

Planning and Funding the Education in Lebanon: Challenges and Perspectives

Eliane Nehme

(Corresponding Author)

Faculty of Economics and Business Administration, Lebanese University

Karm El Zaitoun, Achrafieh, Beirut, Lebanon, Postal Code: 16-6056

E-mail: elianenehme@yahoo.com

Georges Nehme

Faculty of Business, Université Antonine

Hadat, Baabda, Lebanon, P.O. Box: 40016

E-mail: g.n.nehme@gmail.com

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Abstract

The major concern of economists and economic actors focuses on education and labor market. A number of theoretical and empirical analyses have concentrated on these subjects. The objective of this research is to prepare a study on education in Lebanon, in order to highlight the difficulties of the employability of young people and the asymmetry of information between the supply and demand of labor. It also aims to propose policies and guidance to overcome these difficulties so as to ensure good jobs for young people and prevent emigration. Undeniably, Lebanon has one of the most advanced educational system in the entire region and an abundance in qualified workforce, while lacking in natural resources and strategic planning. Lebanon benefits from a very high literacy rate. The share of the GDP in financing the education is considerably high. That said, the survey on the education in Lebanon was realized during the summer of 2012 covering various Lebanese regions. The chosen sample was taken from the six districts of the country (Beirut, Mount Lebanon, Békaa, The South, The North, Nabatiyeh) with a set of selection criteria insuring diversification and thus a representative sample of the population.

Keywords: Human capital, Labor market, Regional Inequality, Educational policies, Training.

1. Introduction

Adam Smith, Theodore Schultz¹, Jacob Mincer² and Gary Becker³ are originally the initiators, in the sixties, of the modern theory of human capital. The Human Capital theory, unlike

¹ Schultz, T.W, 1961, Investment In Human Capital, American Economic Review, vol 51.

theories that analyze growth factors, capital, and labor from a purely quantitative point of view, highlights human, their intelligence, and their skills. Human capital can be innate or acquired. Skills considered as an investment property can be acquired at any age. These skills depend on the physical and intellectual capacities of its holder.

The development of this theory has helped explaining the attribution and distribution of individual remuneration from a micro-economic perspective and introducing the importance of education. The human capital theory considers that education increases the productivity of the person. Like physical capital expenditures, spending on education and training are viewed as an investment. The choice of a student to pursue his/her studies is a rational decision. This explains the differences in wages between individuals and the fact that some are less willing than others to make investments in training and/or in education, to fit skilled jobs. The wage distribution takes into account the different levels of education. Higher education is not compulsory, the individual chooses between study and professional training or work. The decision to undertake an investment in education depends on the comparison between the expected investment costs and the returns. Investment in human capital is costly in time and the perception of benefits is limited by the end of human life.

From a macroeconomic perspective, the main competitive advantage of a country lies in the skills and the knowledge of the workforce of the country (R. Reich, 1990). The factors of production (production inputs), land, labor and capital were unable, alone, to explain residual growth in the United States. Mincer, Shultz and Becker invoked in the late fifties and sixties the concept of human capital. The labor factor should not be considered only quantitatively but also qualitatively, to explain the unexplained residual growth. Thus, education is viewed as an additional production factor. This category of benefit is more comprehensive. Hence, this can be summarized as the social benefits resulting from the difference between costs and returns for the whole country. Educational policies aim and generate mainly this second category of benefits. Education increases participation, income, productivity, and improves health while reducing crime. Education reduces unemployment, improves the employment rate and increases income in the labor market. Therefore, Education affects the state budget through increased public spending on education on one hand and, on the other hand, it affects the state revenues through higher tax revenues due to additional income generated from education. Education also allows reducing the public spending on legal fees, security, health, and unemployment benefits, due to its positive impact on health as well as crime and unemployment rates.

When an economy allocates more resources to education, it will help increase the rate of sustainable economic growth.

Education policies are central since the rate of long-term growth depends on the investment effort in human capital. Economies, whose level of education is low, are most exposed and subject to poverty. Hence, it is not surprising that promoting education has accelerated the growth in several poor countries. The countries of South-East Asia and African countries are the greatest example. Asian countries are in the process of convergence towards the levels of production of the OECD countries. Asian countries are characterized by state intervention and educational policies and therefore have a workforce with high technical content, as opposed to African countries that also show no signs of convergence. These educational policies have helped generate more economic growth than that generated by developed countries over a long period.

