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Arab Center for Research & Policy Studies

Case Analysis | 28 July 2020

# The Overeducation Crisis in Iran

Nader Habibi

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Series: **Case Analysis**

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Nader Habibi is the Henry J. Leir Professor of Practice in the Economics of the Middle East at Brandeis University's Crown Center for Middle East Studies. Before joining Brandeis University in June 2007, he served as managing director of economic forecasting and risk analysis for Middle East and North Africa in Global Insight Ltd. Professor Habibi has more than 30 years of experience in teaching, research and management positions; including vice-president for research in Iran Banking Institute (Tehran), assistant professor of economics in Bilkent University (Ankara), research fellow and lecturer on political economy of Middle East at Yale University. He has done extensive research on the topic of overeducation in Iran and the rest of the Middle East.

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The Arab Center for Research and Policy Studies

Al-Tarfa Street, Wadi Al Banat

Al-Dayaen, Qatar

PO Box 10277, Doha

+974 4035 4111

[www.dohainstitute.org](http://www.dohainstitute.org)

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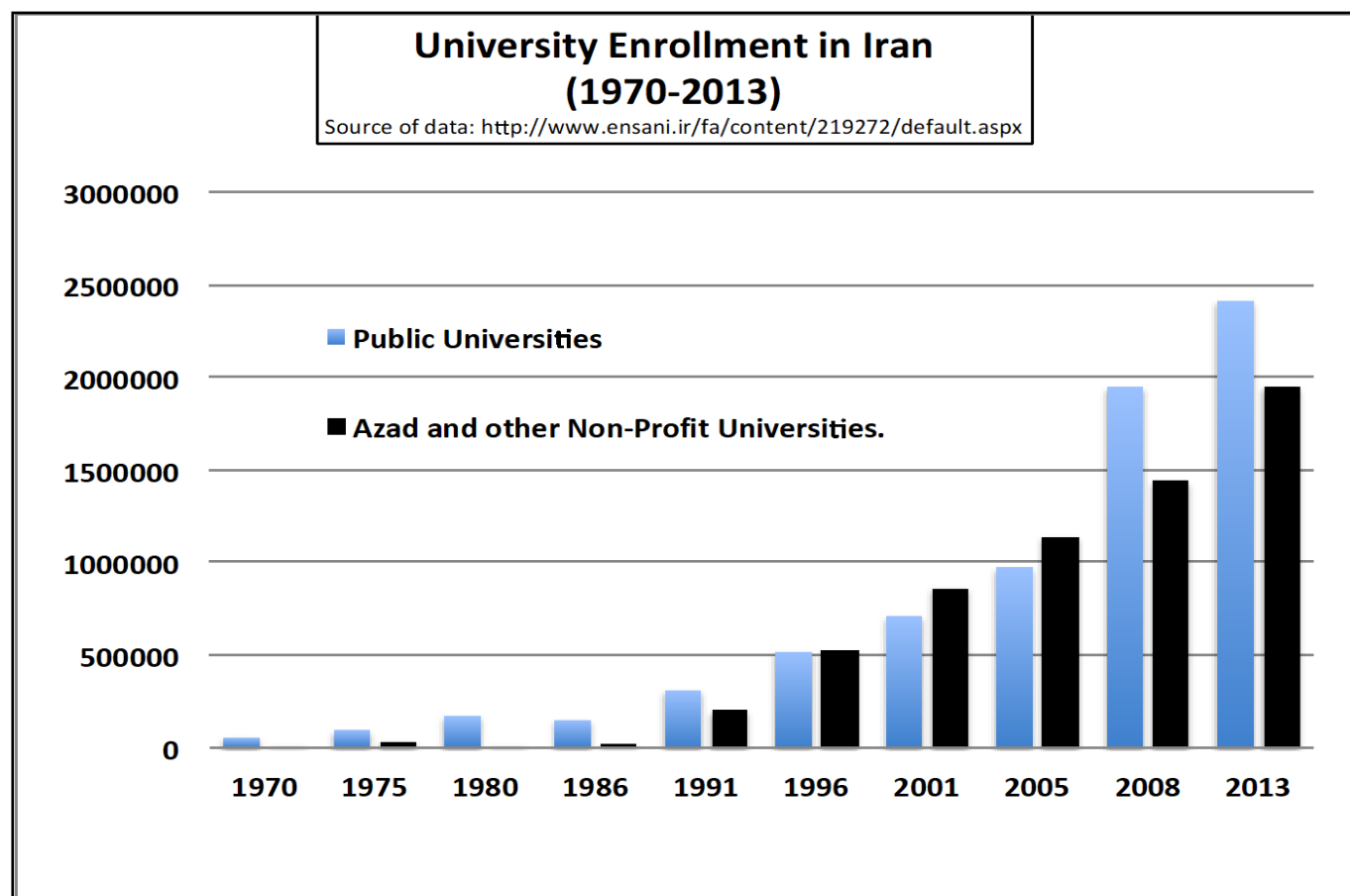
The people of Iran place a very high value on higher education. One of the most important aspirations of parents is to send their children to a good university so that they can graduate with the credentials to find a good job and become economically successful. There is nothing wrong with this aspiration and we know that education at any level has positive benefits for the society. However, when the majority of households send their children to universities a country might find itself with an excess supply of university graduates. If the economy provides insufficient numbers of jobs for university graduates, then the country confronts a crisis when many of them end up unemployed or having to accept jobs that do not match their level of education. Iran is among a list of countries that have experienced this type of overeducation crisis in the past decade, seen in very high unemployment rates among university graduates.

