

Growth, Poverty and Skills: What should policy try to achieve?

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The Growth Agenda

- We know a lot about how to achieve growth
- But there is no magic formula
- At most there are necessary conditions – macro stability, trade openness, transparent financial system, competitive markets and others – but these are not sufficient to guarantee growth

The Poverty Agenda

- Growth has been quite effective in reducing poverty in some countries
- However, it is necessary but not sufficient
- The extent of benefit depends upon securing changes in initial income and asset distributions, better access to jobs, higher earnings or better livelihoods, and service provision for the poor

Joining the two agenda

- We need growth – but growth that benefits the poor
- What's new? - 1960s critique of growth results; 1970s 'RWG': a growth diagnostics approach; 1980s adjustment, neo-liberalism and the market; 1990s/2000s human face/state back in/PRSPs/aid to the poorest
- But wasn't the latter a strategy for growth with a poverty focus? Is the new thrust really different?
- Not in intent, but what about the detail?

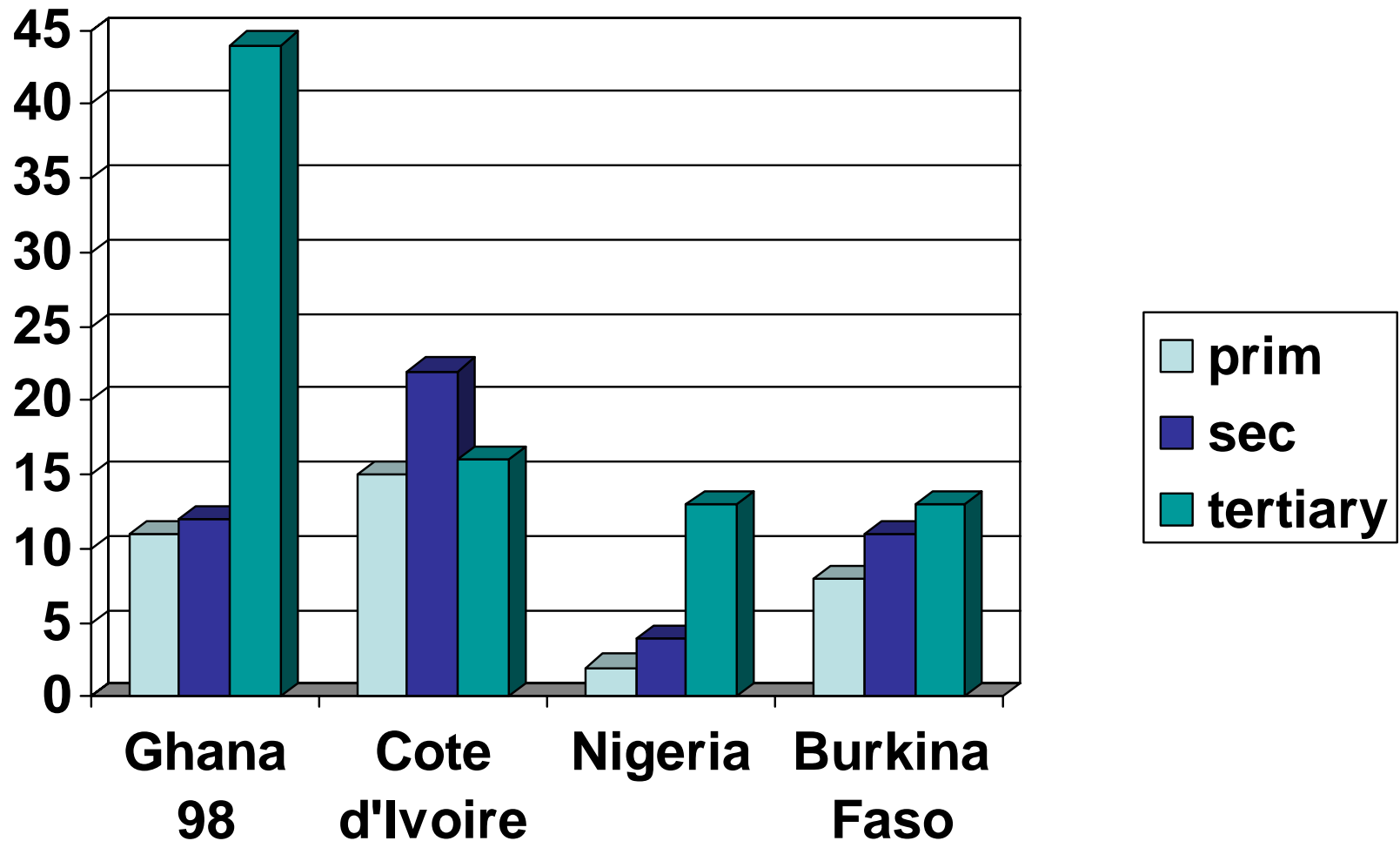
Growth, Skills and Education

- The case thus far:
- Ed is productive so it helps growth
- Ed at all levels brings personal returns, and highest at prim. Balance needed, but even primary level helps all society and directly helps the poor
- Non-market effects and externalities (literacy, numeracy, health and fertility behaviour) are delivered even by primary and particularly for girls
- So UPE is a pro-poor, pro-growth strategy

