



Addressing Human Capital Challenges

Assessing the Experiences of Four Countries in the Arab Region

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Recent studies have found that those educated in the Arab region are often ill prepared to work in a global economy. As a result, policymakers there are paying close attention to human capital development, the match between the population’s skills and those demanded in the labor market, and the quality of the education being provided. Deficiencies in these areas threaten to undermine progress toward creating the type of society—a knowledge and information society—needed to effectively address increasingly complex 21st century issues related to community well-being and development.

A study funded by the RAND Corporation has documented the measures taken by four countries—Lebanon, Oman, Qatar, and the United Arab Emirates (UAE)—to address human capital (the learning, abilities, skills, and knowledge of an individual) and labor market issues. These countries (three in the Arabian Gulf and one, Lebanon, in the Levant) provide examples of the diversity and similarity of challenges faced by the region and responses to those challenges. Qatar and the UAE, with their similar geographic and cultural histories, share many demographic and economic characteristics and also face similar workforce challenges because of their reliance on imported labor to fill skill gaps in their citizen labor pools. Oman shares strong political and cultural similarities with Qatar and the UAE but differs from them in its lower dependence on natural resources for its wealth. Lebanon serves as a stark contrast to the Gulf countries because it is a major exporter of labor and is undergoing significant rebuilding after a prolonged civil war.

In conducting these four case studies, the researchers identified the most pressing human capital issues for each country, catalogued the policy approaches to addressing them, and then examined the availability of resources for evaluat-

Abstract

This study examined the experiences of four countries in the Arab region that face numerous human capital challenges and are at various stages of implementing reforms and policy initiatives to address these challenges. It also identified gaps that exist between implementation of reforms and evaluation of whether reforms are having intended effects. In many cases, reforms had only recently gotten under way, perhaps making it too early to measure their impact; in other cases, a lack of data systems was inhibiting systematic assessment of policy changes.

ing the policies put in place. They interviewed knowledgeable officials in the government and private sector in each country and analyzed public reports and various secondary data sources (e.g., population, education, and labor market data from country-level government organizations and from international databases).

What Human Capital Challenges Do the Countries Face?

Table 1 summarizes the significant human capital challenges faced by the four countries.

Underutilization of the Labor Capacity of Nationals. The three Gulf countries rely heavily on non-nationals (i.e., non-citizens) to meet workforce needs for both skilled and unskilled labor; labor force participation rates are 15 to 40 percentage points lower for male and female nationals than for non-nationals. Cultural and religious reasons keep the labor force participation rate considerably lower for female nationals than for male nationals, despite the tendency for female nationals to attain higher educational levels.

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Table 1. Six Key Human Capital Challenges

| Challenge | Lebanon | Oman | Qatar | UAE |
|---|---------|------|-------|-----|
| Underutilization of the labor capacity of nationals | | ✓ | ✓✓ | ✓✓ |
| Large proportion of nationals working in public sector | | ✓ | ✓✓ | ✓✓ |
| High unemployment among young, first-time workers | ✓ | ✓ | ✓ | ✓ |
| Education and training system not preparing students well for workforce | ✓ | ✓ | ✓ | ✓ |
| Brain drain | ✓ | | | |
| Disparities in access to educational opportunities | ✓ | ✓ | | |

NOTE: ✓ = issue affects country; ✓✓ = issue is relatively more prominent in this country than the others.

Large Proportion of Nationals Working in the Public Sector. When nationals are employed, it is mostly in the public sector. This challenge, which predominantly affects Qatar and the UAE, reflects the preferential treatment nationals have historically received in the public sector, which outdoes the private sector in terms of compensation, working conditions, job security, and prestige.

High Unemployment Among Young, First-Time Workers. All four countries face this challenge, which signals a problem with matching workers to jobs at young ages. This problem stems in part from a mismatch between the skills of labor market entrants and the needs of employers, especially in the private sector. Compared with female nationals, male nationals in the three Gulf countries tend to be particularly vulnerable to unemployment because of their lower rates of attaining post-secondary degrees.

Education and Training System Not Preparing Students Well for Workforce. There is general acknowledgment that the quality of the primary and secondary education systems in these countries is not up to international standards. The portion of secondary school graduates considered unprepared to directly enter the labor market with relevant skills or to enter competitive university programs is significant. Evidence points to low levels of performance on internationally benchmarked student assessments; low shares of students whose studies at the secondary and post-secondary levels concentrate in the critical fields of science, mathematics, engineering, and technology; and low rates of obtaining post-secondary degrees.

