YOUR LOGO

HUMAN DEVELOPMENT–EDUCATION

FACULTY OF ECONOMICS

THAMMASAT UNIVERSITY

Module 10

The importance of human capital

- Health and education are basic objectives of development
- Both are fundamental to the broader notion of expanded human capabilities and both comprise human capital
- **Health:** a prerequisite for increases in productivity. Greater health capital improves returns to investment in education and lowers the rate of depreciation of educational capital

Human capital

- **Education** improves returns to investment in health for example basic health skills learned at school, sanitation and hygiene and education of health personnel
- The rise in earnings of workers in advanced industrialized countries was due to the growth in human capital; a limiting factor in the advance of poor countries was insufficient investment in people

Major Categories of Human Investments

- Formal education: primary, secondary, tertiary education and vocational training
- Health services
- On–the job training
- Government and sponsored training programs

EDUCATION ISSUES AND CHALLENGES

Definitions

- Gross enrollment rate: total number of children enrolled in a given school category divided by the number of children of that age group
- Net enrollment rate: total number of children enrolled relevant to the of the age group divided by the number of children in that age group
- Grade survival rate: estimate of how many children actually complete a certain grade level

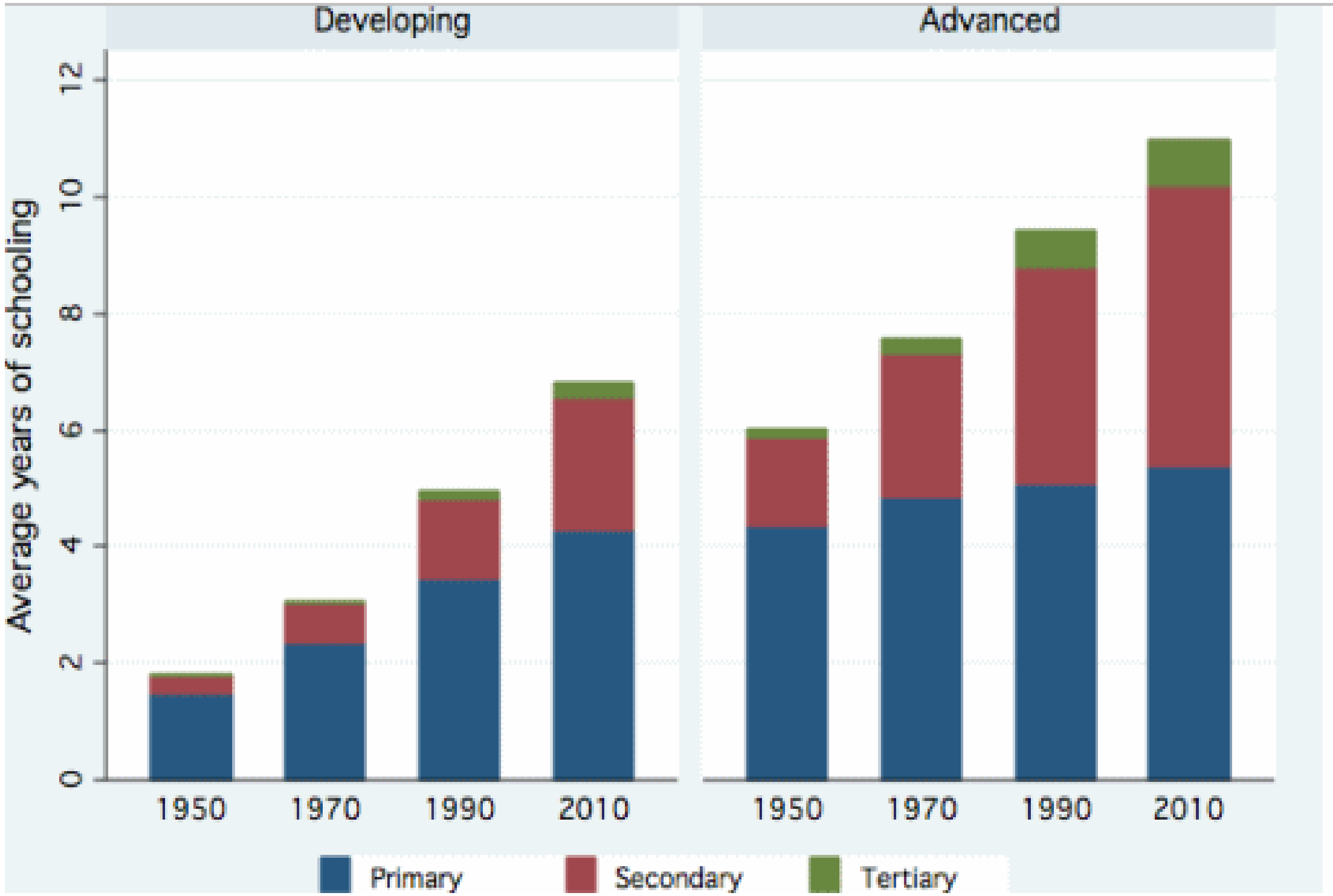
Example GER: for primary school there are 1 million children enrolled. However there are 1.2 million children aged 6-12 years old.
GER=1/1.2= 83.3%
If there are many children enrolled that are older than 12 years, GER can be more than 100%