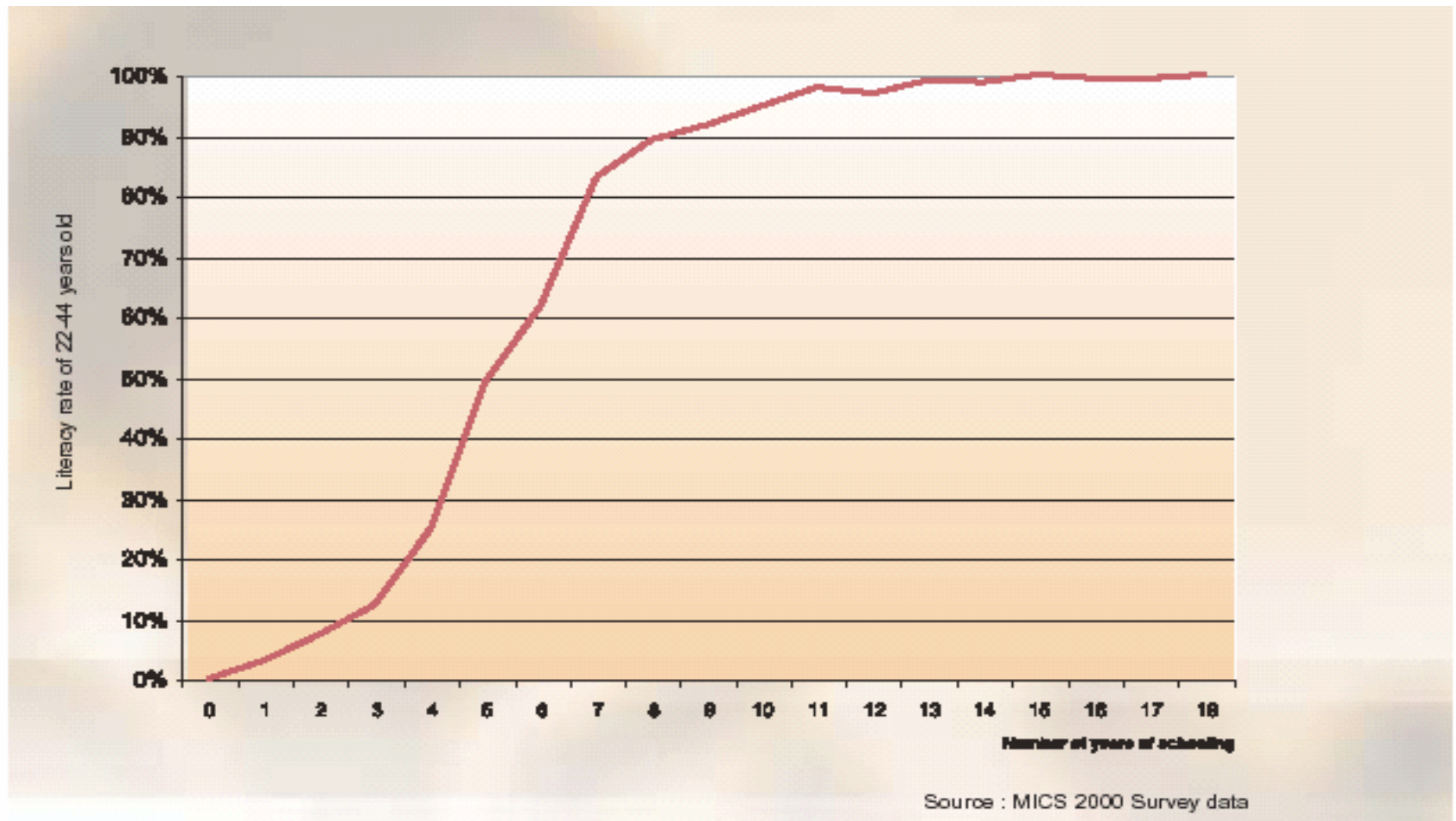
Do changes to the pattern of returns change the earlier logic?

