



# Building Economic Growth through Basic Education

*“Skills development is vital in reducing unemployment, inequality and poverty, and promoting growth. It is also a wise investment – for every \$1 spent on education, as much as \$10 to \$15 can be generated in economic growth.”*

- UNESCO Global Monitoring Report 2012

Education reduces poverty and stimulates economic growth, and no country has achieved rapid economic growth without investing in education and reaching an adult literacy rate of at least 40 percent. Quality education equips people with the knowledge, skills and self-reliance they need to increase income and expand opportunities for employment. When more young people have a quality basic education, we see more prosperous and secure societies that can trade with the U.S. and other nations.

Indeed, out of the United States’ current top 15 trading partners, 11 are graduates of U.S. foreign assistance programs. Moreover, amongst those countries, we have seen the greatest economic growth where there are higher levels of education quality and learning. For example, South Korea rose from post-war economic ruin to become an economic dynamo today, partly because of its educational attainment. After making steady progress over decades, the country has achieved a 97% high school graduation rate, the world’s highest.

In short, basic education in the developing world is essential to building the stable trading partners that growing U.S. export markets require. Today, the fastest-growing markets for American goods are in developing countries, representing roughly half of U.S. exports and one out of five American jobs. In 2009, the U.S. exported \$510 billion worth of goods and services to developing countries, and 97% of these export revenues went to small and medium-sized companies, the major engines of U.S. job growth.

## Why Invest in Basic Education?

Building economic stability around the world is directly in the U.S. national interest. Today, 1 out of 5 American jobs are tied to international trade. For every 10% increase in U.S. exports, there is a 7% boost in employment in the U.S.

**171 million people could be lifted out of poverty if all students in low-income countries left school with basic reading skills – the equivalent of a 12% drop in world poverty.**



## **Key Facts & Statistics**

### ***Increasing Individual and Household Earnings and Productivity***

- An individual's earnings increase by 10% on average for each year of school completed.
- Households headed by a more educated person have, on average, higher wealth and lower poverty.
- Economists estimate that each extra year of preschool education will increase a person's future productivity by 10-30%.
- For each additional year of secondary school, an individual's wages increase by 15-25%. A farmer with just four years of education is 9% more productive than one with no education. He or she is more likely to understand the causes and treatment of crop diseases and how to introduce new farming techniques.

### ***Boosting GDP***

- Countries that have experienced surges in literacy rates of 20-30% have seen simultaneous increases in GDP of 8-16%.
- Research shows that one standard deviation difference on test performance is related to a 1 percent difference in annual per capita GDP growth rates, yielding incomes that are 64% higher over a 50-year period.
- If OECD countries boosted their average (PISA test) scores by 25 points over the next 20 years, it would increase OECD gross domestic product by \$115 trillion over the lifetime of the generation born in 2010.

### ***Enhancing Income Distribution and Equality***

- Education encourages economic growth not only by increasing and improving human capital but also physical capital and social capital – that is, by reducing inequality.
- Being born into the poorest 20% of households in a country is strongly associated with lowest levels of educational opportunity.

### ***Particular Economic Benefits of Educating Women and Girls***

- Lawrence Summers, former Director of the National Economic Council, has observed that for every year beyond fourth grade that girls go to school, wages rise 20 percent.
- Each one percent increase in the level of women's education generates 0.3 percent in additional economic growth.
- When an educated woman's income increases, she will reinvest 90 percent of that money in her family, as compared to 30-40 percent for a man
- It has been estimated that the failure of 65 transitional, low- and middle-income countries to educate girls to the same standard as boys collectively costs them \$92 billion every year.

### ***The Quality of Education Matters Most For Economic Growth***

- Recent research has found that educational quality—measured by what people know—has powerful effects on individual earnings, on the distribution of income, and on economic growth.
- Differences in learning achievements matter more in explaining cross-country differences in productivity growth than differences in the average number of years of schooling or in enrollment rates.
- “A country able to attain literacy scores 1% higher than the international average will achieve levels of labor productivity and GDP per capita that are 2.5% and 1.5% higher, respectively, than other countries.”