Education and its role in the economic growth in Asia

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Education is a fundamental human right enshrined in the Universal Declaration of Human Right as well as in the constitutions of many countries. The purpose and objective of education for all has been defined by scholars has caught the worlds attention time and again, and recent research and studies have generated empirical evidence that education is not the only the determinant, but is also a key factor in economic growth and sustainable development.

In the 19th century, big landholdings which introduced new technologies of irrigation and cultivation in agricultural fields were among the prime movers of growth and development and the investment on human capital was not a priority for most countries. The 20th century witnessed a pivotal change; the human resource development, innovations and technological advancement, as well as investments therein, were considered catalysts for economic growth. During this century, primary and secondary education, skill formation, on-the-job training, research, acquiring knowledge and new technologies became crucial determinants of ‘human capital’, ‘human capacities’, productivity and economic growth. The 21st century is the century primarily driven by the market forces. Economic growth is directly connected with market trends, and hence, the fast movement of information and knowledge plays the most important role. In other words, the journey between the 19th, 20th and the 21st century is a shift from “the age of material capital to human capital, and now the knowledge capital”. Therefore, education does not remain just a virtue or a value or a human right, but has transformed itself as the backbone of the world’s economy.
Thus, investment in education is high return and low risk in enhancing productivity; boosting participation and share in development; social justice and gender equity; creation of participatory and transparent democracies; attaining better health and nutrition; reducing child, infant and maternal mortality, and increasing life expectancies; better population control; preventing HIV/AIDS; reducing hunger; and a growing understanding of environmental responsibilities. These are not only the key development indicators but are also the driving forces for economic growth.

The countries of the Asian region cannot be generalised in establishing any common indicators of economic growth. It varies from South East Asia to South Asia, and also between the countries in these sub-regions. There are several variables like the governance, political environment, government policies and programs, trade policies and investor’s interests, geographic and environmental factors and aid and debt issues. Educational variables include access, equity, inclusion, quality, years of schooling. The relationship between education and economic growth can be seen in the following areas:

1. Building human capital: Education helps to build, maintain and hone human capital. It is essential to creating, applying, and spreading new ideas and technologies which in turn are critical for sustained growth; it augments cognitive and other skills, which in turn increase labour productivity. Its empowering nature aids in equipping the citizens as socially, economically and politically self-reliant, leading to greater understanding of the competition and challenges, mutual tolerance and co-existence. All of these are translated into economic gains, especially for the women labour force.

One important factor stated by the World Bank in an early 90s report of Asian success is getting the basic rights including accumulation of human capital by providing universal primary education and secondary education. For example, faster growth of productivity in Hong Kong associated with its higher educated labours than Singapore also supports the importance of education in innovation accumulation, impacting economic growth.

2. Education and income: Education equips people with knowledge and skills they need to gain employment and increase their incomes, with a better bargaining power in competitive market situations. This is a pre-requisite in the real impact overall poverty reduction and growth at national level. One study suggests, that persons earnings increased by 10 per cent for each year of schooling they receive. This translates to a one per cent annual increase in GDP if a good quality education is offered to the entire population.
Another study suggests that enhanced education leads to better income equity which is more likely to favour higher growth rate. Yet another study suggests that one per cent increase in the labour force with secondary education would help in increase the income of bottom 40% and 60% by between 6–15%.

3. Education and productivity: Besides creating the basic foundation of literacy and numeracy through primary education, secondary and tertiary education plays an important role in acquisition of skills towards technical and industrial know-how. It has been established that the social return of primary education far exceeds those of secondary and tertiary education, while secondary and tertiary education have direct bearing on productivity and economic gains.

Agricultural productivity has increased manifold due to access education. Educated farmers are far ahead in acquiring and utilising modern technologies for farming in comparison to their poorly literate compatriots. In Thailand farmers with four or more years of schooling were three times more likely to adopt fertilisers and other modern inputs than the less educated farmers. Another study in Nepal reveals that at least seven years of schooling is listed to the increase of wheat productivity by 25% and rice productivity by 13%. Education has proven as a key contributor to a rise in industrial productivity in China, India, Korea, Taiwan and Sri Lanka, among others.

4. Education and trade: The impact of education has been remarkable contribution to greater trade openness and investment practices. This has in turn affected the aggregate growth rate, which is another way in which human development influences the macro perspective. A World Bank study on economic growth rate in sixty developing countries during 1965–1985 proves that the growth rate was higher in those countries which had a combination of higher education, macro-economic policies and openness to trade. Higher education brings greater adoptability of foreign skills and knowledge, and technologies as inputs to their domestic industry and market, which facilitates higher exports and global market accessibility. This has been particularly true for many Asian countries, beginning with Japan and Korea, and now also China and India as overwhelming evidences has shown.

While there has been remarkable economic growth in a number of countries in Asia, others are still stuck with the domestic problems including political instability, growing terrorism, dependency on foreign aid and mounting debts, mass illiteracy, endemic hunger, and natural calamities. These have grossly
hindered their prospects for social justice and economic prosperity. Though in this heterogeneous situation in the Asian region some important lessons can still be learnt:

1. No country can achieve sustainable development and steady economic growth without providing good quality education to its people. Education is indispensable for the creation and maintenance of a just and equitable society and economy.

2. Completion of secondary education is the core component in social mobility, increased productivity and higher income bargaining capacities.

3. The distribution of economic gains, and control and power of the economy directly correspond with the acquisition of higher and good quality education in the society. This is clearly reflected in the growing influence of the middle classes in the market economy and the politics of a country.

4. As education plays an important role in market development, and now investments in education, especially higher education, influenced by market dynamics. This has been noticed in China, India, and other countries. In the 2009 annual budget presented just a few days back in India, the emphasis was on higher education with an eye on its high and immediate returns, at the cost of basic and primary education. If this trend continues, we would face a situation where the quality of education sees a downward fall, especially for basic education. Instead of meritocracy in education we would be heading towards mediocrity, thus stifling innovation.

5. Liberation of human potential on one hand and creating a balanced, aware and mutually responsible society is the core value of education. However, it has been seen in East and South Asian countries that education is viewed with an end goal of occupation and economic gains. While education helps in economic mobility and reducing hunger, the impending deterioration of the human value and quality of education would not return a high yield in building and maintaining human capital.

6. The inclusion of hard to reach people, especially children from the socially deprived sections of the society, child labourers, victims of HIV/AIDS, children with disabilities, girls, minorities, indigenous children, and children of migrant and immigrant communities, must be provided with good quality education so that they can benefit from the overall economic gains in a country. Deprivation
from education leads to denial of their human rights, social justice and participation, which can eventually create irreparable social tension, civil unrest and violence.

The burning issue here is how to translate the achievements in growth and productivity for economic growth and sustainable development in a way that promotes social justice and equity. The reference of education has to be seen in totality, which has been well defined in the Dakar Framework of Action on Education for All, which the international community has promised to achieve by 2015. The economic growth in Asia and worldwide, must also be determined in the context of attainment of the Millennium Development Goals, which is another political obligation to be fulfilled by the international community.

In times of economic crisis and fiscal prudence, especially so, investments in education must be encouraged for a healthy and decent labour force, thus maintaining productivity and keeping economic cycles rolling. It is not just necessary, but absolutely urgent, especially now, that we provide every girl and boy, man and woman with a right to education. Education has to be the long-term policy tool to help us achieve not just economic growth but sustainable growth at all levels – from a remote village to the metropolis of the world.