

Education and Poverty Reduction

A Few Thoughts

Three Main Points

- Optimistic Conventional Wisdom
- Conceptual plausibility
- Methodological complexity

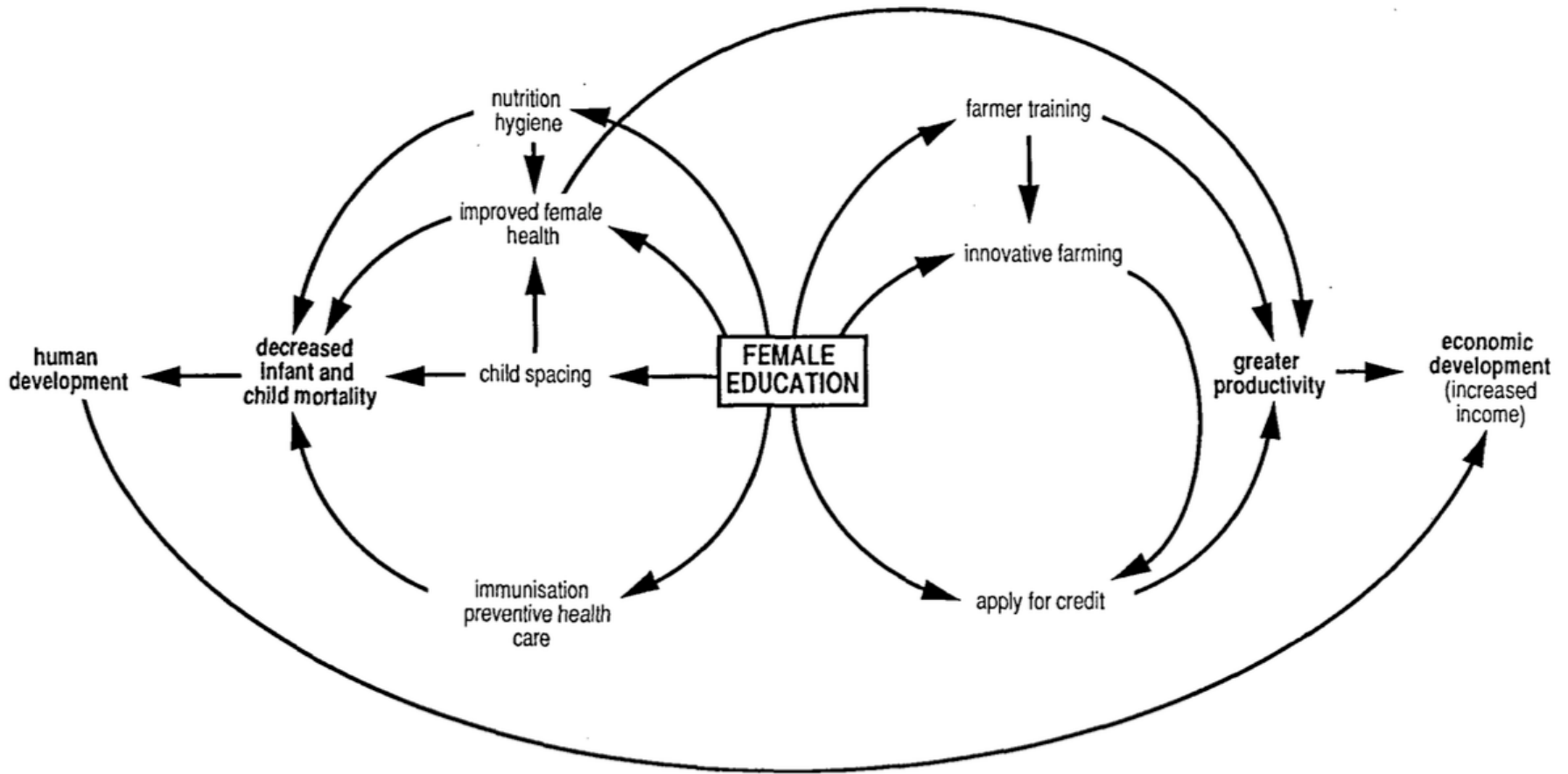
(On balance)