This crisis began in 1990s. In 1960s and 1970s, with economic growth relatively high and enrollment in universities low, university graduates were economically successful and enjoyed a high social status. This encouraged many parents to seek the same outcome that they enjoyed for their children. As a result, the demand for university education rose sharply in 1970s, becoming very strong at the onset of the 1979 Islamic Revolution. After the Iran-Iraq war (1980-88), the government responded to the growing demand by trying to increase the capacity of higher education institutions, leading, in a short span of time, to a rapid expansion of university enrollment and a sharp increase in the number of university graduates.

A few charts can illustrate this crisis and help explain how the situation has evolved. As we have suggested, enrollment in universities in Iran was relatively limited before the revolution, but in the 1990s, due to policies undertaken by the government, there was a noticeable increase in university enrollment. One of the steps that the government took in response to the strong demand for university education was to allow for the creation of nonprofit universities, or universities that were not formally part of the Ministry of Higher Education. The budget of these universities was also comparatively independent because they were allowed to charge tuition but operate as nonprofit institutions. As demonstrated in Figure 1, enrollment in both public and nonprofit universities grew rapidly. The largest and best-known nonprofit university in Iran is the Islamic Azad University. The number of students enrolling in universities grew from under 100,000 students in 1970 to well over 4.3 million by 2013.

Several factors led to the strong demand for higher education among all Iranians. Most commonly, families and young adults choose to go to university because of the economic advantage of having a university degree allowing one to earn higher income. Moreover, in many countries, Iran included, access to public sector jobs requires a university degree. Additionally, there was a strong social demand. Regardless of the extra income earned as a result of going to university, there are strong cultural perceptions about the inherent value in earning a university degree: it brings social status and places one at a higher level of acceptance and respectability in hierarchy of various groups in society.

Figure 1: University Enrollment in Iran (1970-2013)



Another factor that attracted families to higher education is the fact that public universities, subsidized by government since the 1950s, do not charge high tuitions. Consequently, the monetary cost of going to university is relatively low if one can pass the entrance exam. In Iran, like most other Middle Eastern countries, there is a highly competitive centralized entrance exam, especially for sought-after degrees such as engineering or medicine.