Brain Drain. Lebanon has suffered from an outmigration of university-level graduates in recent decades because of civil war and ongoing political and economic instability. In consequence, the benefits of producing graduates from what is considered one of the region’s finer higher education systems have been diminished.

Disparities in Access to Educational Opportunities.

Lebanon and Oman, which both have lower per capita income and higher disparities in living standards than the other countries, must contend with disparities in access to and quality of educational opportunities for portions of their populations.

What Education and Training System Reforms Have the Countries Initiated?

Human capital challenges are the motivators of reforms that have been implemented or are under way in the four

Table 2. Education and Training Reforms

| Reform Area | Lebanon | Oman | Qatar | UAE |
|---|---------|------|-------|-----|
| Primary and Secondary Education | | | | |
| Establishment of bodies and institutes to coordinate and guide primary and secondary educational policy | | | ✓ | ✓ |
| School organizational change | | ✓ | ✓ | ✓ |
| Standards-based accountability | | | ✓ | |
| Restructured curriculum | | ✓ | ✓ | |
| National assessment and evaluation | | | ✓ | |
| Participation in international assessments | ✓ | | ✓ | |
| Training for teachers and administrators | | ✓ | ✓ | |
| Integration of information technology | | ✓ | ✓ | |
| Higher Education | | | | |
| Establishment of bodies to coordinate and implement delivery of higher education | | | | ✓ |
| Administrative, curricular, and academic standards reforms | | | ✓ | |
| International accreditation of higher education programs | | ✓ | | ✓ |
| Establishment of private higher education institutions | | ✓ | ✓ | ✓ |
| Establishment and broadening of scholarship programs | | ✓ | ✓ | |
| University-based job placement program(s) | | | | ✓ |
| Training Systems | | | | |
| Establishment of coordinating bodies | | | | ✓ |
| Establishment of technical/vocational colleges | | ✓ | ✓ | ✓ |
| Public-private partnerships to train nationals | | ✓ | ✓ | ✓ |
| Independent certification of post-secondary training institutes | | | ✓ | |

countries (see Table 2). Lebanon has not actively engaged in reforms to its education and training systems except for participating in international student assessments. This is not because Lebanon’s leadership fails to recognize the importance of an effective education system for future economic success but, rather, because it recognizes that no fundamental changes can be made to these systems until the country’s basic infrastructure and public-sector institutions are rebuilt. The three Gulf countries also recognize the importance of advancing their education and training systems. With their greater resources, the Gulf countries have been able to engage in more-extensive reforms at all levels—primary and secondary education, higher education, and training.

Primary and Secondary Education Reforms. Oman and Qatar are engaged in broad-based reforms to their primary and secondary education systems. Qatar’s education reforms are arguably the most comprehensive in the region; changes initiated in 2002 address the management and delivery of educational services, the curriculum, and the quality of teachers and other critical resources. Faced with the prospect of dwindling natural resources and spurred by a 25-year map established in 1995 for the country’s economic development, Oman initiated reforms to its publicly funded education system earlier than the other two Gulf countries. Policymakers in two emirates within the UAE recently brought primary and secondary education reform to the forefront with the formation of the Abu Dhabi and Dubai Education Councils.

Higher Education and Training Systems Reforms. The higher education and training reforms are a mix of strategies designed to focus on quality through curricular changes, international accreditation, and other reforms; to expand access by introducing new higher education institutions and providing scholarships; and to strengthen links to the labor market through job placement programs. All three Gulf countries are making an effort to expand the number of technical and vocational colleges and to forge public-private partnerships to increase training opportunities for nationals, especially in skills required for the private sector. Although changes in the training domain are under way, efforts to address the needs in this area are not as systematic or sustained as those in the education domain.

What Reforms to the Labor Market and Economy Have the Countries Initiated?

Table 3 shows reforms that have been initiated to the labor markets and economies in the four countries.