Definitions

- Educational attainment: the highest degree of education by a single individual
- Stocks: amount of schooling embodied in a population
- Flows: the net change in stocks as a result of school enrollment patterns

Education Trends and Patterns

- In general more people worldwide are getting more education.
- Educational attainment worldwide is uneven; gross enrollment rate in tertiary education:
- Advanced countries: 67%
- Middle income countries: 25%
- Low income countries: 7.5%

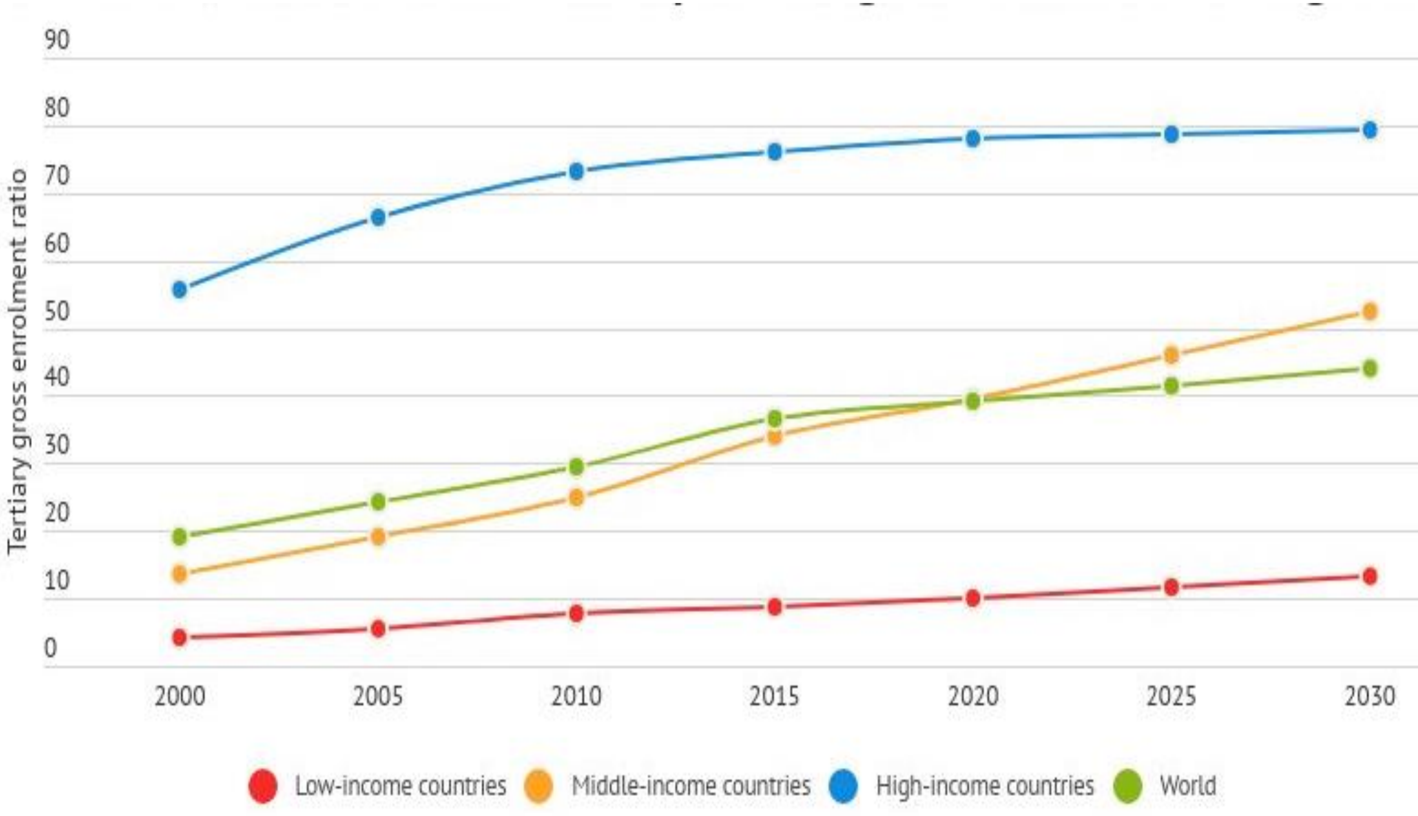


Education Comparisons across Countries

- In the US, only 6% of adults (25 years and older) did not complete primary school
- In Brazil: 25% of adults did not complete primary school
- In Bihar and Uttar Pradesh (India) with a population of 250 million, 50% of adults did not complete primary

The Situation is Changing…

- For primary education, gross enrollment rate has been high in East Asia, Central Asia and Latin America
- Middle income countries can expect a great rise in tertiary education, reaching 52% by 2030
- However, close to 70 million children worldwide are not in school



Changes in Schooling and GER

Region	Primary		Secondary		Tertiary	
	1975	2005	1975	2005	1975	2005
Asia and Pacific	113	111	37	73	2.5	20
Europe and Central Asia	97	97	85	88	33	55
Latin America and Carribean	109	118	38	90	13	30
Middle East and North Africa	82	106	31	76	11	26
South Asia	77	110	27	50	4.5	10
Sub-Saharan Africa	59	92	11	32	1.2	5.3
High Income Economies	98	100	79	98	34	62