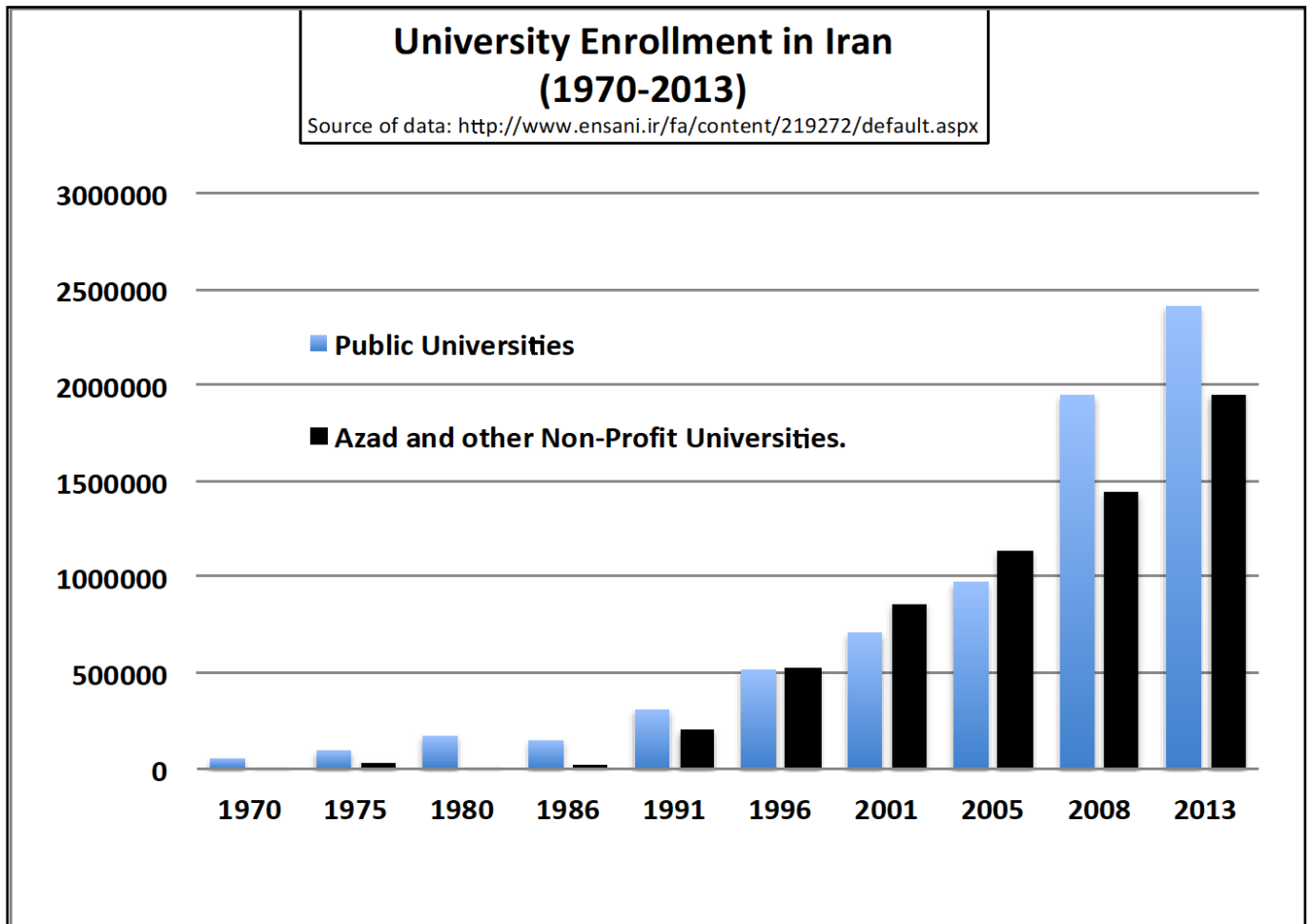
Today, despite the high unemployment rates and smaller wage premiums for university graduates, there is still a strong demand for university education, especially for seats in Iran's top schools such as Sharif University. Earning a degree from well-known prestigious universities allows a graduate, attracted to higher education as a means of admission to international universities, and eventual immigration, to apply for Masters or PhD degrees in top universities in Europe and United States.

The government responded to this strong societal demand for university education through quantitative expansion of the available seats in universities, increasing the rates of admission to public universities, and allowing for the establishment of private and non-profit universities. The numbers of both public and private universities increased very rapidly, as shown in Figure 2. There were only a few private universities in Iran before the revolution. But afterwards, the Islamic Azad