² Mincer J, 1958, Investment In Human Capital And Personal Income Distribution, Journal Of Political Economy, vol 66.

³ Becker G, 1964, Human Capital, A Theoretical And Empirical Analysis, With Special Reference To Education, The University Of Chicago Press, Chicago.

On the other hand, the impact of education on growth depends on the level of development in a country and therefore the economic and institutional conditions of each country and period. The relationship between education and growth has, thus, a double meaning. In all cases, education and educational policies are becoming more necessary than ever in a world increasingly globalized and competitive.⁴

2. Materials and Methods

This study will attempt to make an overview inventory and analysis of the educational system in Lebanon and to propose strategies to implement at the private and public levels to ensure better quality of education, better integration and fairness to the population within the system, in order to enable the country to take advantage of his human capital by mimicking the example of the evolution of the education system in Asian countries.

The survey was conducted on young adults in Lebanon between 18 and 35 years old, from various regions and religions, during the summer of 2012 and covered all Lebanese territory. It took into account different types of information related to: i) the level of education, from school level up to higher education; ii) the different diplomas obtained; iii) the nature of the institutions attended; iv) the learning and the use of foreign languages v) the reasons for choosing training and development; and vi) the means of financing their education.

3. Results and Discussions

3.1 The History of Education in Lebanon

Lebanon is one of the most advanced countries in the field of education throughout the region. Lebanon is known by the lack of its natural resources and the abundance of its skilled labor. It has a high literacy rate, around 91.8 %⁵ in 2009. The share of education funding in GDP was as high as 13.1%⁶ in 2009. The country has several advantages in terms of the quality of its education system and universities. Its universities were able to prove themselves on the regional education market. The history of education started with the Christian missionaries who came to the country with the aim of promoting education.

Higher education in Lebanon was initially monopolized by three major institutions. It began with the establishment of the Syrian Evangelical College, by the American Evangelical Mission in 1866 that became in 1920 the American University of Beirut (AUB). In 1883, the Jesuits formed the Saint Joseph University to offset the Protestant influence. This institution was initially affiliated to the University of Lyon in France and became an independent institution in 1975. A third institution established by American Protestant Mission in 1885, was named "Beirut University College" and is known today as the "Lebanese American University".

In 1960, Beirut Arab University was founded by a charity Sunni organization linked to the political beliefs of the Egyptian president Abdel Nasser, with the help of the Egyptian government to counteract the Christian presence in the higher education system in Lebanon. The Lebanese University was not established until 1952. It was the first and only Lebanese public institution for higher education. The expansion of the Lebanese University began at the end of the sixties and the beginning of the seventies.

During this period and in order to escape the waves of nationalization, the elites of the Arab countries joined the Lebanese higher education institutions. On the eve of the Lebanese civil

⁴ Blanchard O, Cohen D, 2007, *Macroeconomie*, 4eme edition, Pearson Education 2007.

⁵ Source: Administration Centrale Des Statistiques.

⁶ C. Nahas, April 2009, *Financing And Political Economy of Higher Education In Lebanon*, Economic Research Forum, April 2009, Page 17.

war, Lebanon had five universities and seven higher educational institutions located predominantly in the capital Beirut.

The war, as well as the co-current oil boom, caused and facilitated a massive wave of emigration of the elites from Lebanon to the oil countries. Foreign countries and Lebanese businessmen offered a large number of scholarships which increased the elites' emigration. The war had effects not only on the number of Lebanese students but also on the number of foreign students in Lebanon which had decreased significantly (C. Nahas, 2009)⁷. The war also affected the geographic distribution of institutions and students. In fact, it has caused the division of the country controlled by various militias' regions, and, as a result, the Lebanese University was divided into different branches.

At the end of the war (in 1991), Lebanon had twenty higher education institutions. In 1995, this number has continued to grow. Unfortunately, this quantitative change was not always combined with a qualitative improvement.

3.2 The Distribution of Education in Lebanon

The education system in Lebanon is covered by both public and private institutions, although originally, the private sector was dominant. Public education did not appear until the end of the nineteenth century and continued to develop, especially in higher education.

