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Facing Human Capital Challenges of the 21st Century

**Education and Labor Market Initiatives
in Lebanon, Oman, Qatar,
and the United Arab Emirates**

**Gabriella Gonzalez | Lynn A. Karoly | Louay Constant
Hanine Salem | Charles A. Goldman**



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1776 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138

1200 South Hayes Street, Arlington, VA 22202-5050

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Summary

A key challenge faced by countries in the Arab world today is promoting human capital development of the region's population. The 2003 *Arab Human Development Report* (United Nations Development Programme, 2003), with its call to build a “knowledge society” in response to economic globalization and technological change, spotlighted the deficits in education systems and workforce skills throughout much of the Arab region. There is a need for the economies in the region to be diversified—especially away from sectors built on natural resources such as oil and gas—the private sector to be expanded, and entrepreneurship to be fostered.

Progress in raising literacy and enrollment rates—especially at the primary level—has been considerable in recent decades in the Arab world, but education outcomes continue to lag those of other regions of the world. Even in cases in which education outcomes have been on a par with those of other developed countries, the education systems themselves do not consistently produce graduates who possess the skills needed for a 21st century global economy.

One consequence is that the demand for a qualified workforce is outpacing the supply of skilled workers—both in sectors that are already important in the economies of Arab countries and in areas of new opportunity. For some countries in the region, the citizen population is too small to support the economy, so skilled labor must be imported; in other countries, high population growth leads to a large youth population that must be educated and transitioned to productive work.

This monograph outlines the measures taken by Lebanon, Oman, Qatar, and the United Arab Emirates (UAE) to address the human resource and labor market issues that these countries face as they enter the 21st century global economy. These focal countries provide examples of the diversity and similarity of challenges faced by the Arab region and responses to those challenges. Three countries—Oman, Qatar, and the UAE—are in the Gulf; the fourth, Lebanon, provides a contrasting, non-Gulf country. Specifically, for these four countries, we attempted to answer the following questions:

- What are the human resource challenges they face?
- What education, human capital, and labor market reforms have recently been implemented or are under way to address these challenges?
- What mechanisms and information are used to assess whether reforms are meeting their objectives, and is there evidence of success?

Our approach involved reviewing relevant literature, collecting the most recent population and labor force data from international and in-country sources, and conducting a series of elite interviews with government officials and individuals in private organizations in the study countries (from January to August 2006 in Lebanon, Oman, and the UAE; from 2001 through 2006 in Qatar).

In discussing the human resource challenges faced by these four countries and their approaches to reform, it is important to keep in mind some basic distinctions. The World Bank classifies Lebanon and Oman as “middle income” in stage of economic development, whereas Qatar and the UAE are classified as “high income.” Because Qatar, the UAE, and Oman derive much of their wealth from natural resources, their industrial sectors are a larger part of their economies than is Lebanon’s. Notably, two of these countries, Qatar and the UAE, rely heavily on an expatriate workforce—88 and 91 percent, respectively.

In the remainder of this summary, we highlight what we learned about our four focal countries in terms of human resource challenges they face, range of reforms and other initiatives implemented or under

way, and extent to which the changes are being or can be evaluated with existing data. We also highlight the benefits of making policy evaluation an integral part of the reform process, in the hope that all countries in the region can benefit from the lessons learned and knowledge gained from the extensive changes under way.

Human Resource Challenges

The first challenge, which is relevant for the three Gulf countries and most prominently affects the labor-importing resource-rich countries of Qatar and the UAE, is heavy reliance on non-nationals (i.e., non-citizens, in contrast to nationals, or citizens) to meet workforce needs for both skilled and unskilled labor. Foreign workers dominate in the workforce because of the relatively small population base from which rapid economic growth took place following the discovery of oil and gas, and because of nationals' relatively low rate of participation in the labor force. In Oman, Qatar, and the UAE, labor force participation rates for male and female nationals are 15 to 40 percentage points lower than the rate for non-nationals. And cultural and religious reasons keep the rate of labor force participation for female nationals considerably lower than that for male nationals, despite the fact that female nationals attain higher educational levels. Thus, the labor capacity of the citizen population—both male and female—is underutilized.

A second challenge—again, for the same three countries, particularly Qatar and the UAE—is the proportion of nationals working in the public sector. This issue reflects the preferential treatment nationals have historically received in the public sector, where the compensation, working conditions, job security, and prestige are better than the private sector offers. In effect, employment in government jobs is another form of the social welfare system put in place by the ruling elite in the resource-rich Gulf countries.