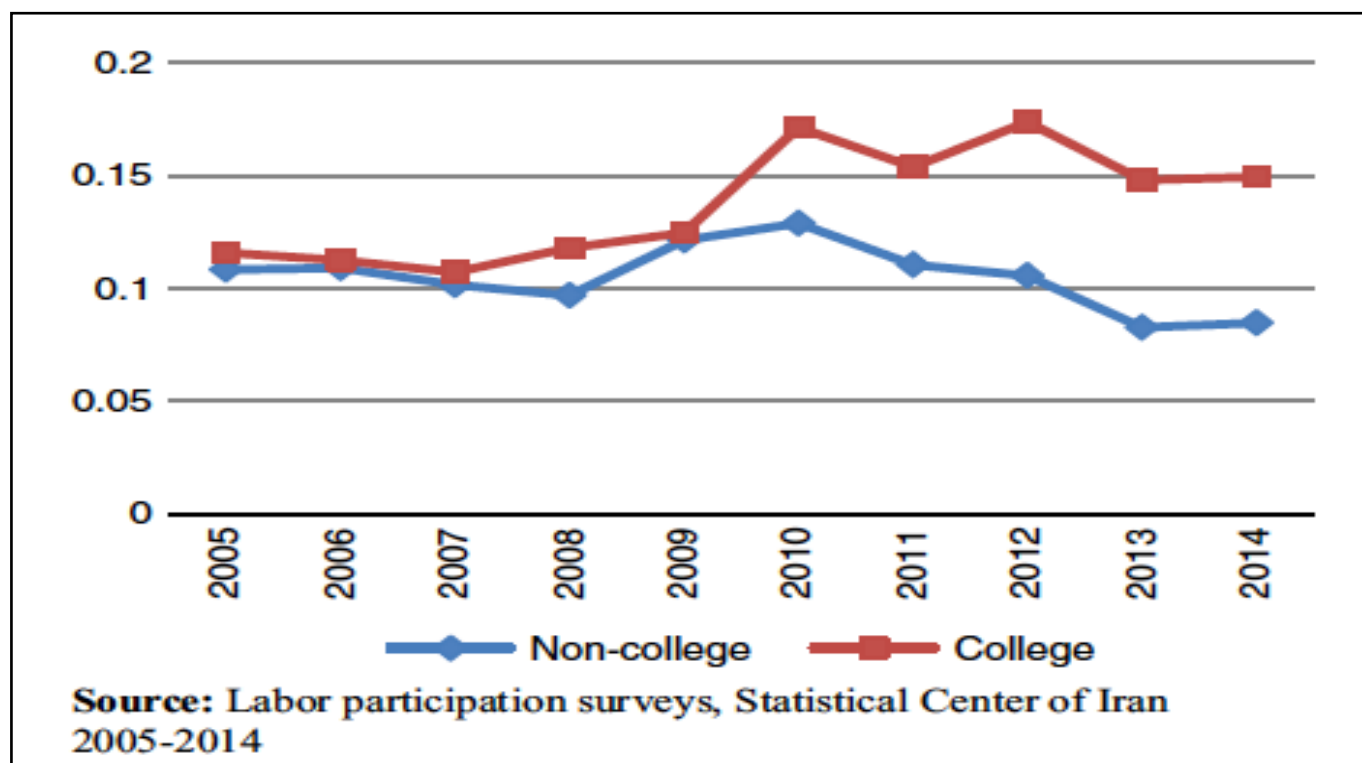
University was allowed to operate and establish branches in various cities and even in large rural areas, and we see a rapid increase in the number of universities (or branches of some universities in many areas) in Iran.

Figure 2: Number of Public and Private (non-profit) Universities in Iran



The Iranian economy has not grown fast enough to create adequate jobs for all these university graduates, however. Figure 3 shows the unemployment rate for men with and without a university degree. Contrary to what is observed in many countries, in Iran in recent years the unemployment rate for university graduates has been *higher* than those without a university degree. By contrast in the United States, this is not the case; the unemployment rate among university graduates is lower than those with a high school degree. For Iranian women, the unemployment situation is even worse. Women who are university graduates suffer very high rates of unemployment, and the gap in unemployment rate for women who have a college degree and those without a college degree, who are working in the labor force is even wider. In recent years, the unemployment rate for women with a university degree has exceeded 40%.

Figure 3. Unemployment rate for men (2005-2014)



In addition to high unemployment rates, many university graduates are underemployed. Since they cannot find jobs that are adequate for university graduates, these degree-holders accept jobs that do not require university skills. Table 1 depicts occupations that are considered non-university occupations, because the required skills could be acquired without attending college. The numbers in this table show the percentage of employees in these occupations who have obtained a university degree. Comparing the years 2001 to 2017, we see that in almost all of these occupations the percentage of those with a college degree has steadily increased. For example, for customer services staff, the percentage with a university degree was 9.5 percent in 2001 but increased to 55.8 percent in 2017; a large number of university graduates are qualitatively underemployed, and are not utilizing the skills they acquired through their university education.



