

# Role of education in decreasing poverty rate economics essay



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Education plays a central role in preparing individuals to enter the labor force, as well as equipping them with the skills to engage in lifelong learning experiences. The report presents findings from current literature on the topic, which offers new ways of looking at the returns to education, together with evidence from original data analysis and background studies of education and poverty rates in Pakistan.

### **Introduction:**

Education and poverty are inversely related. The higher the level of education of the population, lesser will be the number of poor persons because education imparts knowledge and skills which is supportive in higher wages. The direct effect of education on poverty reduction is through increasing the earnings/income or wages. The indirect effect of education on poverty is important with respect to 'human poverty' because as education improves the income, the fulfillment of basic necessities becomes easier and raises the living standard which surely means the fall in human poverty.

The education indirectly helps in the fulfillment of basic needs like water and sanitation, utilization of health facilities, shelter, and it also affects the women's behavior in fertility decisions and family planning. Jeffery, R. and Basu, M. A. (1996).

Lack of education is a key factor of income poverty and absence of sufficient income/earnings can't overcome the education poverty [5]. Moreover, education helps in the fulfillment of basic needs (eradicating poverty) and basic needs themselves include the education availability, hence provision of education and fulfillment of basic needs both reinforce each other.

In the Millennium Development Goals (MDGs) and the Poverty Reduction Strategy Paper (PRSP) human capital is considered as a weapon against poverty reduction. Therefore the idea that education is a determinant of poverty occupies much attention in recent years. Pakistan has owned the Poverty Reduction Strategy Paper (PRSP) in which there is an enormous emphasis on human capital for curbing poverty because it is realized that without human capital formulation the goal of development or poverty alleviation is inevitable in developing country (Mughal, 2007).

In developing countries the social returns of primary education are much higher as compared to that of tertiary education and most of the time the relatively rich people continue their tertiary education, expanding tertiary education is twenty to fifty times costly as compared with the primary education expansion [Tilak, J. B. G. (2005

Therefore, governments in developing economies want to reduce poverty in the cheapest manner and that's why primary education is focused Colclough, Al-Samarrai, Rose, and Tembon (2003).

## **Literature Review:**

Evidence suggests that cognitive skills have large economic effects on individual earnings and on national growth (Hanushek and Woessmann 2007) and that workers' productivity depends both on years of education and what is learned at school (Heckman, Layne-Farrar, and Todd 1995; Murnane, Willett, and Levy 1995).

The quantity and quality of education influences strongly the labor force, governance and the workings of most institutions. Thus it is a key  
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determinant of the investment climate. Firms, both domestic and foreign, are more eager to invest when they know that they will be able to draw on a skilled workforce to make that investment productive. Second, universal access to basic education is essential for ensuring that all segments of society will benefit from macroeconomic growth. stern

Pakistan is classified into the 3rd World countries mainly due to the connection of poverty with education. Poverty is the biggest disadvantage and the largest obstacle in the development of this country. Pakistan is an agricultural country and the profession of many people living in Pakistan is with this vast category. The people in this category and the farmers are unable to feed their families fully and as a result, development stops and population increases.

Education and health endowments of the individuals are the necessary and important components of human capital which make them productive and raise their standard of living. Human capital is required for the effective utilization of physical and natural capitals, and technology and skills. Being a developing country, Pakistan has owned the poverty reduction strategy paper, which is one of the main pillars of human capital. Without human capital formulation the goal of development or poverty elimination is inevitable and human capital accumulation is largely based upon education and skills attainment.

The notable thing regarding the education's significant role in poverty reduction is the direct linear relationship between education and earnings Colclough, Al-Samarrai, Rose, and Tembon (2003). In Pakistan, it has been

found that monthly earnings of an individual worker increased by 7.3 percent with an additional year of schooling. Earnings will be increased by 37 percent with the attainment of ten years of schooling against no education. Moreover, each additional year of schooling level increased earnings by 3 percent at primary level, by 5 percent at secondary level, and by 7.1 to 8.2 percent at higher/tertiary level. Each additional year of technical training increased earnings by 2.5 percent. Therefore, it is quite evident that education can increase the earning potential of the poor and they become productive. Mughal, (2007).

For poor people, education can serve as a bulwark against volatility: even the fundamental skills learned in primary school can make a critical difference for the survival of families when government services fall short or during times of economic crisis. The widening of educational access thus can help to eradicate poverty even before it begins to yield returns in the labor market. (Stern 2001).

The educational attainment of household head is the critical determinant of household poverty in Pakistan. An increase in the educational level of the head of the household significantly reduces the chances of the household being poor Nasir, and Nazli (2000).

Moreover, an increase in the schooling of household heads not only has a positive impact on their productivity and earnings but also enhance the productivity of other members of the household perhaps through persuading them to be educated and/or skill-oriented Qureshi, S. K. and Arif, G. M. (2001)

Not only poverty is concentrated in households with illiterate/less educated heads but also it is much harmful for the female-headed households as compared to the male-headed ones. Female segment of our society is comparatively much deprived as compared to male one. On the other side, those female-headed poor households severely lack the basic requirements of life. Their housing, health, drinking water, sanitation facilities and garbage collection system all are in deplorable condition. All these things affect the productivity of poor persons and they can not come out of their vicious poverty circles. The provision of education can break this circle through giving a rise in earnings and fulfilling basic needs Abuka, C. A., Ego, M. A., Opolot, J. and Okello, P. (2007)

Educational levels (primary, secondary and tertiary) are valuable in increasing the per capita expenditure of the household. As expenditures include the non-food items hence again education is relevant from the overall welfare point of view. Further, educational levels are significant elements in reducing the chances of the household to be poor Kurosaki and Khan (2006)

Primary education is the initial threshold of human capital but secondary and higher education, and investment in science and technology will give rise to acceleration and sustenance in economic growth and development.

The simple regression secondary and higher education is inversely related with poverty, therefore secondary and higher education is important in the inverse relation of education and poverty apart from primary education Tilak,

(2005). It has been seen that the likelihood of being poor is higher even for the lower level of education Okojie (2002).