

Schooling in Developing Countries

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The expanding frontier of research on education in developing countries offers many lessons for policy

Higher incomes, demand for more skilled labor, and more activist governments are driving a global convergence in education levels as measured by years of schooling. Successive generations of parents in developing countries investing in their children's education has narrowed the differences in schooling across and within cohorts of children, across and within countries, and between and within genders.

A review of the research literature over the past 20 years by Orazem and King suggests that years of schooling are increasing and that male-female and urban-rural schooling gaps are decreasing. For example, since 1960 the ratio of adult men's years of schooling in developed countries to those in developing ones fell from 5.8 to 2.4. And women's average schooling level in developing countries as a ratio to men's increased from 0.5 to 0.7.

Schooling gaps are best understood by looking at household decisions about how much to invest in children's education and at the way families perceive the tradeoffs between present schooling costs and the expected gain in future earning capacity. Why do urban populations fare better in the education marketplace? Schooling levels in rural areas lag behind those in urban areas because the returns to education in nonfarm work are generally higher in urban markets. In a more prospective light, rural-to-urban migration could mitigate this difference in returns, but that would depend on the extent to which rural households anticipate, not fear, their children's greater mobility.

Different economic models are used to predict where policies or projects are most likely to succeed or fail at increasing supply and demand for

education. These models shed light on why schooling gaps may occur, why they may persist or diminish over time, how they may respond to policies or to economic shocks, and how they can be transmitted from parent to child.

The most common rationale for government intervention in schooling is that the expected public return to schooling is above and beyond the private return captured by households. It is also true that liquidity constraints can prevent households from borrowing against future earnings and may reduce households' demand for schooling relative to the social optimum. While the most common government intervention is through the direct provision of public schools, countries have tried to increase demand for education by giving poor households vouchers to pay all or part of the tuition at a private school or by transferring income directly to schools through capitation grants.

A range of policy options are explored using stylized models and factors that influence the likely success of interventions on both the supply and the demand side—and the empirical evidence on the impact of those options is reviewed. The same policy often can have different effects depending on the magnitudes of behavioral parameters—and can either raise or lower the cost of schooling. For example, a voucher program is more successful when school supply responds more elastically to price. School supply is almost surely more elastic in urban than in rural areas. But it will be particularly elastic in areas with excess school capacity, since the cost of adding a space for an additional student is low. Schooling demand is more income elastic in rural than in urban areas—and generally more income elastic in developing than in developed countries. And where girls receive less schooling than boys, the elasticities of schooling with respect to income and prices are higher for girls than for boys.

Research over the past two decades

has made advances in measuring educational outcomes. The greater availability of household survey data has made it possible to measure and distinguish among different aspects of enrollment, including attendance, age at entry, grades repeated, and grades completed. A survey question asking about a child's current grade will overestimate years of schooling attained if the child drops out in the middle of the school year, but will underestimate completed years of schooling if the child continues on to the next grade.

But years of schooling completed (enrollment) and cognitive achievement (learning) are quite different dimensions of education. The measurement frontier lies in expanding the availability of data on learning achievement in developing countries, because it is the acquisition of knowledge and skills that is at the heart of the schooling process and the true measure of the success of education systems.

Peter F. Orazem and Elizabeth M. King. 2008. "Schooling in Developing Countries: The Roles of Supply, Demand and Government Policy." In *Handbook of Development Economics*, vol. 4, ed. T. P. Schultz and John Strauss. Amsterdam: North-Holland.

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- Expanding women's opportunities for temporary migration through Mode IV (of the General Agreement on Trade in Services), guest worker, and other mechanisms.

- Allocating significant resources to collecting and analyzing new sex-disaggregated migration statistics, which will inform next-generation migration policy.

Andrew R. Morrison, Maurice Schiff, and Mirja Sjöblom, eds. 2007. *The International Migration of Women*. Washington, DC: World Bank. Çağlar Özden and Maurice Schiff, eds. 2007. *International Migration, Economic Development & Policy*. Washington, DC: World Bank.