

Comparing quality with quantity of education for development economics essay



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Education plays a major role in the contribution of economic development of any country. Education is considered to be very important as it generates demand for high rates of labour consumption and labour productivity. It also helps in gaining large economic returns through higher productivity and incomes of the people. Education also enhances skills and knowledge of the work force (Woodward et al., 2000; OECD, 1994; Bloom et al., 2006).

The countries with well developed education systems also benefit by increasing the proportion of the working population and encourage them to remain in the work force. A good education system in a country also helps to maintain competitive position in the global economy and minimizes the impact of unemployment than countries that have not invested in such training (World Bank, 1990; Economic development indicators, 2007).

Education also helps in achieving a higher standard of living and enhances the skills and knowledge of people. It also contributes and benefits the population from the scientific and technological advances in the form of new products and processes which may in turn result in higher earnings of people and lead to economic development (Stevens and Weale, 2003).

However, it cannot be denied that people need to improve and update their skills and knowledge to compete in the increasingly knowledge based economy, as a result of which it becomes necessary for people to undertake both qualitative and quantitative education and training (Woodward et al., 2000).

The quality and quantity of education offered may vary from country to country, but education is considered to be very important as it is considered

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to be a major contributor of economic growth. Even in Australia, education is one of the largest industries which contribute to about 6 percent of GDP and the amount spent by the politicians and educational ministers in Australia is based with the quality of output. The government bursary on education during the 90's was approximately \$17. 6bn and the expenditure made by individuals and firms was about \$4. 7bn. Australia's education system is also considered to be of good quality standard and also attracts large students from different countries. (Becker and Lewis, 1993; Burke, 1992 cited in Marginson, 1993; Australian government, 2008).

However, there has been a lot of debate in the literature as to whether the quality of education is important of the quantity for a country's economic development.

(Link and Ratledge, 1975; Marginson, 1993; Woodward et al, 2000; Bloom et al. 2006) states that, it is important for people to have high quality of education as it encourages the population to attain more education which will lead to economic development of a country. This is because; high quality of education helps people to develop more skills and knowledge and thus, increases the productivity of people which in turn has large impact on the earnings and economic growth. The authors further states that, in order to get accurate estimates of returns from the quality of education, it is important to measure quality which can be done by quantitative indicators i. e. graduation rates or achievement scores of people.

One of the countries that illustrate the importance of quality of education is Singapore, where the per capita GDP grew at the rate of 6. 7 percent

between 1970's and 1990's. The main reason for the increase in the GDP was due to the changes in the education policy. The government's policy was focused on upgrading the quality of education and increasing the productivity by improving the skills of people by applying the school learning to real world problems. This policy resulted in increased participation of workforce in the labour market with high knowledge and skills and thus, the quality of education contributed into the economy by generating a knowledge driven work force leading to the economic development of the country (Kozma, 2005).

However, (Cheng and Ghulam, 1997; Lee, 2005; Barro, 2001; Sianesi and Reenen, 2002; Dowrick, 2002) contradicts this and states that quantity of education contributes to approximately 0.44 percent growth in a country's per capita GDP for every additional year of schooling. Quantity of education helps people attain more years of education and can earn higher wages. Attaining more years of education is also important as higher level of education is needed to meet the challenges of changing demands which are arising out of advanced knowledge and technologies.

In developed countries like Australia, more emphasis is being laid on the quality of education which leads to economic growth as there does not appear to be much of a relationship between the levels of education attained i. e. quantity and economic growth. In such countries more importance is given on the quality of education. This is because, people who do not possess enough knowledge and experience i. e. quality while leaving or graduating from high schools and colleges find it difficult to meet the demands of the labour market. These people may also have low productivity

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and earnings which may in turn have low impact on the economic development (Pianalto, 2004; Bosworth and Collins, 2003; Arcaro, 1995; Marginson, 1993 and Barr, 2002).

However, (Access Economics, 2005; World Bank, 1990) contradicts these views and states that there seems to be a relationship between attaining higher levels of education and economic growth. This is because, what a population learns may be different from what the employers may demand in the labour market. Attaining a low level of education may also earn very low returns to individuals and to the economy, while more years of education i. e. quantity results in more skilled workforce. Such skilled workforce, in turn results in higher productivity, higher participation of people in the workforce and higher employment in the country. The workforce with more education brings a higher level of skill to the work place. Hence, it increases the productivity. It increases participation of people as workers with higher skills levels are more likely to work. Hence, it increases participation. People who attain mote education are more likely to be employable and enjoy lower unemployment rates. The author further adds that people who do not attain more levels of education, they are likely to earn lower average returns as compared to those people who have attained more levels of education. For example in Australia, in 1999, people who did not complete year 12 earned almost 20 percent less than those who completed. While people who attained university education earned almost 40 percent more than those who completed year 12 and almost earned 75 percent more than the least educated.

Education delivers high pay to Australians

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Source: OECD

Earnings of people by increased level of education Average wage of those who finish school = 100

(Nam et al., 1994; Temple, 2000; Muffels, 2008) further adds that, people with low years of education i. e. quantity are more likely to get a temporary job, peripheral job due to the lack in the skills and knowledge. This can result in lower productivity and lower earnings of individuals. While people who attain high levels of education are more likely to have a positive effect on labour market and get permanent jobs, core jobs. This is because, though the process of education takes time and involves opportunity cost, however, the outcome from the investment in the years of schooling can be considered to be certain in a sense that those individuals who undertake who attain higher levels of education will be skilled labourers in future which will increase productivity and lead to economic growth.

But (the economists, 1992; Link and Ratledge, 1975) are of the view that, both quality and quantity are important for economic development as a large proportion of uneducated may result in unemployment and people who do not complete their schools do not have significant impact on their earnings. The people who attain quality of education also improve the skills of people and as there is a mismatch between the skills offered by the people and the skills needed by labour markets, there is a need for people to attain quantity levels of higher education.

In order to increase the quality and quantity of education it is also important to account that, who pays for education.

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(Woodward et al., 2000; Harrison, 1997) states that the government should bear the cost of education because if the government pays of education then it will improve the quality and quantity of education as more number of people will be encouraged by the government to undertake education. The amount of subsidy given by the government also may affect the fees that individuals pay for getting educated and hence, will increase the demand for education.

But if the government does not pay for education, it may affect the quality of education and also may increase inequality in education. This is because; if individuals have to pay for education then they may consider education as expenditure and not as investment and hence, consider a secondary issue which may raise poverty and unemployment in the country, which may curtail the economic growth of the country.