

# Poverty case study



The concept of poverty, when applied in both developing and developed country contexts, needs to be broadened beyond a uni-dimensional concentration on a person's lack of financial resources. It is widely agreed that the relationship between poverty and education operates in two directions: poor people are often unable to obtain access to an adequate education, and without an adequate education people are often constrained to a life of poverty. However, before addressing the interrelationships between poverty and education, it is important to discuss the concept of poverty.

Poverty has many dimensions and does not merely entail low levels of income or expenditure. The work of Amartya Sen (1992, 2001) has broadened our understanding of poverty by defining it as a condition that results in an absence of the freedom to choose arising from a lack of what he refers to as the capability to function effectively in society. This multidimensional interpretation moves far beyond the notion of poverty as being solely related to a lack of financial resources. For example, Sen's viewpoint would suggest that inadequate education could, in itself, be considered as a form of poverty in many societies.

Many studies in developing countries have shown that access to education differs depending on income level. Systematic investigation of this difference across countries is now easier using Demographic and Health Surveys, which have been carried out in many developing countries. Such studies show large differences in enrolment in Grade 1 in many countries, but also that fewer poor children remain in school to higher grades (Filmer & Pritchett, 1999 & 2001; Orazem, Glewwe & Patrinos, 2007, p. 18).

More affluent people in urban settings are often better located to gain access to schools as there are sometimes few schools in the poorest rural areas of developing countries. This is reflected in the lower proportion of students starting school. In addition to access, there is the further problem of limited demand for education among the poor in developing countries. The demand for education depends on a number of things, such as the financial and opportunity costs of education, the quality of education, and its perceived benefits.

The financial costs of schooling are often high, making it difficult for poor parents to afford schooling for their children. Such financial costs include not only school fees, but also other direct costs such as the costs of transport, school uniforms, and school books. In addition to financial costs, there are also non-financial costs, such as the opportunity cost of sending children to school. Particularly in rural areas, many children may be involved in agricultural work or domestic duties (for example, fetching wood or water), so sending them to school involves an opportunity cost to the household.

There is usually a strong gender dimension to this choice: girls often have more household responsibilities, and there may be fewer well-paying jobs available for educated girls than for boys. In developing countries suffering high levels of HIV and AIDS, there is often a heavy burden on children to care for ill relatives, which may limit their educational opportunities. Morrisson (2002, pp. 14-15) notes that the demand for education may be quite sensitive to the costs of education, so that high transport costs or school fees may reduce the demand for education substantially.

Cost sensitivity (price elasticity) might even be greater among the poor, leading to greater inequality in access, as examples from Indonesia, Madagascar and Tanzania illustrate. The inverse is also true: reducing the costs associated with education, including school fees, is likely to improve school attendance most among the poor. That is one of the reasons why the global Education for All initiative places such a great emphasis on eliminating school fees in poor countries. The World Bank (2004, p. 16) notes that poor people are often the last to enrol in basic education, thus government spending that improves access strongly favours poorer households. However, the poor also seem to be more responsive to school quality. If educational quality is poor, then poor people are more likely not to attend than rich people (Morrisson, 2002, p. 15). Thus an increase in educational quality is another strong incentive for the poor to attend school, again increasing enrolment. It is not only the costs or the poor quality of schooling that reduce demand for education among the poor.

In many societies, and particularly in rural areas, the benefits of education may be low or not yet well understood. Often the poor, even when they are educated, have difficulty finding jobs that compensate them adequately for their education. This may be because the education they receive is of a lower quality, or may be perceived to be of a lower quality, than is the case in schools in richer areas. It may, however, also be because jobs are scarce in rural areas, where many of the poor live, and the economic benefits of education are therefore not apparent to parents.

This is particularly true for girls, adding to the trend towards lower enrolment ratios for girls. Many Better educated people have greater probability of

being employed, are economically more productive, and therefore earn higher incomes. The impact of education on earnings and thus on poverty works largely through the labour market, though education can also contribute to productivity in other areas, such as peasant farming.

In the labour market, higher wages for more educated people may result from higher productivity, but also perhaps from the fact that education may act as a signal of ability to employers, enabling the better educated to obtain more lucrative jobs. Middle-income countries – which frequently have well developed markets for more educated labour – are particularly likely to see the benefits of education translated into better jobs and higher wages. In Chile, for instance, between one quarter and one third of household income differences can be explained by the level of education of household heads. Education stimulates economic growth and the development of poor countries, when both the quantity and the quality of education are considered. This also makes it possible for individuals to earn more. The economic impact of better education is not easy to measure. Education is correlated with intelligence and family background, and its quality varies a good deal from country to country, so that it would be hazardous to assume that the quality of labour input rises *pari passu* with levels of education. Indeed all assumptions about the average contribution of education to growth must be very rough.

An increase in the economic growth rate of developing countries can reduce poverty dramatically, as has recently been seen in countries such as China and India. In this way, better education can translate into sustained growth which can reduce poverty drastically. There is also a relative aspect to the

economic This applies to very poor countries, where the workforce may lack basic literacy and numeracy skills, and to developed countries that may face specific shortages of high-level skills, such as medical specialists or information technology experts Londono (1996) argues that inadequate education has been the most important factor holding back Latin American economic growth and thereby sustaining high levels of inequality and poverty. He is optimistic that improved education can bring a large and relatively quick reduction in poverty. An important choice is also which education level to expand. Gemmelt (1996) finds that primary education is most important for economic growth in low income developing countries, secondary education for middle income developing countries, and tertiary education for rich countries.