Labor Market Reforms. These reforms, specific to the three Gulf countries, address labor market barriers that have precluded employment of nationals in the private sector. One approach gives employers incentives to hire nationals through quotas or sanctions; another aims to make private-

Table 3. Labor Market and Other Economic Reforms

| Reform Element | Lebanon | Oman | Qatar | UAE |
|---|---------|------|-------|-----|
| Labor Market Reforms | | | | |
| Quotas for employment of nationals in private sector | | ✓ | ✓ | ✓ |
| Rewards and sanctions for employment of nationals in targeted sectors | | ✓ | | ✓ |
| Elimination of automatic employment of nationals in public sector | | | ✓ | |
| Equalization of worker rights or access to benefits in public and private sectors | | ✓ | ✓ | ✓ |
| Training and financial support to start new business | | ✓ | | |
| Establishment of job placement/matching and training bureau | | | | ✓ |
| Other Economic Reforms | | | | |
| Incentives to expand peripheral industries | | ✓ | | ✓ |
| Divestment of government-owned companies | ✓ | ✓ | | |
| Allowance of foreign ownership of companies in selected sectors | | ✓ | ✓ | |
| Implementation of free trade agreements and free trade zones | ✓ | ✓ | | |
| Establishment of “free zones” (areas exempt from government requirements) | | ✓ | ✓ | ✓ |
| Training and other supports for more-efficient public administration | ✓ | | | |

sector employment more attractive to nationals by equalizing public- and private-sector employment conditions; a third induces institutions to facilitate the transition of nationals to private-sector work through either training and financial support or job matching. Lebanon is not instituting these types of labor market reforms, largely because its nationals are not concentrated in public-sector employment.

Other Economic Reforms. These reforms, which seek to diversify and privatize the economy and, in Lebanon’s case, provide for a more efficient public sector, potentially allow the nations’ human capital to be utilized throughout their economies. The countries are pursuing a variety of measures to diversify their economies, promote their private sectors, and raise public-sector efficiency as a way to employ their citizenry and enhance the sustainability of their economies. These measures include offering tax incentives to foreign companies to open branch offices and plants in the country, privatizing public utilities and other government-

owned firms, relaxing restrictions on foreign ownership of companies in targeted sectors, opening free zones to expand and create new areas of economic activity, and creating a more efficient public sector.

Are the Reforms Put in Place Being Evaluated?

For many of the reforms, implementation has been recent, so there has been little time to assess effects. Then again, for both recent reforms and those implemented up to a decade ago, evaluation has generally not been an integral part of planning for or implementing policy changes.

In several instances, formal evaluations did accompany policy changes, or limited efforts were made to assess trends in outcomes before and after reforms were put in place. For example, evidence from Qatar's national student assessments indicates that student performance is higher in the new Independent schools, which are part of the primary and secondary education reforms under way in Qatar. Also, an evaluation of the UAE University internship program indicates that it did not lead to the desired types of job placements in the private sector.

But overall, there has been no deliberate strategy of evaluating the effects of initiated reforms. Evaluation efforts are partly hampered by limited experience with program and policy evaluation and by data gaps. In the Gulf countries, collection of economic and demographic data has been constrained by several historical factors that have left legacies of great mistrust in data collection, as well as a poor infrastructure for implementing data collection activities: (1) lack of administrative "state" structures, (2) frequent and unmonitored population movements that limit the ability to conduct traditional population-based surveys, and (3) social

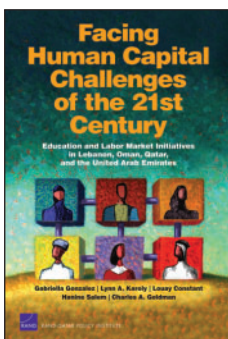
and cultural norms against divulging private information. In Lebanon, civil war and sectarian rivalries have rendered collection of accurate data on the distribution of the population politically untenable.

Conclusions

As these countries respond to human capital challenges, tremendous amounts of energy and resources are being devoted to initiatives to raise the skills of the population and ensure that the resulting human capital is fully utilized throughout the economy. However, the use of national policy has limits that countries should consider.

Specifically, policymaking must balance the complex demands of a country's social culture and its economic realities. For example, workforce flows, strife within or directly outside a country's borders, a population's adaptability to major changes in education or labor market structures—these are all part of the context within which policymakers must develop policies.

Ultimately, for reforms to be the most effective, policy evaluation must become an essential component of the process of change so that initiatives can be refined and improved based on measured effects. With evaluation also comes the potential to minimize unintended consequences and identify barriers to successful implementation. Moreover, the extensive range of reforms under way throughout the region offers a tremendous opportunity to learn from the cross-country experimentation and to build a knowledge base of lessons learned and strategies that can be transferred from one country to another. Countries in the Arab world will then have the information essential for making the best investments in the human capital of their people in the decades to come. ■



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