

## Omar Al- Razzaz's Comments on Kubursi's Paper

### (Session 2)

I am delighted and honored to comment on the paper of Dr. Atif Kubrusi "The Economic Role and Contributions of Universities: Their Labour Market Role."

Dr. Kubrusi does two important things in this paper: First, he questions and refutes the claim that universities are the culprits in the mismatch between the supply and demand in the labor market in the region. Second, he provides a more holistic framework for evaluating the socio economic impact of universities. Both are critical to move from the blame game towards solutions.

On the first point, he supports a view that the universities role is to develop critical thinkers and not produce "laborers. " The new economic theory of education conceptualize the universities as social institutions that reduce the transaction and search costs for employers by signaling the attributes of their prospective employees and that this function is valuable and cost reducing. i.e. signaling and accreditation is essential. Universities should not be producing "plug and play graduates". To graduate students for specific jobs is both difficult and wasteful. Instead universities should focus on enhancing student abilities to communicate clearly and effectively, to analyze, to clarify ambiguities, to deconstruct problems into manageable parts, to think critically and to question deeply (page 2).

In other words, universities should educate, while employers (with public support) should train.

But in reality neither is happening in a meaningful way in the Arab World.

Dr. Kubrusi is right. The mismatch is not the main problem. The mismatch exists, but is not the only reason for unemployment among youth. Two other factors are probably more important: the very high transaction costs of the labor market, and the weak demand created by rentier or semi-rentier economies which focus on mining, speculative investments in real estate rather than productive investments. Each factor warrants its own solutions.

Three areas in my view warrant direct intervention:

- I) School to Work Transition  
Regardless of who is at fault for the sorry state of preparation for the market place, and who should be responsible for closing the gap, there are core functions which are not being carried out by either the school, university, public school to work programs, or private on the job training.

The fact is, neither sAmong the main functions which need to find an institutional home are:

- Psychometric assessments and aptitude tests
- Access to Labor Market information Systems which students, parents, and teachers can understand
- Social and employability skills including learning how to work in teams, problem solving

- Critical thinking and ability to question authority in the classroom
- Employability skills
- Entrepreneurial training.

II) Public Sector Demand distortions:

With bloated public sectors all over the Arab World, the “signaling” that is taking place is a distorted one. The signal to Universities is not to focus on quality as the public sector does not discriminate between high and low quality graduates, and certainly does not search for critical thinkers as Dr. Kubrusi would wish. The signal to students is also that it is the certificate that matters not the content of what they learn. The certificate determines their entry level and trajectory much more than their productivity and innovation does. Thus, many researchers talk about “return to certification” rather than “return on education”. The distortion of public wages is another factor which makes signaling distorted. Public sector wages are used as a tool to distribute rent proceeds. It would have been much better to think of other mechanisms to distribute rent so as not to destroy incentive to work and be productive.

III) What is the objective function of universities in the Arab World:

I would argue that public universities have very little incentive to excel in quality. And many private universities are for profit institutions which compromise quality for profit in a poorly regulated environment. Here Dr. Kubursi offers a framework for measuring the impact, and perhaps evaluating public and private universities. Such evaluations, if made public, and linked to financing, will start to send the right signals. The eight factors that Dr. Kubrusi considers are: Direct expenditure, indirect expenditure, labor productivity, knowledge transfer, entrepreneurship, knowledge application, social productivity, community and cultural benefits, and volunteerism)

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