The Conventional Wisdom

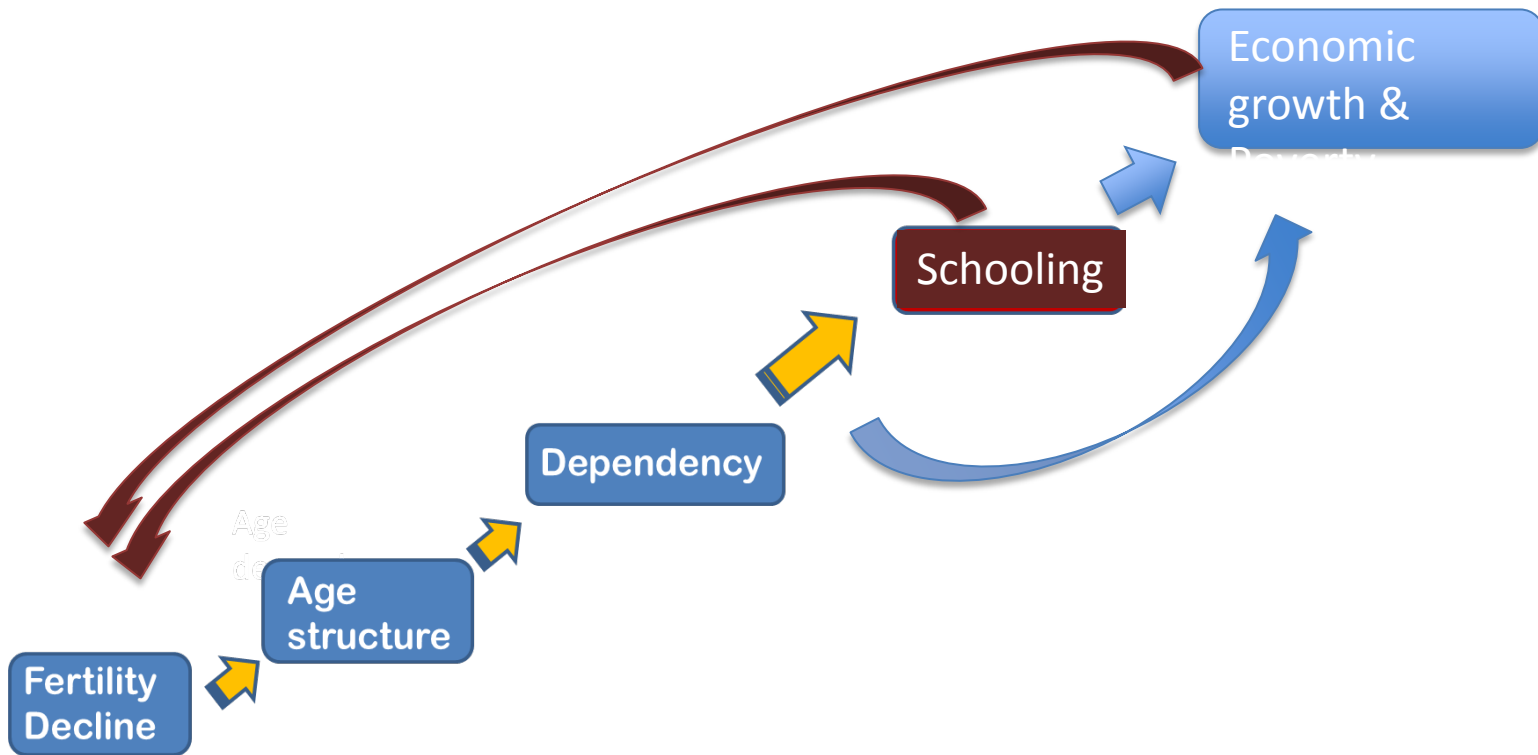
“Education is the best investment in poverty reduction”

Conceptual Plausibility

- **Multiple dimensions**
 - Inputs
 - Participation (quantity)
 - Outcomes (quality)
- **Multiple pathways**
 - Skills
 - Certification
 - Signaling
- **Objective & latent effects**
 - Labor market protection
- **Direct & Indirect effects**
 - Eg., via fertility
- **Micro & Macro effects**
 - Individual mobility
 - Aggregate growth