**Table 1: Share of employees with University Degrees in Occupations that Do Not Require a University Degree**

ISCO Job Codes	Job Categories	Percent of Workers and Employees with more than 12 years of education				
		2001 (1380) *	2005 (1834)	2009 (1388)	2012 (1391)	2017 (1396)
4100	Office workers	17.0%	24.80%	40.10%	44.90%	58.40%
4200	Customer service staff	9.50%	21.30%	30.10%	41.60%	55.80%
5100	personal services and security personnel	8.30%	9.80%	11.50%	18.20%	9.60%
5200	Sales associates and sales representatives	4.3%	5.00%	8.60%	11.80%	14.00%
6100	Agr. Fishery & Forestry workers	0.80%	0.90%	0.70%	1.80%	2.00%
7100	Mine workers	1.50%	1.50%	2.90%	4.20%	4.10%
7200	Skilled Industrial Workers	3.20%	3.90%	4.80%	6.40%	10.50%
7300	Precision tools workers	2.50%	1.80%	6.20%	8.30%	11.50%
7400	Industrial workers (others)	0.90%	2.00%	1.70%	4.60%	19.80%
7500	Carpet weavers	0.80%	0.30%	0.50%	1.70%	3.70%
8100	Food processing plant operators	5.40%	6.60%	7.20%	12.40%	10.90%





8200	Heavy machine operators and assembling line	0.60%	3.60%	6.40%	5.70%	23.80%
8300	Vehicle drivers	0.80%	1.40%	2.40%	3.60%	5.60%
9100	Unskilled service sector workers	0.70%	1.50%	2.60%	4.80%	8.40%
9200	Unskilled workers in agriculture and forestry and fishing	0.40%	0.70%	0.80%	1.20%	2.40%
9300	Unskilled workers in mining, construction and industry	0.40%	0.80%	1.70%	2.60%	2.10%

\* Iranian calendar equivalent in Parenthesis.

Source of Data: HIES databases 2001, 2005, 2009, 2012 and 2017, (Iran Statistics Center).

The flood of university graduates into non-university jobs has another negative consequence, namely fewer job opportunities for high school graduates. As a result, high school graduates are forced to accept lower paying jobs. Alternatively, because it is so difficult to find a job in competition with university graduates, high school graduates might feel that they have no alternative but to go to college. This creates a vicious cycle of overeducation and underemployment.

In the past five years, there has been increasing awareness among officials in Iran concerning the overeducation crisis, as the rates of unemployment and underemployment of university graduates have become so high and so alarming. This parallels a growing awareness among people that perhaps a university education is not as rewarding as they initially thought. Changing attitudes towards higher education have engendered a reduction in applications for some university majors.

The government itself has expressed a desire to reform the system by shifting from a focus on quantity of students in the higher education system to focus on quality and relevance of the majors that are being offered. In some cases, the government has tried to limit admission to undergraduate majors in which the graduates suffer high rates of unemployment. In addition, the government has also tried to close or merge some universities considered redundant or underperforming.