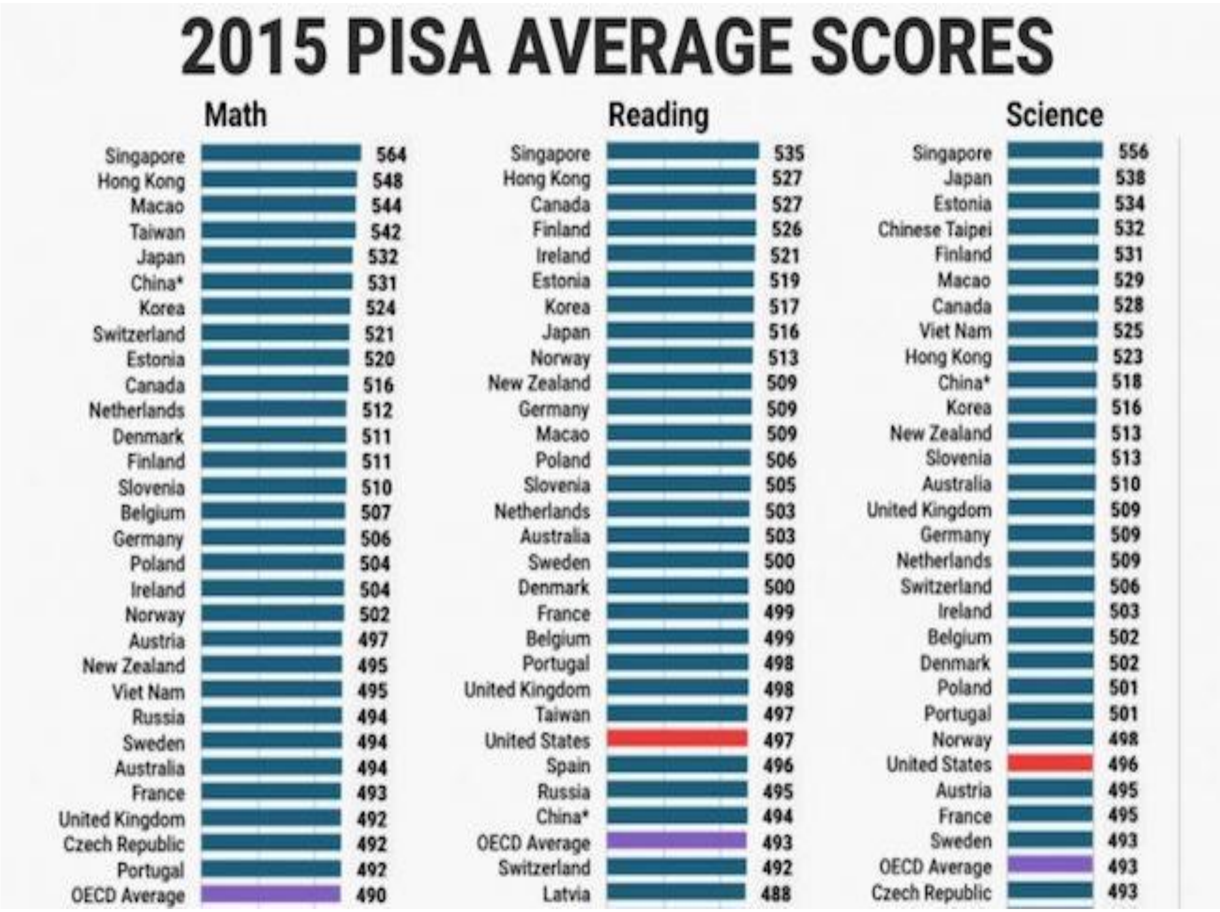
Source: UNESCO Institute of Statistics 2006

Challenges in Education

- Achieving primary education remains an important goal
- Expanding secondary and tertiary education
- Governments need to decide on whether to allocate resources to achieving universal primary education or expanding either secondary or tertiary educational opportunities