Source: Browne and Barrett 1991

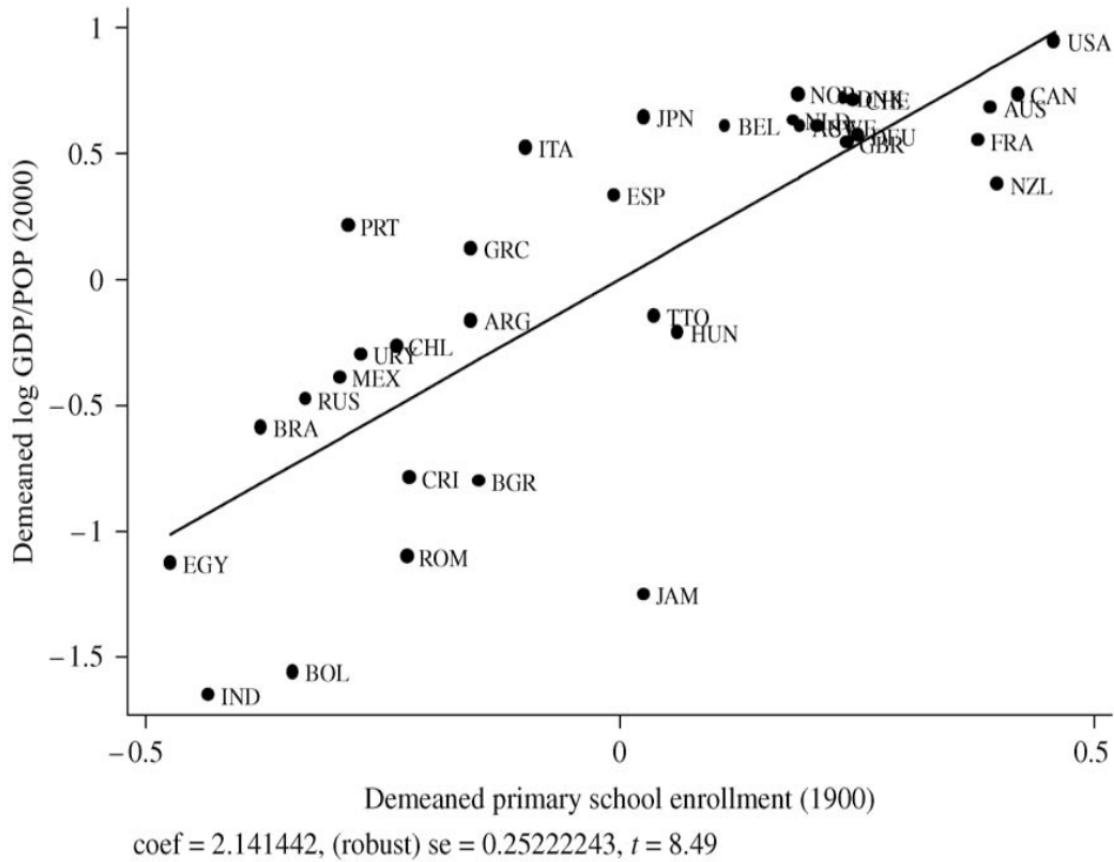


Education and Poverty Reduction via a Demographic Dividend

Methodological Complexity

- Cross-country correlation
- Returns to schooling
- Regression decomposition

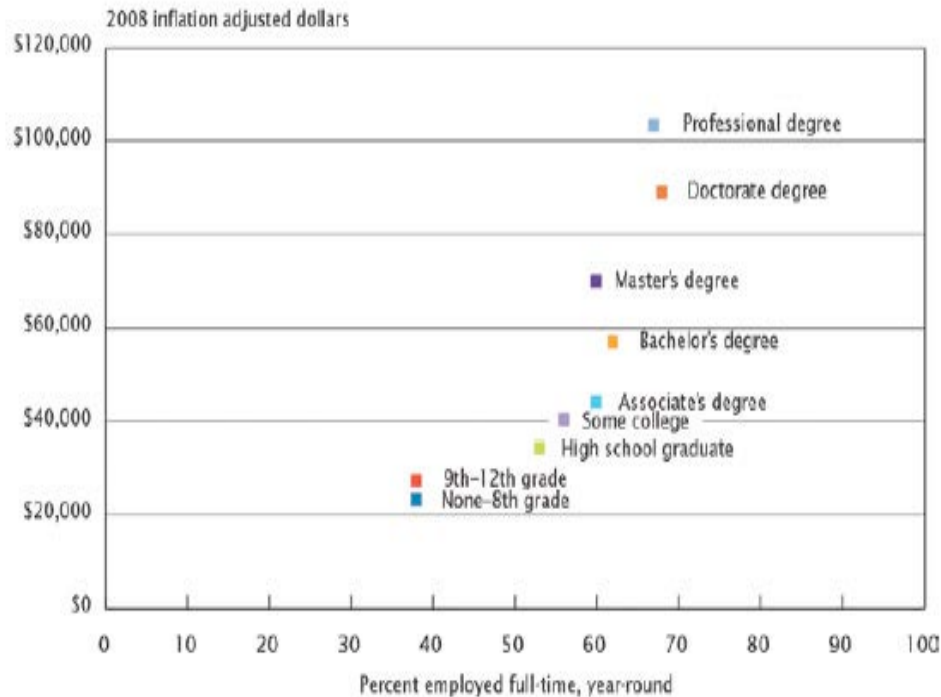
Tradition 1: Cross-country correlation



Source: Glaeser et al. 2004

Tradition 2: Returns to Schooling

Education, Work Status, and Median Annual Earnings



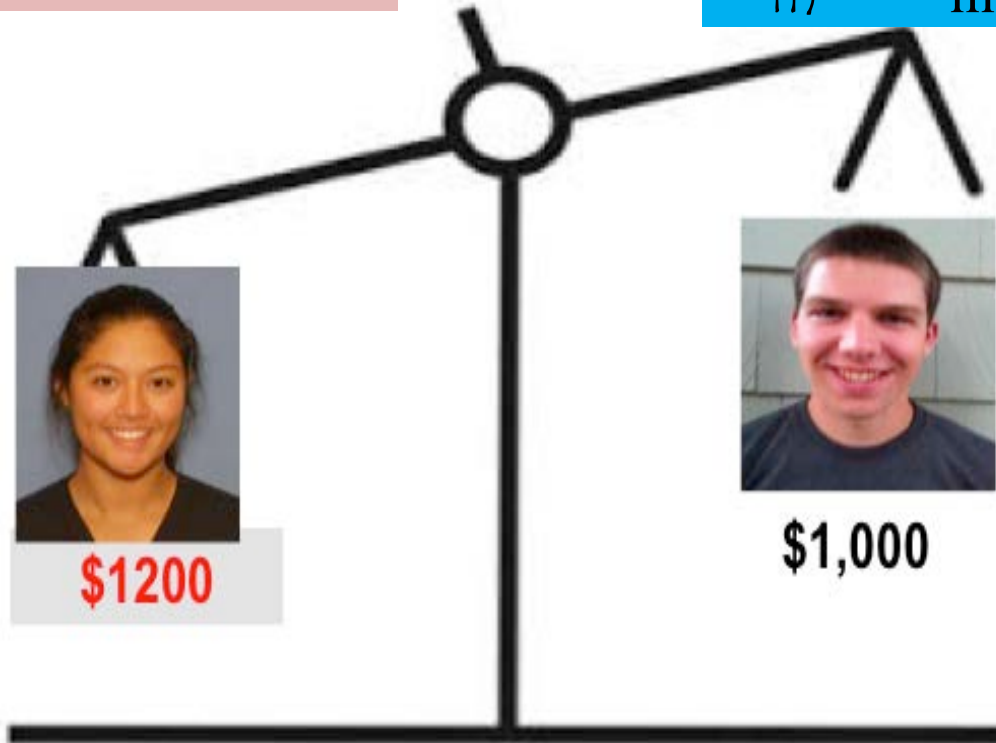
Source: US Census Bureau 2011

Source: Psacharopoulos 1994

Tradition 3: Regression Decomposition

$$Y_w = \alpha_w + \beta_w^* X_w$$

$$Y_m = \alpha_m + \beta_m^* X_m$$



$$\Delta Y = \Delta \alpha + (\beta^* \Delta X) + (X^* \Delta \beta)$$

On Balance

- Education works its magic in multiple ways
- It sets in motion a variety of development processes that can be self-reinforcing
- Effects are likely to vary across time, space, and economic sectors
- Although a rigorous assessment of these various effects is difficult, it is highly likely that both mass and quality education have large implications for poverty reduction
- In SSA, the role of education via economic growth and demographic change (demographic dd) is a current opportunity to build on