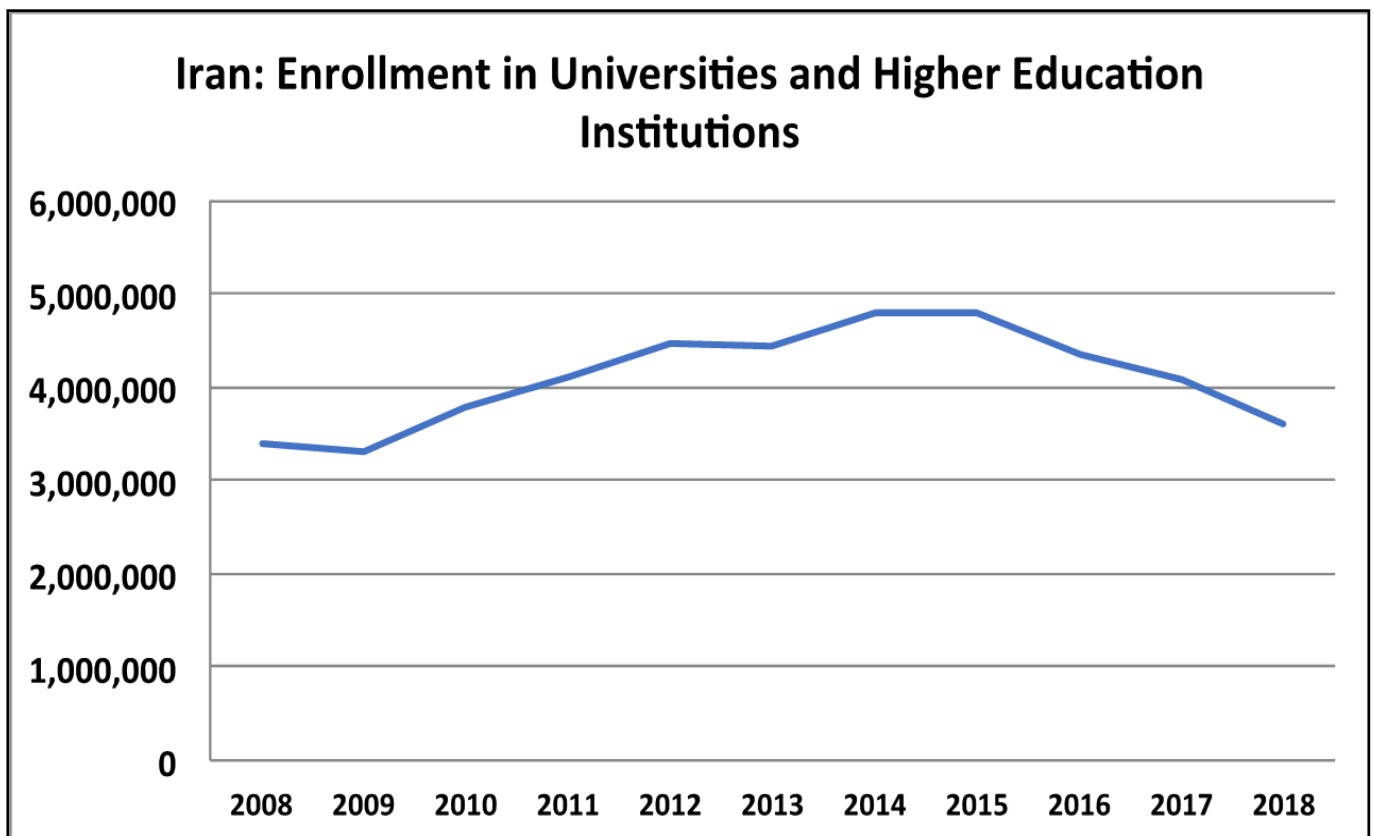
In 2017, the government announced a comprehensive higher education reform plan designed to address overeducation and high unemployment among university graduates. So far,



however, little progress has been made in a program that was approved in 2017 and meant to be implemented in 2018 - 2019. Yet it is still at the implementation stage because of delays due to sanctions and the recent coronavirus pandemic. Moreover, vested interest in the Ministry of Higher Education and in some of the nonprofit universities appear to be resisting some reforms to reduce enrollment.

While the crisis continues there has been some noticeable change. University enrollments in recent years reached a peak in 2015 (Figure 4), afterwards beginning to decline. This is partly because of demographic changes with the number of high school graduates declining due to a reduction in fertility beginning in the 1990s, but also due to disappointment of some segments of society with the economic opportunities available to university graduates. In the future, the government must strive to create a better balance between supply and demand for university graduates.

