Population learning importance to quantity of education economics essay

Education, Importance of Education

In every economy, the education sector is considered to be one of the biggest industries and in the twenty first century it is regarded as major contributor to economic growth and development of any country. There is a positive link between economic productivity and investment in human capital as they both are dependent on each other. Many authors have studied that a country can earn high returns if they invest properly in human capital. However today, many developing countries are facing problems with education quality. And there is an argument in academics also that what contributes to economic development quality or quantity in education (Hanushek & Kimko, 2000, Gills et al., 1996, Mingat and Tan, 1996; Psacharopoulos, 1994; Krueger & Lindahl, 2000; Hanushek & Woessmann, 2007, Heyneman, 2004).

Many theoretical and empirical findings have suggested that the economic development of a country is determined by its human capital and human capital is considered to be critical especially for the under developed or developing countries as they need to strive hard to achieve high economic growth (Barro, 1991, 1997, Barro & Lee, 1993, Chen, & Feng, 1996, Feng, 1997, Persson & Tabellini, 1992 cited in Chen & Feng, 2000).

UNESCO Institute for Statistics, 2007.

As in the case of China, whose GDP growth rate has been very impressive from several years the demand for education has been increased. However, the resources required to meet this educational demand are not sufficient. Hence the government in China has decided to invest immensely in the education sector in coming years as that leads to economic development

and also raises the standards of living. (Wen and Yang, 2005 cited in Iacov. D, 2009). 13. 0% of government spending goes to education in China (UNESCO, 2007).

There has been a debate in the literature as to whether what matters the most in the economic development of a country is it quality or quantity of education? (Ferranti, 2003, Cheng & Tam, 1997, Link & Ratledge, 1975).

It has been argued when evaluating approximately the effect of education on economic development of a country it is crucial to focus on knowledge and learning instead of counting how long students have attended the school i. e. Quality is more important rather than mere quantity. It has also been suggested that although quality and quantity of education both leads to economic development of a country but quality of education has major effect on economic growth of a country (Hanushek & Woessmann, 2007, Barro, 2001, Bosworth & Collins, 2003).

From several years the literature on link between education and economic growth of any country has been focusing on the importance of quantity of education and purely neglected the issue of quality of education and has also overlooked the core of what education is all about. It has been suggested that the earnings of an individual is directly affected by improvement in quality of education as it leads to greater productivity. An individual who procures more knowledge can enter the labour markets quickly and with greater capacity. However, it has been argued by Wolf, 2004 that although higher education can lead to high productivity and better

quality of education but then it differs from country to country as circumstances are different in each of the countries. It has also been suggested that the workers productivity cannot be increased in the labour market by just spending long years of schooling (quantitative) rather than that it depends on workers experience (qualitative) (Solmon, 1985, Monastiriotis, 2002, Wolf, 2004).

However, it has been argued that measuring the impact of quantity of education on the economic development of a country is not easy. And one of the main reasons for this is that both quality and quantity of education are equally necessary in order to determine the effects of education on the skills of work force i. e. High levels of schooling and greater amount of knowledge acquired at each level of education. However, Mingat 1996 argues that Quantity can be easily measured through various means like enrolment ratio and years of schooling because as the technology changes the demand for higher level of education increases. It has also been argued that there has been no sufficient research conducted on the subject of quality of education by the academics (Cheng, 1995, Mingat, 1996, Smart, 2004).

However it has been argued that if an individual possesses higher education he is in better position to earn higher wages in the labour market than those who just have knowledge and skills. But this may not necessarily lead to the economic development of the country. In the past there was limited need of education because people were mainly engaged in agriculture which required less knowledge and experience. But today at the various stages of economic development of a country labour market demands for well

qualified, trained and educated workforce has been increasing. Therefore, the central issue here is that quantity of education is more important as the supply of qualified people in the labour markets is a necessary criterion today which contributes to the economic development (Ramlee, 2007, Card 1994, Sianesi & Reenen, 2003).

Behrman and Birdsall, 1983 & Boissiere et al., 1985 cited in Mingat 1996 that the governments throughout the world are investing heavily in the quality of education. In several countries like Brazil, Tanzania and Kenya research that was linked to job performance and education was conducted and it was seen that not only quantity but the quality of education is crucial for economic development of a country. It has been stated that to measure the returns from education and its impact on economic development of a country both the quality of learning and the quantity of schooling must be considered (Mingat, 1996).