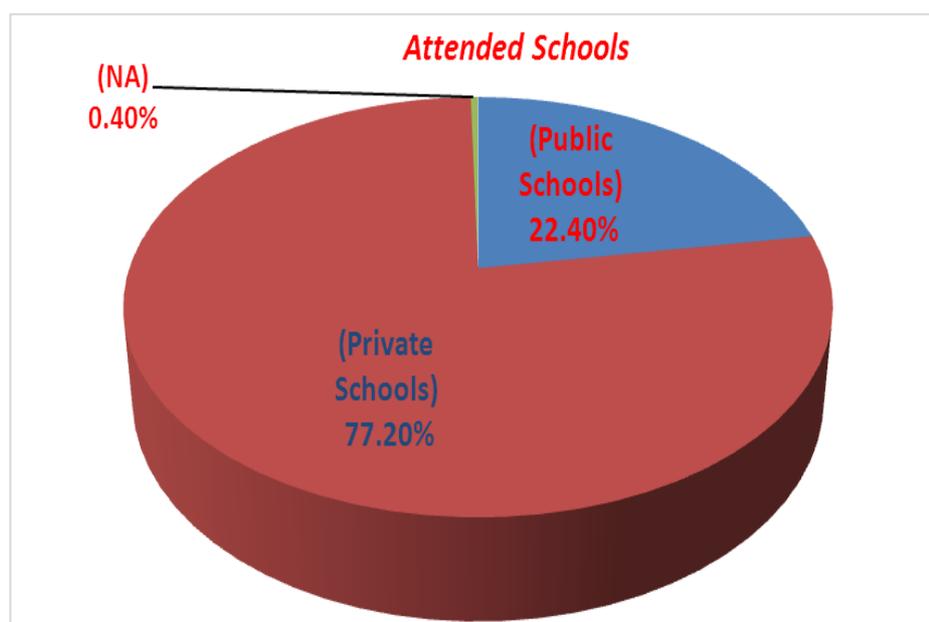


Figure 1: The distribution of the sample population by type of attended schools

Currently private and public universities work in parallel and independently without any real cooperation or partnership between them. The intervention of the State in monitoring and controlling the quality of the educational system is still weak.

⁷ C. Nahas, April 2009, Financing And Political Economy Of Higher Education In Lebanon, Economic Research Forum, Page 10-11.

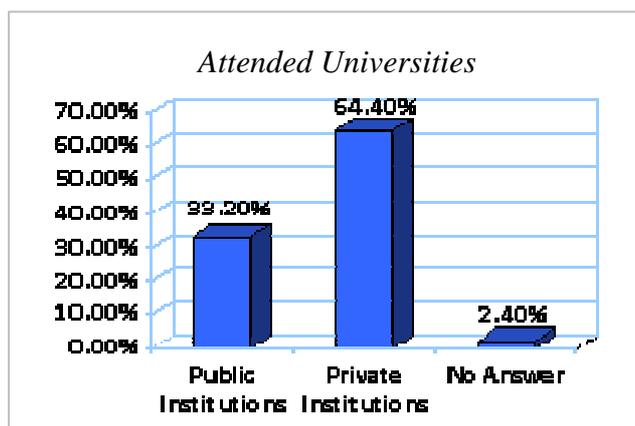


Figure 2: The distribution of the sample population by type of higher education institutions

The survey showed that the sample population preferred studying in private educational institutions where quality is better especially in terms of language acquisition. This shows the absence of state intervention to ensure the quality of public education. Public education is reserved for low-income families highlighting social inequalities between different classes. However, the share of public education increases with the level of education. These percentages show that the Lebanese give greater importance to basic education and it is for that reason that parental choice is directed towards private schools rather than public schools especially for elementary education. The performance differences are also related to the selection of students. The best of them or those, whose parents are more concerned about their level of education, are moving to the private sector. Public schools are thus combining students with low educational capacities and students whose parents are challenged financially. Note that for higher education, the criteria for choosing between the public and private sector are accessibility, tuition fees and admission tests. In all cases, the Lebanese University is now challenged by a growing number of private universities. The target for some private universities remains quantity rather than quality. The private universities offer to the rich students, prestige, social consideration, and professional network.

From another perspective, the survey showed that 43.6% of the surveyed population attended schools in Mount Lebanon, 27.2% in Beirut, 11.6% in North Lebanon, and only 8.4% in the Bekaa and 7.6% in South Lebanon.

In addition, 44% of the surveyed population attended universities in Beirut, 32.8% in Mount Lebanon, 10.8% in North Lebanon, 5.2% in South Lebanon and only 2.8% in the Bekaa. These results show that the population mobility and the attraction of Mount Lebanon and Beirut for education is pushing people to leave their region of origin to Mount Lebanon and Beirut contributing to more regional inequality.