The third challenge is high rates of unemployment among young, first-time workers. Although data on unemployment rates by age were not available for each country (notably Oman and the UAE), this issue was consistently raised in our meetings with officials. These high rates

signal a problem with matching workers to jobs at young ages, in part because of 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 our Gulf countries tended to be particularly vulnerable to unemployment because of their lower rates of post-secondary degree attainment.

The skill mismatch is a symptom of the fourth challenge, which is universal for our study countries: the perception that the existing education and training systems do not effectively prepare students for the needs of the 21st century global economy. Our study countries have successfully expanded the primary-level education opportunities to all citizens, and literacy rates have risen rapidly, but there is general acknowledgment that the quality of the primary and secondary education systems in these countries is not up to international standards. Secondary school graduates are considered unprepared to directly enter the labor market with relevant skills or to enter competitive university programs. These concerns are validated by different forms of evidence: low levels of performance on internationally benchmarked student assessments; low shares of students whose studies at the secondary and post-secondary level concentrate in the critical fields of science, mathematics, engineering, and technology; and low rates of obtaining post-secondary degrees.

Two other challenges also pertain. One of these is the outmigration in Lebanon of university-level graduates in recent decades because of civil war and ongoing political and economic instability. As a result, the benefits of producing graduates from what is considered one of the region's finer higher education systems have diminished. The other challenge, which applies to both Lebanon and Oman because of their lower per capita income and higher disparities in living standards, is the disparities in access to and quality of educational opportunities for their populations.

Reforms to Education and Training Systems, Labor Markets, and the Economy

The human resource challenges motivated a series of reforms that have been implemented or are under way in the four study countries. Our analysis of government documentation of policies and reform efforts and our interviews with government officials and members of the private sector led us to group reforms into two broad categories: changes in the education and training system that are designed to raise the skills of the population, and changes to the labor market and economy that aim to facilitate the use of human capital in diverse sectors of the economy.

Education and Training Reforms

Education and training reforms are generally aimed at increasing access to or quality of the education and training being provided. It is evident that Lebanon has not been actively engaged in reforms to its education and training system with the exception of its participation in international student assessments. This does not indicate that the country's leadership has failed to recognize the importance of an effective education system for future economic success, but, rather, that the country's basic infrastructure and public sector institutions must be rebuilt before fundamental changes can be made to the education and training system. The three Gulf countries also recognize the importance of advancing their education and training systems. The greater resources these three have available to devote to reform at all levels—primary and secondary education, higher education, and training—have enabled them to engage in more-extensive reforms.

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. Qatar's education reform provides for a decentralized, "independent" primary and secondary school system that operates alongside the country's tradi-

tional Ministry of Education schools. Independent schools use newly developed curriculum standards in mathematics, science, and English (benchmarked to international standards) and in Arabic (the first of their kind). The standards encourage critical thinking and problem solving as part of their learning tools. Another part of the education reform is a system for evaluating the progress of students in all publicly funded schools that includes annual standards-based assessments and surveys administered to all students, their parents, teachers, and school administrators. Results from the assessments and surveys are distributed to all schools in the form of a school report card.

Faced with the prospect of dwindling natural resources and spurred by Vision 2020, a map for Oman's economic development that originated in a 1995 conference (Oman Ministry of Education, 2004), Oman initiated reforms to its publicly funded education system earlier than the other Gulf countries in our study. In 1998, Oman's Ministry of Education initiated its Basic education school system, which runs parallel to the Ministry's General education school system, beginning with students in grades 1 and 2 in 17 primary schools. The number of students and schools participating in the Basic education school system grows each year. The new system restructured schooling as two cycles: Cycle 1 covers students in grades 1 through 5; cycle 2 covers students in grades 6 through 10. After grade 10, students have the option of entering the labor market or continuing with grades 11 and 12, which prepare them for higher education. Other changes in the Basic education reform include lengthening the school year, school day, and class period; changing the curriculum to emphasize critical thinking, English language, information and communication technology, mathematics, and science; encouraging the use of formative and continuous assessments in the classroom so that teachers can receive feedback on student performance and skills; and raising teacher qualifications and the classroom supports teachers receive.