However in the case of developing country like China, the country is struggling with the issue of quality of education as there has been rapid massification of higher education in China. In China quality of education is very low than what has been expected. This is because their attitude towards adopting western culture is not very encouraging. But still China is making efforts to increase its quality of education by joining hands with Germany′s experts on quality management and quality assurance. This will be beneficial for China as Germany has one of the world′s best known quality education system. Also In vocational training and higher education, Germany has developed quality management and quality assurance standards in

accordance with the Bologna Process and Copenhagen Process. From several years China has been mainly focusing on the issue of quantity of education and they have completely ignored the qualitative aspects which had led to the mismatch of demand and supply of Chinese Graduates in the labour market, thus leaving many graduates unemployed

(Guyer, 2005, Brandenburg & Zhu, 2007, Schulte, 2010, RIETI, 2010).

Also For example in a country like Mauritius, they have been concentrating on improving both the quantity and quality of its higher education system. Since 1989, the number of students enrolling themselves in universities has been increasing tremendously it was around 40 initially which has risen to over 400 students today. It has also collaborated with other universities for improving their quality issues in education. Economic Growth of the country has been the central focus of the education system in Mauritius. They have designed their educational courses in such a way that the economy benefits the most from courses like engineering, it has lead to the technological development, textile, it has been the major contributor of economic growth since several years in Mauritius, law and management etc as all the above degrees contributes to the economic growth of the country and the economy can diversify into the highly profitable sectors. Hence quality and quantity of education has been the crucial factor for the economic development of Mauritius.

(Bloom, Canning & Chan, 2006).

However, it has been critically argued that as and when the earnings of an individual increases, and people become richer the demand for education in turn also increases but there is lack of empirical evidence as to whether the countries who spend more on education and training reap economic benefits or not an also there is still consensus in the literature that whether quality or quantity of education leads to economic development of a country (Wolf, 2004).

The second issue has been the role of Human capital theory and screening theory in quality and quantity of education and its effect on economic growth. Both of these theories are considered to be most important theories in the economics of education. These theories suggest that there exists a direct and positive relationship between earnings and education which leads to the economic development of the country. Human capital theory suggests that the skills of an individual are directly affected by education and it also affects ability of a person to earn profits in the labour market. The main reason behind this is that the better educated and trained workers have higher productivity and also they possess ability to learn more which in turn leads to the economic benefit as well as social benefit. This further leads to economic development of a country. The Human capital theory suggests that if an individual enrol themselves in number of courses, obtain high scores in their exams and find a suitable job for themselves this all will improve the earning capacity of an individual. Human Capital theory further states that the education comes with economic benefits so it is generally productive.

(Weiss, 1995, Becker, 1964, Schultz, 1975, Feng Liang, 2009).

However in contrast to human capital theory, screening hypothesis assumes that the capacity for productivity depends on individuals themselves and that the education rarely has any effect on productivity of an individual. And according to screening hypothesis, high test scores and class ranks will not necessarily lead to significantly higher earnings or economic development of a country. Also screening theory argues for the informative value of education. In short human capital theory suggests that economic value of education is productive as compared to screening theory which argues that greater productivity can be obtained through informative value of education which enhances economic growth. (Spence, 1973; Stiglitz, 1975; Riley, 1979 cited in Feng Liang, 2009).

On the basis of empirical research it was seen that Chinese labour market for higher education graduates is characterised by the signalling or screening hypothesis. In the Chinese labour market, employers give priority to the total number of degrees obtained by an individual and years of schooling i. e. quantity of education rather than the ranks of an individual in class or credits obtained by them i. e. quality of education. Also the higher education system of China has adopted screening hypothesis to admit deserving students (FengLiang, 2009).

There is another major argument in the literature, about who should pay for education? It was observed that in many developing countries the Central Government finances the basic education on a large scale. It has been suggested that the subsidies which government provides to finance education of a country increases the quality as well as quantity of education.

Also many Individuals consider education as a cost rather than an investment this may hamper the economic development of a country because less number of students will enrol themselves in the higher education courses. And governments should pay only for primary education as it leads to social benefit whereas investment in higher education leads to private benefits. Hence investment in mandatory education increases the quality of education as people are equipped with basic knowledge and skills which also leads to the economic growth of a country as its literacy rate increases. An individual should pay for higher education because he gets better qualifications and he can eventually earn more when he enters the labour market. High earnings can lead to high productivity and lower the rate of unemployment, also when well educated and trained individuals earn more they need to pay more taxes to government and hence the burden of government finances on education decreases which will increase quality and quantity of education and thus the government can use that money to invest in other sectors of the economy which further contributes to the economic development of the country.