Schooling vs Education

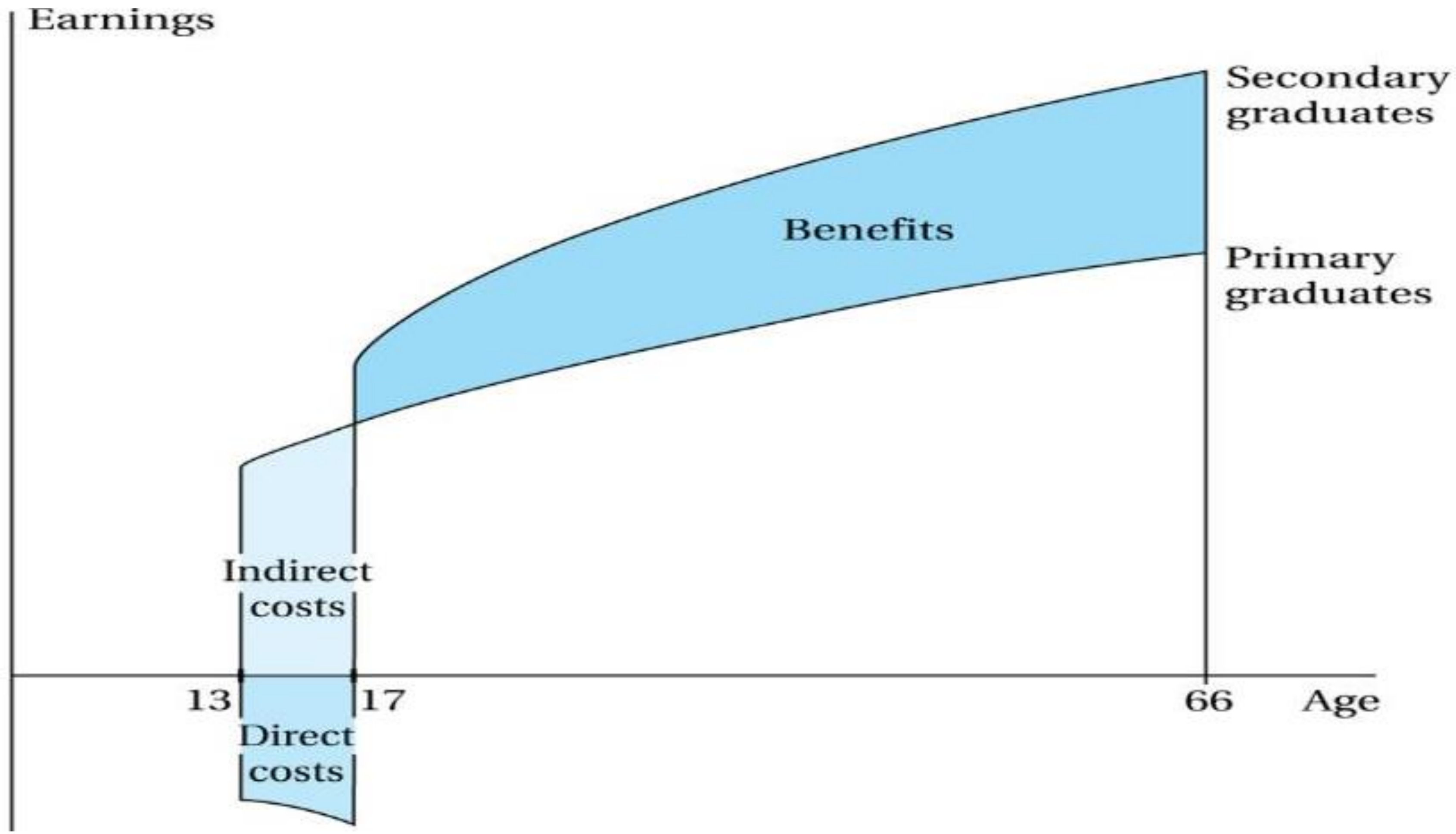
- Schooling is a means to an end. The ultimate goal is education – skills acquired from time spent studying and learning
- One method of how is learning measured is through PISA (Programme for International Student Assessment)
- Industrialized countries have advantages over lower income countries to educational investments; however this changing



