Human Capital Formation

Education

Human capital formation is central to economic development. It has been the major factor in explaining rapid and sustained output growth. Human capital formation improves the quality and productivity of labor in the form of

- On-the-job training
- Technical and vocational training
- Formal education at the elementary, secondary, and higher levels
- Adult education; extension programs in agriculture
- Migration: internal (rural-urban and urban-urban) and external (the brain drain)

Most countries in the ME & NA have been able to enhance formal, adult, and vocational education opportunities for their rapidly growing populations. At the primary level, all nations (e.g., Libya, Lebanon, UAE, Iraq, and Jordan) have greatly increased school enrollments. At the secondary level, although all nations increased enrollments, but their enrollment ratios are still less than those in the industrial countries. Higher educational opportunities have also been expanding, but their enrollment ratios are relatively low. Adult literacy rates have increased during this period, but they are still low in most countries (e.g., Yemen, Sudan, Saudi Arabia, and Algeria). Many nations have improved post-secondary educational opportunities in natural sciences (e.g., Kuwait, Saudi Arabia, Morocco, and Iran) and engineering (e.g., Jordan, Saudi Arabia, Algeria, and Iran)

In spite of great achievements in the provision of educational opportunities, the quality of education has remained below the desired standard and massive investment in human capital has not fully contributed to social, economic, and political development. Some of problems include:

- Shortage of qualified teachers and administrators and materials
- Lack of emphasis on critical thinking and analytical skills development
- Cultural and political resistance to education because it creates new values, and expectations
- Unfavorable attitude toward female education and participation
- Creation of "educated" unemployment and underemployment due to limited labor absorptive capacity of the economy
- Expansion of urban open unemployment through rural-urban and urban-urban migration
- Increased income inequality since higher education is generally available to the already affluent people
- Inability to accommodate foreign educated professionals, contributing to the brain drain
Emigration & Migration
The ME & NA is suffering from a “brain drain.” Large numbers of people have emigrated to Western Europe and United States in search of economic opportunity and socio-political security and freedom. There has been a massive outflow from Turkey to Germany, Lebanon and Algeria to France, and Iran to the United States. The Turks were typically skilled and semi-skilled workers to make higher wages and gain legal residence in Germany. Others, however, were mostly foreign educated technocrats who left their home countries for political and cultural reasons. In many instances, they were able to permanently reside in the host country. The cost of human capital emigration is born to the home country because of resources used in educating and/or training the emigrants. Benefits of their labor are realized by the host country as they participate in economic activities.

In the 1960s and throughout the 1970s, large numbers of the Arab work force from Egypt, Jordan, Palestine, Oman, and Yemen migrated to the Gulf States (Saudi Arabia, Kuwait, UAE, Qatar) to help with the development of the petroleum and petrochemical industries. With the scarcity of skilled labor and growing demand for skilled labor, migrant workers commended high wages. They often unable to own property used their lucrative wages to invest in their home countries and export consumer durable goods. Their remittances helped their economies by helping improve the balance of payments; they depend on their property incomes to retire at home. However, as a result of the Iraqi invasion of Kuwait and the ensuing Persian Gulf War, the Gulf States have replaced many of the Arab migrant workers with workers from South and East Asia since (i) they are willing to work for lower wages, (ii) do not advocate political change, and (iii) do not plan to stay beyond the period of contracts.