

## Chapter 26

# Education Inequalities and Human Capital Formation in MENA Region

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### ABSTRACT

*This chapter examines education system and education development in MENA region and compare to other selected region in the frame of human capital. It also focus on issue of education quality and inequality. In here, human capital is identified and measured by using education-based factors such as drop-out rates, repetition rates, literacy rates and international test scores, enrollment rates. The results of analysis show that the student participation is common with high enrollment rates and most governments in the region have announced large expenditures on education. Despite impressive gains in the participation of student in the different academic level and intensive public expenditures on education in the region, MENA region suffer from many problems regarding education such as, poor efficiency, low quality, illiteracy and gender inequality, low labor force participation of female. As a results, MENA governments should improve education systems to focus on not only on increasing enrollments, but also on improving the quality of education.*

### INTRODUCTION

Human capital is considered an important determinant of economic growth and an effective vehicle for reducing inequality and absolute poverty. The term “human capital” is used first time in modern literature by Schultz (1961). He classified expenditures on human capital as investment rather than consumption. Along with the macro economic studies carried out in the development of the concept of human capital, the studies carried out in the micro economic aspect have an important role. Human capital is defined as the investments made on individuals regarding educational, health and occupational issues in order to increase productivity of individuals in labor force market or in nonmarket activities (Sharpe, 2001). The human capital theory depends on the idea that investment on individual will affect future income

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of the individual and can be made by individual himself/herself, as well as by family, government or any other organization.

The most important element of the human capital theory is education which helps to develop human qualities. The value of education is determined by individual income according to this theory. It is believed that more educated population will bring a significant positive impact on social, political, and economic performance. When countries invest in human capital through education, there is the potential for generating benefits to society that go beyond those acquired by the individuals involved. Available evidence suggests that education is associated with lower fertility rates, healthier and better-educated children, and stronger national identity (World Bank, 2008).

First writing on human capital flowed from economists of education such as Becker (1976), Mincer (1974), and Schultz (1971) focusing on the economic benefits from investments. The relationships between education and economic growth, and earnings growth have been also examined by economists (For example, Hanushek & Kimko, 2000; Psacharopoulos, 1973, 1981; Becker, 1964; Schultz, 1971). All these studies have strong empirical supports (Hewlett, 2002). A variety of studies also reviews and interprets the basic estimation of rates of schooling return (Psacharopoulos, 1994; Card, 1999; Heckman, Lochner & Todd, 2006).

The concept of human capital refers to the abilities and skills of human resources of a country (Okojie, 1995). Human capital formation is receiving increased attention from policy makers and scholars interested in promoting economic development in developing countries. Thus it is associated with investment in a person and her/his development as a creative and productive resource. The qualitative status of human resource is related to the attainment level of education in a country. The concept of human capital formation is the context of investment in education possesses a number of problems (Darnal, n.d.). For many years, there has been a lot of works on human capital formation issues and in particular on the overall role of education in the development process.

There is no doubt that human capital is difficult to identify and measure directly. So many researchers have used indirect measures. The conventional standard to measure human capital stock has been largely categorized as out-put, cost- and income-based approach. School enrollment rates, school attainments, adult literacy, and average years of schooling are the examples of out-based approach. Cost-based approach is based on calculating costs paid for obtaining knowledge, and income-based approach is closely linked to each individual's benefits obtained by education and training investment (Dae-Bong, 2009).

Several variables have been suggested to measure various qualitative aspect of educational systems, such as public expenditure on education, pupil-teacher ratios or the distribution of educational attainment (Dessus, 2001). Hansson (2008) shows that OECD measure on human capital is closely linked to international comparable statistics considering investment in human capital, quality adjustment, and results of education. OECD measurement of human capital is linked to education-related factors such as graduation, enrollment rates, time invested in education, quality adjustment, and labor market outcomes by age, gender and educational attainment and investment in education in the perspective of the human capital. The rationale for this educational-based approach is that these factors are closely related to investment in education is a key element in human capital formation. Educational measures are therefore proxies for, not direct measure of, human capital (Le, Gibson & Oxley, 2005).

The new approach of human capital measurement partially needs to accept the conceptual framework in human development. Since 1990, United Nations Development Programme has reported Human Development Index investigating most of countries, measuring a country's human development and well-being (UNDP, 2013). Despite the important role of human capital in modern societies there are

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