



## Education and **Economic Growth**



### **Education builds human capital and promotes economic growth.**

Investing in education creates a talented workforce, with the skills and innovation needed to address pressing challenges, unlocking economic opportunity, and providing consumers with disposable income. Increasing educational opportunity for the most disadvantaged is an efficient way to reduce poverty, inequality, and improve social mobility, all critical to long-term economic growth. Education reduces the chances that poverty will be passed on to the next generation.

### **Key challenges**



- **The cost of not providing education is staggering.** Limited educational opportunities and barriers for girls cost the world economy between US\$15 trillion and US\$30 trillion; in nine countries, the cost of out-of-school children was estimated to be greater than the value of an entire year of GDP growth (World Bank, 2018; Thomas & Burnett, 2013).

## Make the case



- **A single additional year of education yields great economic gains.** In some cases, an additional year of education has generated as much as 35% higher GDP per capita and a 10% increase in income, with larger gains for women  
([Patrinos & Psacharopoulos, 2013](#); [UNICEF, 2015](#)).
- **Early childhood education is a sound investment.** Investing US\$1 in early childhood education can generate returns as high as US\$17 for the most disadvantaged children. In sub-Saharan Africa, every US\$1 invested in tripling pre-primary education enrolment can generate up to US\$33 in returns  
([Zubairi & Rose, 2013](#); [Education Commission, 2016](#); [Copenhagen Consensus Centre, 2016](#)).
- **Education generates above average financial returns.** One US dollar invested in a one-year increase in the average years of schooling generates a 10% rate of return in lower-middle-income countries, well above average returns to investment in stocks (4.6%), bank deposits (4.6%), housing (2.8%), and long-term bonds (2.7%)  
([Psacharopoulos et al., 2016](#)).
- **Education lifts children out of poverty and decreases the likelihood that their children will be impoverished.** If all students in low income countries acquired basic reading skills, 171 million people could be lifted out of poverty  
([EFA GMR, 2014](#)).
- **Educating girls and women is one of the most efficient ways to promote economic growth.** Increasing the number of women with a secondary education by 1% could increase a country's economic growth by 0.3%  
([Brookings Institution, 2016](#)).
- **Education has a transformative impact on a country's economy and future trajectory.** Educational attainment explains nearly half the difference in growth rates between East Asia and sub-Saharan Africa over a 45-year period. If Guinea, with an average of 3.3 years of education per person in 2012, progressed to the education level of Kenya, with an average of nine years, its GDP per capita could double  
([UNICEF, 2015](#); [GEM, 2016](#)).
- **Education increases income.** In Guatemala, each additional school grade that a child completed raised their earnings as adults by 10%. Increasing their reading comprehension test score to the average score raised their wages by 35%  
([Behrman et al., 2009](#)).

- **Literacy matters.** If all young people acquired functional literacy skills within the next 15 years, middle-income countries would achieve economic gains equivalent to more than eight times their current GDP over the next 80 years. In Pakistan, women with strong literacy skills earn 95% more than those with weak literacy skills  
([EFA GMR, 2013](#); ([OECD, 2015](#))).
- **Secondary education provides economic opportunity and raises millions out of poverty.** If every child in low-income countries completed secondary school by 2030, income per capita would increase 75% by 2050 and the elimination of poverty would be advanced by 10 years  
([GEM, 2016](#)).
- **Increasing enrolment in early childhood education in every low- and middle-income country by 50% would result in an 8-18% return on investment.** Early learning programmes can have a return on investment of up to 10:1 for disadvantaged children  
([Engle et al., 2007](#); [Global Business Coalition for Education, 2016](#)).
- **Education has a positive impact on GDP per capita.** The estimated impacts vary between studies, but the median value is that one additional year of schooling is linked to an 18% increase in GDP per capita  
([UNICEF, 2015](#)).
- **Education promotes greater equality.** Using data for 114 countries from 1985 to 2005, one extra year of education is associated with a reduction of the Gini coefficient by 1.4 percentage points  
([UNICEF, 2015](#)).
- **Quality education leads to positive growth scenarios for countries.** Recent evidence shows that two growth scenarios – the ‘Latin American growth puzzle’ and the ‘East Asian miracle’ – are almost entirely explained by investment in learning and skills  
([Hanushek & Woessmann, 2015](#)).

## Key infographic



If every child in low-income countries completed secondary school by 2030, income per capita would increase 75% by 2050 and the elimination of poverty would be advanced by 10 years.

## Key talking points



- There is a positive association between education and GDP per capita. The estimated impacts vary between studies, but the median value is that one additional year of schooling is linked to an 18% increase in GDP per capita.
- Providing all students with basic cognitive skills can boost economic outcomes, especially in developing countries.