Some regions such as the Bekaa and South Lebanon are losing while the population in Mount Lebanon and Beirut is more and more concentrated; this concentration is generated by rural exodus.

It is also interesting to note that 78.4% of respondents have attended French schools, and 25.6% attended English schools. However attendance in English universities is 34.8% against 25.6% at the school level. These results highlight the Westernization and the Frenchism, in particular, of the Lebanese society despite the utmost importance of the English language in the world.

As it might be well known, French language is harder to learn than English. Lebanese parents still choose French as second language for their children (Arabic being the first/native language). Furthermore, English language started to acquire more importance in the progress

of education because of the growing importance of this language in the world and its use by the labor market in general and the Lebanese labor market in particular.

Finally, it is important to note that there are very few institutions that teach exclusively in Arabic.

The availability of educational programs in foreign languages makes it possible to better meet labor market requirements and allows young and Lebanese companies greater international openness. The use of foreign languages, also allows students to have a sort of competitive advantage over labor market.

3.3 Education Funding in Lebanon

Education funding in Lebanon covers 13% of the GDP, 9% of which from private sources and 4% from public sources. 13% is a very high figure compared to other countries. For example, the funding of education in Japan represents 4.8 % of the GDP, only 7% of the GDP in the United States while France funds its education with 6% of the GDP⁸. These figures show the importance given to the investment in education and the importance of the demand for education in Lebanon. The high cost of higher education makes it a luxury pursued by the majority of the students. Higher education also became a necessity needed to cope with the complexity and the demands of the labor market. On the other hand, it should be noted that, somehow, the increase in supply to meet a growing demand for education in general and for higher education in particular has helped to stabilize the cost of education teaching.

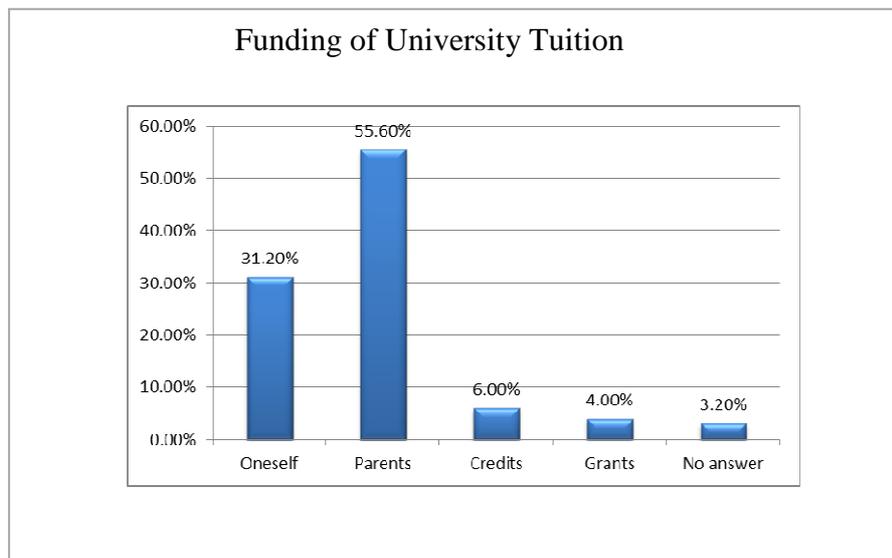


Figure 3: The distribution of the sample population by means of funding university tuition

The survey confirms that the funding of higher education is provided mainly by parents. This demonstrates unequal opportunities for the richest students, excluding abilities and talents. The richest are left with liquidity that allows them to make an educational investment and further their education. Students belonging to a low social class, under the pressure of financial constraints, cannot go further in their education. On the other hand, people belonging to a high social class can better prepare their children for education and success.

⁸ C. Nahas, April 2009, Financing And Political Economy Of Higher Education In Lebanon, Economic Research Forum, Page 23.

These results point out the shortcomings of the public sector, which should ensure equal opportunity for its citizens by subsidizing the most talented agents.

All these results demonstrate the absence of direct government intervention in the field of education funding.

However, it is important to highlight the indirect role of the public sector through the Lebanese University where education is almost for free accompanied by quality. The Lebanese University is attracting a large proportion of students (33.2% of respondents). The factors that drive the choice of the university vary; 53 % consider the field of study as main factor, 27% the tuition, 20% the proximity of the university to the place of residence, and only 18% take the reputation of the university into account while choosing a university.