UAE policymakers recently brought primary and secondary education reform to the forefront in their nation. The formation of the Abu Dhabi and Dubai Education Councils to set new priorities for the government education system signals a commitment to fundamental change in the UAE's education system. Early activities include a

pilot program in Abu Dhabi for an alternative governance model, one involving the establishment of government school clusters administered by a number of carefully selected Education Management Organizations, and reforms in how the Ministry of Education runs the traditional government schools. The Ministry of Education itself, under the leadership of a new minister, is considering granting more autonomy to the individual emirate states to allow them to manage their own education affairs with the support and guidance of the Ministry. In the 2007–2008 academic year, the Ministry launched new programs in select kindergarten through grade 12 (K–12) schools, known as “Al Ghad” schools (or Schools of Tomorrow). These schools are gradually implementing new curricula emphasizing bilingual education (Arabic and English) and are providing more-comprehensive leadership and teacher training. Although the development of new schools is a significant step, the reform effort is still in its early stages.

Higher Education and Training 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. The three Gulf countries in our study reexamined the quality of post-secondary options available in-country and adopted several approaches to enhance quality within existing institutions and to increase the number of quality post-secondary programs available to students. For example, all three Gulf countries are increasingly relying on foreign universities and the private sector to meet their growing post-secondary education needs. Qatar and the UAE have instituted education and “knowledge” centers that have enticed international colleges and universities to establish satellite campuses in their countries. In addition, scholarships are being used—in Oman as a tool to allow students from low-income families to attend higher education and in Qatar to provide incentives for university students to major in high-priority fields. In the UAE, another focus at the post-secondary level is matching students to jobs.

Raising the skills of the current and future workforce requires a focus not just on primary, secondary, and post-secondary educa-

tion, but on the training system as well. While changes in the training domain are under way in the three Gulf countries, efforts to address training needs are not as systematic or sustained as those in the education domain. In the UAE, training issues are one focus of the coordinating education councils, which also focus on primary, secondary, and higher education reforms. 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 nationals' opportunities for training, especially in skills required for the private sector. In Qatar, officials have established an independent certification of training programs to ensure their quality.

Reforms to the Labor Market and Economy

The countries in our study have initiatives targeting the labor market and the economy more generally. The labor market reforms are specific to the three Gulf countries; they aim to address some of the labor market barriers that have precluded employment of nationals in the private sector. The broader economic reforms seek to diversify and privatize the economy and, in the case of Lebanon, provide for a more efficient public sector. These reforms potentially allow the country's human capital to be used throughout the economy.

The labor market reforms in the Gulf countries take different forms. One approach gives employers incentives to hire nationals through quotas or sanctions; another approach aims to make private-sector employment more attractive to nationals by equalizing public- and private-sector employment conditions. A third approach entails inducing institutions to facilitate the transition of nationals to private-sector work through training and financial support or through job matching. In contrast, Lebanon is not instituting labor market reforms designed to encourage their citizens to work in the private sector, largely because the country does not face the challenge of nationals being concentrated in public-sector employment.

Our study 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 the 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.

Need for and Value of Policy Evaluation

Common across the study countries is a disconnect between implementation of reforms and evaluation to ascertain whether reforms are having the intended effects. In many cases, reforms have only recently gotten under way, so it may be too early to measure their impact. In other cases, however, the lack of systematic assessment stems from gaps in the data needed to track the effects of policy changes. In sum, for both recent reforms and those implemented up to a decade ago, analysis and evaluation have generally not been an integral part of planning for or implementing policy changes.

In responding to the human resource challenges they face, the Arab countries are devoting tremendous energy and resources to initiatives aimed at raising the skills of their populations and ensuring that the resulting human capital is fully used throughout the economy. To ensure that this energy and these resources are wisely invested, it is critical that evaluations be carried out to determine whether the policy changes and other initiatives are having their intended effects and whether the reforms are having unintended consequences. The extensive range of reforms under way throughout the Arab world provides a tremendous opportunity to learn from cross-country experimentation and to build a knowledge base of lessons learned and strategies that can be transferred from one country to another. To make policy evaluation an integral part of reform, there must be an investment in collecting data, a commitment to using evaluation results in decisionmaking, and opportunities to share lessons learned across countries so that Arab world governments can benefit from investments in research. If these requirements are met, and policy evaluation is made integral to reform, the countries in the Arab world will have the information they need

to make the best investments in their human capital in the decades to come.