- Evidence that private returns to sec/higher ed are increasing, and often greater than those at primary
- Evidence that some behavioural changes are increasingly associated with secondary
- Why? Supply-side changes in quantity and quality reduce returns at primary and increase returns at higher levels

Changing patterns of returns

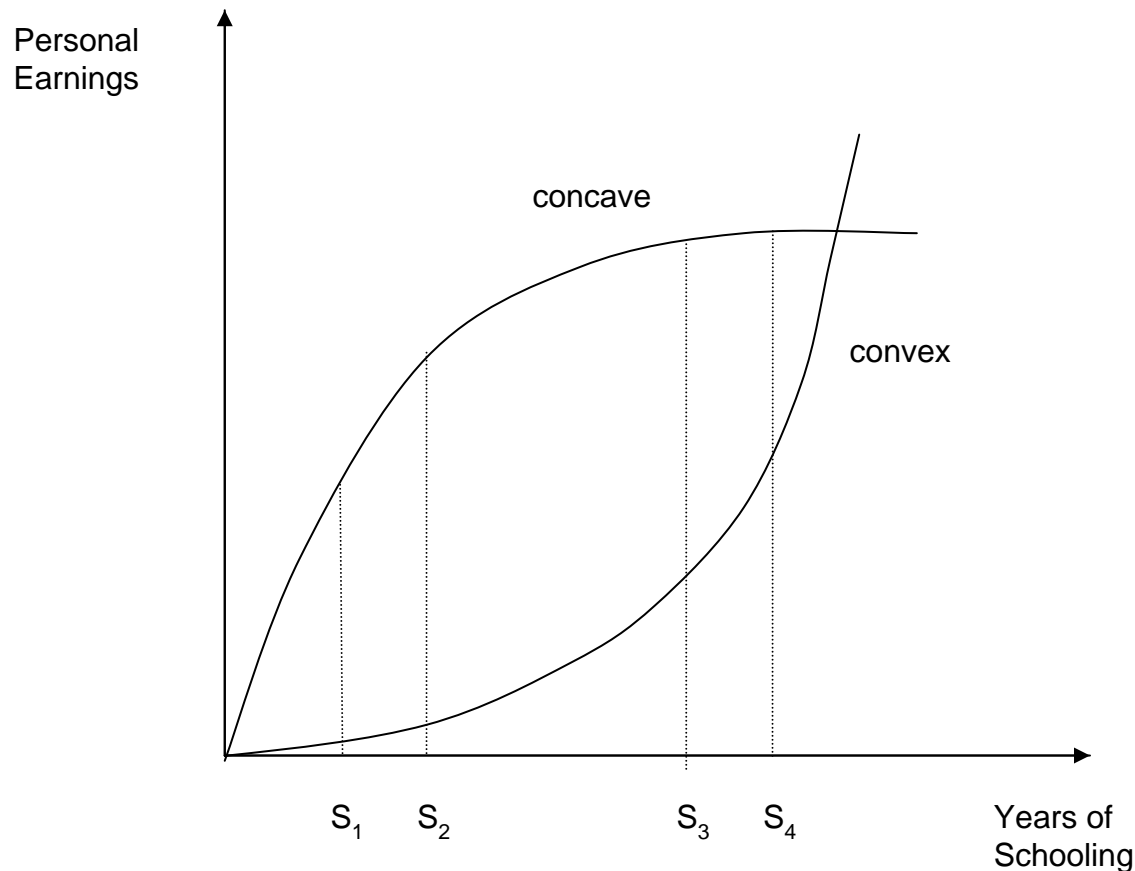


Literacy rate of 22 to 44 year-olds in Central African Republic, according to years of schooling (2000)



Possible relationships between schooling and earnings

Positive returns to primary mean that primary schooling reduces poverty and supports growth.



Policy Choices

- » High sec/tertiary returns may imply under-expansion and skill constraint. Increased supply may boost production and employment, thereby increasing opportunities for the poor. Balance obviously required
- » Don't let quantity try to solve the quality crisis
- » True returns depend on costs, which are tiny for primary, very high for tertiary. Most data cover only the wage-employed. Returns in self-employment may be different, and higher for primary.
- » Where returns to primary remain positive, priority for EFA/primary remains necessary on poverty and growth grounds. Some obsolescence over time, but human capital, once given to the poor, cannot be taken away. Its advantage is there for life
- » The rights case remains

Aid Policy

- Continued core support for primary/basic cycle with shift to mid-secondary where UPE within reach
- Strong support to quality –inputs do matter
- Support to fee-free policies, with gender emphasis, in basic cycle
- Advocacy of balanced ed provision in light of economies' needs

THANK YOU