3.4 The Characteristics of Higher Education

Table 4: The relationship between the place of origin and the field of study of the first degree

<u>Place of Origin</u>	<u>Field of study for the 1st degree (in percent)</u>									
	Law	Economics	Business	Sciences	Technology	Health	Humanities	Social Sciences	Other	No Answer
Mont Lebanon	5.20	2.1	36.8	13.7	8.4	9.5	9.5	9.5	3.2	2.1
South Lebanon	4.5	2.3	47.7	9.1	9.1	9.1	6.8	11.4	0.0	0.0
North Lebanon	11.8	14.7	23.5	2.9	11.8	2.9	14.7	17.6	0.0	0.0
Beirut	0.0	0.0	33.3	6.1	12.1	18.2	15.2	12.1	0.0	3.0
Bekaa	4.5	0.0	29.5	2.3	22.7	22.7	2.3	9.1	0.0	6.8
Total	5.2	3.2	35.2	8.4	12.0	12.0	9.2	11.2	1.2	2.4

Table 4 shows a preference for business majors. Indeed, the faculties of business in all the Lebanese universities are the largest with the highest number of students. These numbers also show that the Lebanese people are attracted by business and trade. It is important to note the absence of any policy guidance for young people, allowing them to choose a field of study according to their abilities and to the needs of the labor market.

From another perspective, the survey showed that 83.2% of the sample population has a university degree. This result is reasonable since technical education is not valued either by families' perceptions or by the labor market. Lebanon is characterized by the scarcity of business schools⁹ and therefore equivalent qualifications to university degree. Moreover, practical training in institutions of higher education is virtually absent. Learning outcomes provided by universities are theoretical and disconnected from the needs of the labor market. It is also important to note that the large proportion of the population have a higher education degree. This, results in what we mentioned earlier on the increased demand for education and,

⁹ ESA: Ecole Supérieure des Affaires, is the unique business school in Lebanon with French affiliation.

in particular for higher education. Lebanese young adults seek to go beyond an undergraduate degree.

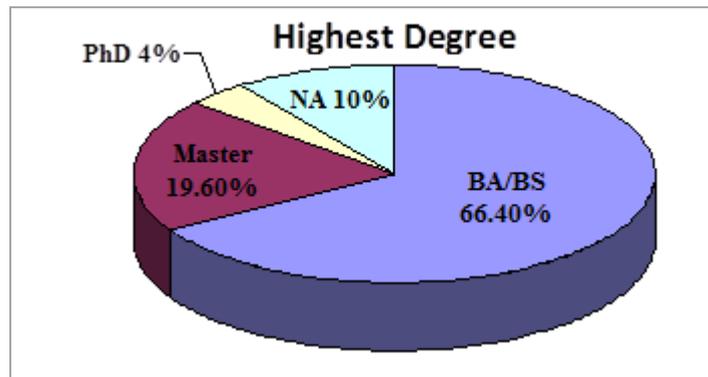


Figure 5: The distribution of the population according to highest degree

Figure 5 demonstrates the growing demand for the Master Degree. Having a Master degree allows a competitive advantage facing a growing number of Bachelor holders. Human capital theory considers that the higher the level of knowledge and skills is, the greater the candidates hope for a higher salary. As for PhD holders, they constitute only 4 % of the surveyed population. It should be noted that applicants to this degree aim for research and university academic teaching.

It is also important to note that 70% of PhD holders are women. Men prefer the quick access into the labor market. Generally, they are less interested than women in research and university teaching.

Moreover, it is worth noting that students with high grades in their first degree are most likely to further their education. The best students pursue high levels of education, taking into account first their capacities and second their need to acquire a competitive advantage in the labor market where the supply of labor by university degree holders is becoming increasingly important.

The analysis of the Lebanese educational system has highlighted the interest given to the funding of education as an important part of the Lebanese GDP. This funding is provided mainly by the private sector, which demonstrates the shortcomings of public intervention in this regard. These deficiencies also occur in the absence of public monitoring and the lack of the control of the quality of education, and the number of higher academic institutions that sometimes operate without criteria and quality standards. The study also showed the regional and income inequality in terms of education and the lack of guidance policies that help young people to choose majors that meet the needs of the labor market.

All these deficiencies are pointing out the lack of government intervention and the orientation of the public spending towards investments that do not generate economic growth, motivated by self and political interests, and by the lack of holistic long-term vision.