Figure 4: Student Enrollment in Universities and Higher Education Institutions

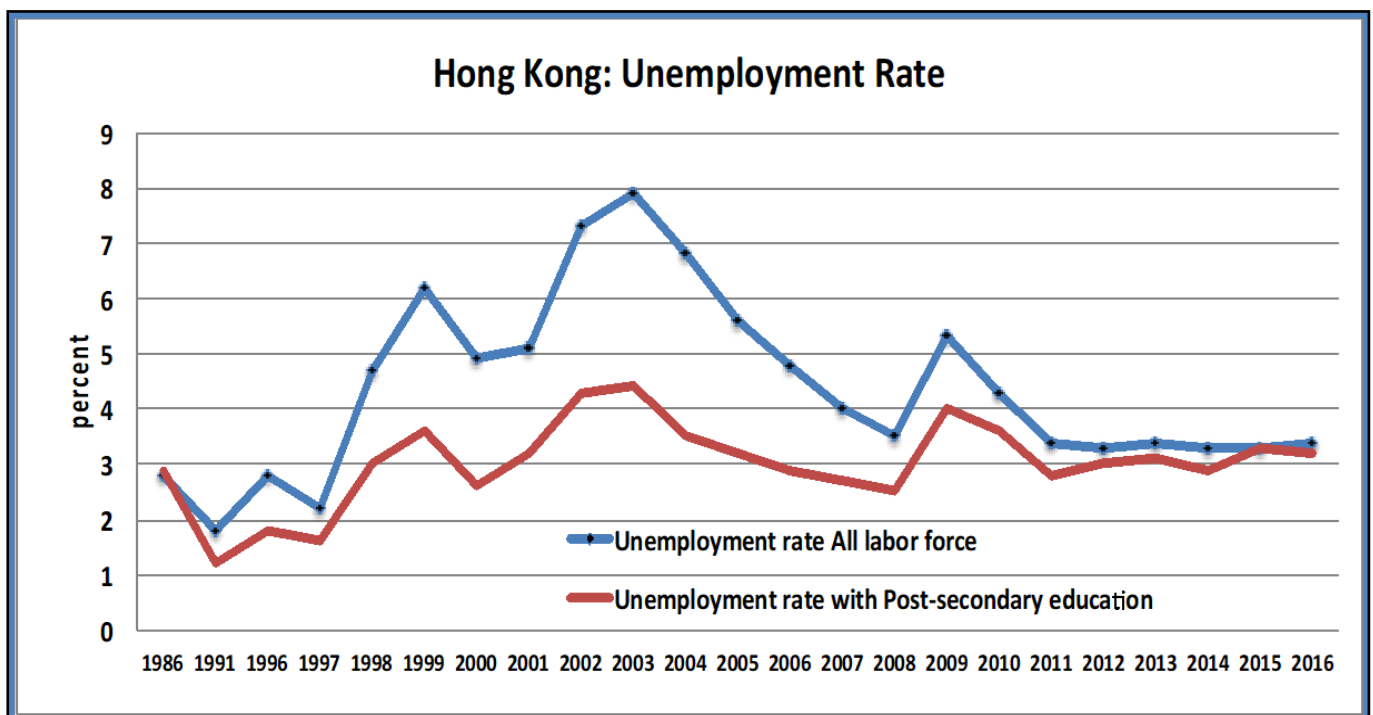


Various degrees of overeducation can be seen in both advanced and developing countries. In the United States unemployment among university graduates is low but a large number of university graduates accept jobs in occupations that do not require a university degree. In the US, then, we can also observe high rates of overeducation as indeed we can do throughout Europe and many Middle Eastern countries, albeit not as seen in Iran between 2010 and 2015.

## Can we prevent Overeducation?

While in many countries, such as in South Korea, policy makers are unable to effectively prevent overeducation because of a strong popular demand for university education, there have been a few cases in which governments have successfully prevented overeducation, and Singapore and Hong Kong can be cited in this context as two successful countries in which governments, since the 1960s, were very conscious of the need to prevent an excess supply of university graduates. They deliberately kept admissions to universities low, despite the high value Asian cultures place on education. In order to determine optimal rates of admissions to each field, policy makers had regular meetings with industry and private sector representatives, paying close attention to their projections for labor market demand for specific skills. As a result, the unemployment rate for university graduates in Singapore and Hong Kong has been consistently low compared to the overall unemployment rate in these economies. We can observe from Figure 5, Hong Kong's data from 1986 to 2016, that the unemployment rate for university graduates has nearly always been less than 4 percent. This is a healthy labor market condition, the outcome of superlative higher education institution enrollment management.

Figure 5: Hong Kong: Unemployment rate among University Graduates



Governments of Iran and other Middle Eastern countries would stand to benefit from viewing the experience of countries that have been successful in higher education institution enrollment management. Clearly, Iran and large Middle Eastern countries have conditions that are not similar to those of Hong Kong or Singapore. But any country in which the government has the capacity for good governance and the will to address this issue can successfully tackle the problem of overeducation.