(Cummings & Riddell, 1994, Woodward, et al, 2000, Bloom et al, 2006).

However the idea of individual spending on education has remained a subject of debate and it has been argued that government alone should not pay for education. Tilak argues that an individual benefits the most from the basic as well as higher education so he should pay for his education expenses and government should not intervene in this. Moreover the demand for training and education institutions have been increasing this

clearly indicates that people are willing to invest in private education so government should not be the main suppliers. It has been argued that if the governments are the only suppliers of financing the education then there can be a problem because the education resources for public are declining and the demand for the same has been increasing tremendously so if only the government pays for education then the quality of education will be declined this is the case with China as well.

(Alchian, 1968 cited in Brown, 2001 and West, 1995 cited in Raines, & Leathers, 2003, Mwikisa, 1999, Tilak, 2003).

Ling and Zhang, 2006 cited in Iacov, 2009 that the funding of education in China has been very low and this is still the same. The education system in China has undergone a change wherein previously they had centralised system of financing for education i. e. the Central Government was considered to be the main supplier of education. But now they have adopted decentralised system of education and hence the Central Government is not the sole administrator or financier of basic and secondary education. The local Chinese governments mainly finances the mandatory education and generally the full cost of secondary education this will improve the quality of education (Iacov, 2009, Rong and Shi, 2001, Zhao, 2009).

However, Zhang &Kong, 2009 argues that the Chinese Government must make increasing efforts to raise their investments in the education system because it is essential for the economic development of a country and also

education is the major contributor to the GDP of any country. People must be relieved from contributing to the cost of education (Zhang &Kong, 2009)

Summers, 1992 cited in Mingat, 1998 that investment in primary education is generally regarded as a cost effective instrument as broader social objectives can be achieved which leads to the social economic development of the country. Harbison and Hanushek, 1992 & Hanushek, Lavy, and Hitomi, 2006 cited in Hanushek, & Woessmann, 2007 that there is the direct link between education quality and primary education as in the case of Brazil there are increasing rates of repeaters and school dropouts hence achieving skills through primary education can lower the chances of getting failed. In many primary schools of Egypt the dropout ratios of students are higher because of the low quality of Primary education and failure to achieve cognitive skills at primary level. This in turn has affected the economic growth of the country, hence it is crucial for governments to invest in quality of Primary education so that the dropouts and repeaters ratio is reduced and economic development of the country is achieved (Mingat, 1998, Hanushek, & Woessmann, 2007).

It was also found that the Asian Economies who were investing heavily in the primary education were very successful in achieving the quality of education which further leads to the social benefits and the overall economic growth for the country. It has been stated that the economic growth and productivity of a country depends upon its investment in quality of primary education. In a study done by Hanushek and Wobman, 2007 it was suggested that as the number of years of schooling advances it contributes

to the economic growth of the country by 0. 58% (Burnett, 1996, Yeung & Mathieson, 1998, UNESCO/ OECD 2003).

However, Psacharopoulos, 1994 cited in Mingat, 1996 and Hanushek and Wobman, 2007 argues that in the developing countries even though rate of return is higher from lower levels of education but this higher rate of return from lower levels do not necessarily contribute to the economic development of country. It has been critically argued that in the countries like Ghana, Brazil, Pakistan, United States, Mexico, and Indonesia although investment in Primary education leads to greater returns but as compared to the secondary and higher education the returns are relatively low. Also it has been argued that if the quality of primary education is very poor then the returns will also be low. Some of the countries like India, China, Sri Lanka and Bangladesh they don't spend much for primary education it is just around 7% of the per capita Gross Domestic Product

(Fasih, 2008, Schultz, 2003, Ferranti, 2003, Manacorda, Sanchez, Paramo and Schady 2005 cited in Fasih, 2008, Kingdon and Soderbom, 2007, Copper, 1980).

However, there have been many problems in investing in the primary education one of them is there is a wide gap between years of schooling and the investments made in it hence it takes long time for educated and well qualified people to enter the labour markets. Secondly, some portion of Investments are also lost due to number of dropouts, repeaters and if the quality of training and education is low. The Third main problem of investing

in the primary education is that some of the individuals after completing their education they never take part in the labour markets because of some restrictions this is generally prominent in the case of women and also many talented, well qualified and trained individuals migrate to some other countries hence there is a loss of stock of human capital which further affects the development of any economy as brain drain is a kind of loss to the country (Psacharopoulos and Arriagada, 1986).

Conclusion