3.5 The Results of the Lebanese Educational System Analysis

The analysis of the Lebanese educational system has highlighted the following features:

- The relatively low quality of public education and preference for Lebanese private education especially at the school level in the absence of government intervention to ensure greater effectiveness of public education.
- The concentration of schools and universities in the Capital and its nearby suburbs, increasing regional inequalities and pushing the rural exodus.

- The availability of teaching foreign languages allowing Lebanese students greater international openness and facilitating professional emigration.
- The dramatic increase in the number of private academic institutions, with a remarkable decline in the quality of education.
- The high share of education funding in the Lebanese GDP and the predominance of private financing against weak public funding.
- The high cost of private education accompanied by a high demand for school and university education.
- The growing appeal of the Lebanese for education and the pursuit of the most qualified high levels of education beyond an undergraduate degree.
- The lack of student orientation to the needs of the labor market, creating a sort of overcapacity in some sectors and under capacity in others. This is the result of the lack of coordination and cooperation between the labor market and the higher education institutions.
- The learning outcomes provided by universities are theoretical and disconnected from the needs of the labor market. Practical training in institutions of higher education and vocational training of employees by companies are virtually absent.

4. Conclusion

The analysis of the educational system and the development of these shortcomings lead to propose an overall macro-economic policy based on concrete proposals in terms of public intervention. The intervention of the public sector should not only be financial. It is the establishment of a global macro strategy, where the financial aspect is completed by the implementation of measures and qualitative regulations that supplement the financial aspect.

- Public spending should target areas of public goods such as health, social protection and education. The benefit of these interventions is macro-economic, since these measures help to improve health and reduce crime. These measures also help to strengthen equity.
- The State must guarantee the quality of its educational sector, especially after the spectacular growth of private higher education institutions. The government, through the Ministry of Education and Higher Education, should reduce the establishment of new academic institutions and enforce the strict application of quality assurance criteria in existing higher education institutions.
- Concerning public education, it is necessary to increase the quality of education in the public institutions and make it accessible to all students. The work in this area began by updating programs, elaborating procedures for recruitment of qualified professors and teachers, creating incentives for research and development, cooperating with foreign institutions of higher education, and improving the harmonization with the labor market.

Efforts should not target only the public sector; in the private sector, a series of important measures should be taken:

- Universities should focus on their programs, their curricula, and on the practical training. Cooperation with the local or international labor market is becoming a must where educational institutions will take advantage of their expertise in terms of renovating programs and in terms of attracting professionals to provide a practical education in the universities alongside the theoretical education.
- Developing research infrastructure within universities; Microsoft and Facebook are results of work executed in such research laboratories.
- Universities must work with enterprises to ensure practical training for their students to better fit the needs of the labor market and reduce asymmetrical information.
- Universities must teach students through less conventional methods in the practical field using technology and audio visual materials.

- Creating or strengthening the role of employment offices/departments in universities to facilitate students' access to the labor market and to prepare them for job interviews.
- Creating or strengthening the role of alumni associations, which help in facilitating the contact between former and new/current students and the offering of employment opportunities.
- Creating training programs within enterprises for young people and encouraging the implementation of continuous professional training for employees to increase their productivity.
- Promoting awareness, among companies, of the importance of high levels of wages to attract more skilled workforce, provide better productivity and higher profitability, and break the vicious circle of low wage – low productivity – low cost – and then emigration.
- Finally a personal effort must be made by young people with the aim of creating and promoting one's competitive advantage. This can be achieved by:
 - Learning and/or using foreign languages;
 - Personal and cultural development through trainings, research, reports, and books;
 - Seeking Internship training in labor market;
 - Developing one's personality and creating a social network;
 - Valuing one's characteristics versus the labor market;
 - Learning and getting familiar with the new and latest technology.

Concrete steps have started to emerge but are still insufficient because they are not part of the overall macro-economic strategy in Lebanon. The establishment of a partnership between the public and private sectors started. In fact, on November 28, 2012, the Council of Ministers approved a draft law prepared by the World Bank. This law will be managed by the National Employment Office and will be supervised by the Ministry of Labor. The "New Entrants to Work" program offers candidates a six-month full training in the labor market funded by the private sector. Hopefully, all these measures will help reducing the emigration rate and allow Lebanon to take advantage of its human capital in the near future.

Acknowledgement

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