obtained from the World Bank database: World Development Indicators WDI.

The figure prepared by the researcher based on the data in **Table (2)**.



Through **Table (2)** and **Figure (2)**, it is clear that Iraq ranks third in the productivity of public expenditures in the agricultural sector after Iran and Turkey, but this productivity witnessed a continuous decline for fifteen years, equivalent to 54%, until it was equal to Jordan in 2019, and this is an important indication about the negative role that public expenditures were exercising against the agricultural sector, as this sector is one of the most needy sectors. Government support, especially since the economic policy before 2003 was towards supporting the agricultural sector to meet the citizens' need for food, but it was noted after 2003 the absence of government support, which led to the deterioration of this sector and the cessation of many agricultural projects, and many workers in the agricultural sector preferred to join government jobs and leave work on the land.

Hence, the negative role of public expenditures can be explained in the significant decline witnessed by this sector in Iraq.



## 2. Deterioration of infrastructure:

The depletion of government budgets by operating expenditures resulting from excessive public sector recruitment policies has led to a lack of investment allocations for infrastructure development, which is a necessary condition for stimulating private sector investment, and has resulted in a deterioration in per capita fixed capital formation compared to regional neighboring countries as shown in **Table 3** and **Figure 3**.

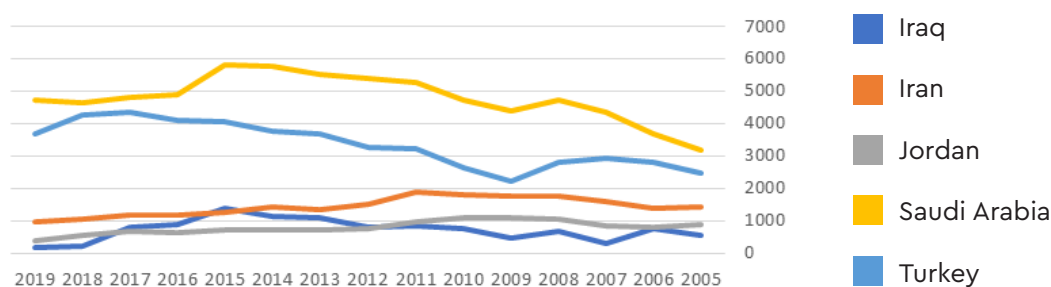
**Tablev 3**

Average per capita of total capital formation in Iraq and regional neighboring countries.

For (2005–2019)

Years	Iraq	Iran	Jordan	Saudi Arabia	Turkey
2005	535.8812	1445.659	888.7954	3165.603	2456.784
2006	739.7618	1405.78	813.1168	3696.314	2799.605
2007	281.652	1594.284	863.2762	4337.917	2918.484
2008	656.5847	1764.051	1063.492	4729.811	2805.413
2009	463.3137	1767.672	1091.781	4381.249	2200.532
2010	754.431	1805.194	1079.758	4706.009	2646.532
2011	831.1434	1866.562	977.9912	5278.544	3223.365
2012	798.4844	1493.717	748.6138	5372.203	3261.986
2013	1108.328	1360.612	707.8486	5504.309	3664.063
2014	1115.154	1448.392	713.9708	5750.884	3779.087
2015	1401.955	1257.237	703.8296	5812.978	4061.453
2016	868.3668	1194.131	634.8723	4884.989	4083.489
2017	817.3121	1193.96	686.8771	4821.542	4350.419
2018	206.3735	1032.839	551.1093	4634.452	4273.825
2019	169.1191	1032.839	378.9964	4741.412	3694.693

**Note:** The required data has been obtained from the World Bank database: World Development Indicators WDI.



The figure prepared by the researcher based on the data in **Table (3)**.

It is clear from Table 3 and **Figure 3** that Iraq comes back in most of the research years in terms of average per capita fixed capital formation, which includes total fixed domestic investment associated with land improvements (fences, trenches, drains, etc.); purchase, machinery and equipment; construction of roads, railways, etc., including schools, offices, hospitals, private residences, commercial and industrial buildings. Fixed in USD for 2010.

This clearly indicates a decline in domestic investment, which means a decrease in employment, which depends on investment, especially in productive areas.

### 3. High Demand for University Education:

One of the reasons for the increasing unemployment of university degree holders is the different demand for labor over time, at a time when many young people are engaged in university education, the economy may be in a state of economic recovery and there is an increasing demand for university degree holders, which tempts many middle school graduates to turn to university education in order to secure a prosperous economic future by obtaining a job with high economic returns, especially in light of the directives received by young people from external parties such as Parents, teachers and peers, but upon graduation they often face different economic conditions: the economy may be in recession, and the demand for labor, including those with uni- versity degrees, is declining.