Rate of Return of Schooling

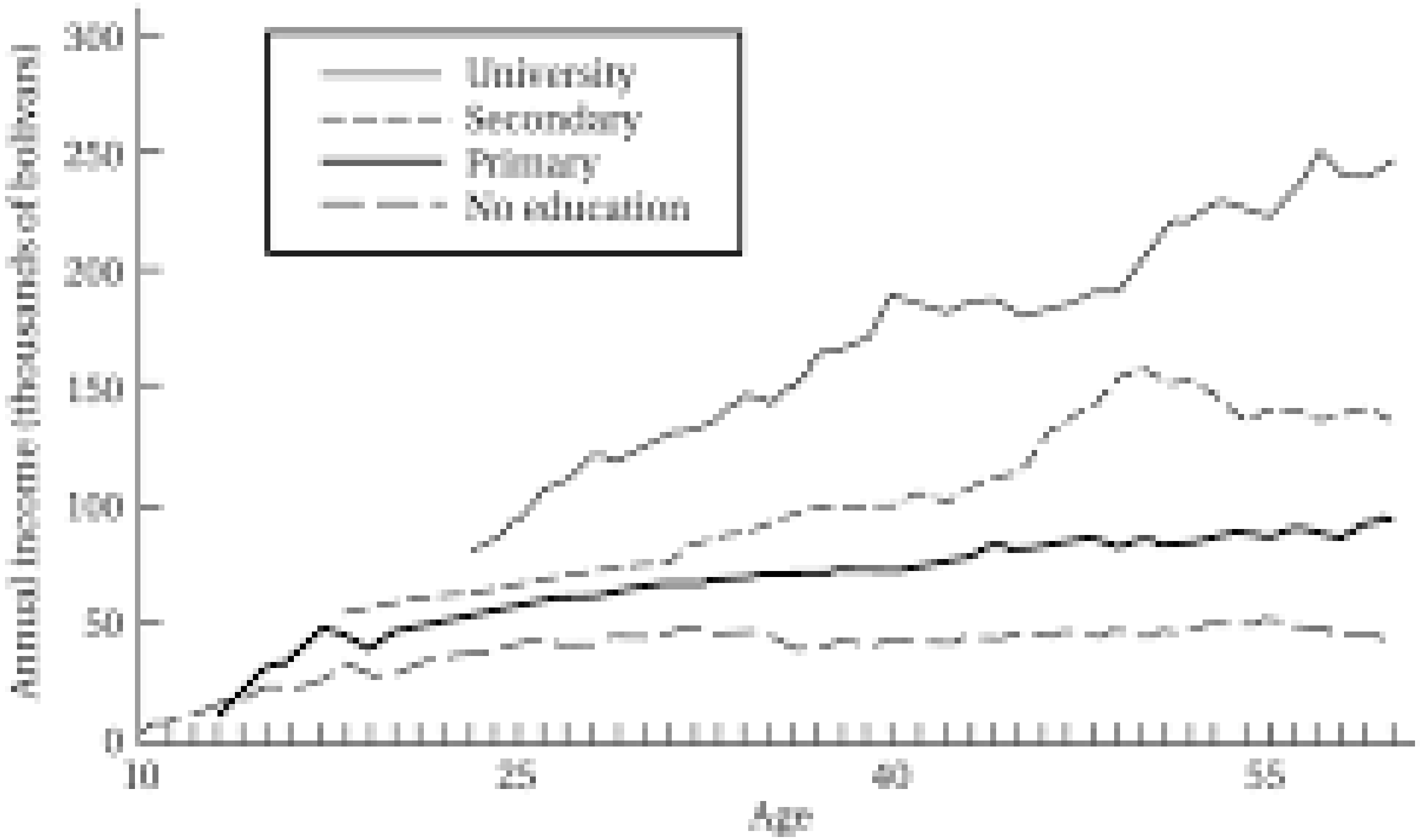
- Secondary school will likely earn more than those completing primary school
- As primary school graduates begin to work, secondary school students will incur direct and indirect costs, which constitute opportunity cost for attending secondary school; however upon graduating, the individual receives higher earnings/benefits
- In deciding whether to pursue secondary education, benefits should exceed costs

Rate of Return of Schooling



Earnings by Level of Education

- People with higher levels of education tend to earn more at the same age level



Source: George Psacharopoulos, *The Profitability of Investment in Education: Concepts and Methods* (Washington, D.C.: World Bank, 1995). Reprinted with permission.

Gender in Education

- Favoring education of boys over girls is a common throughout much of the world; however this is changing and the gender gap has decreased over time
- In 1960: the average schooling for males in developing countries was 3.1 years and for females, 2.0 years
- In 2010: 7.6 years for males and 6.5 years for females
- Gender disparities still exist in South Asia, the Middle East and Sub-Saharan Africa

Summary

- Education is important in the formation of human capital
- During the past three decades, significant changes in terms of educational attainment has been achieved worldwide, particularly in primary education
- Investments in education have resulted in improvements in human capital and improving the well-being of millions of people

Summary

- Challenges remain; more than 4 out of 5 children live in low and middle income countries without proper education and learn very little
- Despite progress in education and schooling, results has been uneven and there are significant variations across countries and regions
- Investments in education yield good returns; however the investment is long term; while the poor have more, immediate needs

Summary

- In deciding whether to pursue higher level education, returns to schooling is a deciding factor, involving considerations of benefits against costs

THANK YOU!