The increase in the employment rate in the public sector since 2005 gave an indication to the labor market of an increase in the demand for labor in the government sector, especially by holders of university degrees, which led to an unprecedented increase in the demand for university education, embodied in the significant increase in the number of public and private universities, as the number of universities in Iraq, excluding the Kurdistan region, increased from 19 public universities in 2007 to 35 public universities in 2014, an increase of 84%. In general, the number of private colleges increased from 139 colleges in 2006 to 525 colleges in 2018, an increase of 278%.

The austerity policies that the government has begun to pursue in recent years have led to a near suspension of employment in the public sector, and thus millions of young people with university degrees have found themselves unemployed for the work that suits their scientific degree, and at the same time these graduates have not found a job opportunity in the private sector, which has not been supported by the government due to the depletion of public revenues in operating expenses, which led to a significant rise in youth unemployment, including Holders of higher degrees today in Iraq, which according to the latest statistics are estimated at 27% according to the World Bank in 2020.

## Suggested treatments:

The effects of haphazard employment policies in the public sector require a long-term treatment program based on four pillars:

1. Full partnership with the private sector in planning and implementing economic policies.
2. Reduce overheads.
3. Stimulate domestic and foreign private investment.
4. Linking higher education to the market.

A number of economic policies can be proposed on these basis:

1. **Policies of transformation towards the private sector:** These policies aim to transfer many of the services provided by the government to citizens to the private sector, such as health, higher education, electricity and water services, so that employees in these sectors turn into employees in private companies, in return the financial expenditures that the government will provide are converted into support provided to low-income groups in the form of health insurance, scholarships, or other forms of support, and in this way the expenditures are transformed with productive efficiency. The low expenditure by the state on health and education services, to support and stimulate the private sector in order to provide the same services with higher quality and lower costs.
2. **Policies of voluntary layoffs and transition from public to private work:** The government should reconsider its real need for employees working in public sector institutions, and work to eliminate redundant labor by providing material incentives for employees to switch to private projects, such as allocating a plot of land, guaranteeing a pension, providing severance bonuses, or financing projects managed by these employees if they move to work in the private sector.
3. **Paying attention to infrastructure and providing support for private investment:** by increasing the allocation of the investment budget, provided that investments in the field of infrastructure are roads, bridges, railways, airports, ports, irrigation channels, artesian wells, power stations and other infrastructure necessary for the establishment of industrial and agricultural productivity.
4. **Adopting university scholarship policies for the private sector instead of free education:** replacing free university education with scholarships offered to private companies to obtain study seats for people working for them (at least two years before applying for the scholarship) and who have a work contract after studying with the same company for a specific period such as 10 years, where the company chooses the university in which it requests a scholarship and the government covers its costs, In this case, universities will seek to communicate with private sector companies so that their programs are compatible with the needs of the companies and thus will receive applications by companies for scholarships.

## Margins

- Central Bureau of Statistics, Poverty Monitoring and Evaluation Survey in Iraq 2017–2018. [Link](#)
- ILO, 2007, Jobs for Iraq, A Strategy for Employment and Decent Work. [Link](#)
- Iraq Knowledge Network, 2011, Iraq Labor Market Reality Survey [Link](#)
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- Hwang, Youngsik (2017), What Is the Cause of Graduates' Unemployment? Focus on Individual Concerns and Perspectives, Journal of Educational Issues, Vol. 3, No. 2. [Link](#)
- Ministry of Higher Education and Scientific Research, Public Universities.
- Ministry of Higher Education and Scientific Research. [Link](#)



Explore the in-depth analysis of the unemployment crisis among university degree holders in Iraq. This comprehensive study delves into the economic policies and their implications that have led to this issue, with a particular focus on the public sector's employment policies. The document proposes a long-term treatment program based on four pillars: full partnership with the private sector, reduction of overheads, stimulation of domestic and foreign private investment, and linking higher education to the market. It also suggests specific economic policies, such as the transformation towards the private sector, voluntary layoffs, and increased attention to infrastructure. This document is a must-read for those interested in understanding the economic realities and potential solutions to the unemployment crisis in Iraq.

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+964 771 878 5050



[info@egciraq.org](mailto:info@egciraq.org)