

INVESTMENT IN THE FUTURE: THE ECONOMICS OF PRIMARY EDUCATION

by John O'Flaherty

"If our standard of living is to be maintained; if the growth of a permanent underclass is to be averted; if democracy is to function effectively into the next century; our schools must graduate the vast majority of their students with achievement levels long thought possible only for the privileged few."

THIS IS THE goal of education according to the Carnegie report of the Task Force on 'Teaching as a Profession' (1986), and the primary sector is where this goal begins to be achieved. With this in mind, this paper attempts to show the vital importance of primary education to a modern industrial economy, if that economy is to achieve significant levels of either growth or equality. I will also examine the erosion of funding to, and lack of concentration on the primary education sector in Ireland over the past twenty five years, leading to what I consider to be the grossly inadequate provision which exists today. I will ask why this is so, and what must be done to rectify the situation.

THE ECONOMIC IMPORTANCE OF EDUCATION

Firstly, the education budget today, at about £1.6 Billion, is the second largest element of government spending. The system employs circa 40,000 teachers and touches the lives of virtually every citizen in the state. To quote Hannan and Shortall "modern education systems have very important complex objectives - socialisation into highly complicated cultural, and ever evolving economic, social and political arrangements of their societies, individual and personal development, preparation for work and adult life, and the classification and certification of individuals' attainments". Education equips the individual with the skills necessary to survive and succeed in today's world, both as a person, and as an "economic agent".

The economic significance of education then, is clear. Blaug(1972) writes "the amount of education an individual possesses is, in all modern economies of which we have knowledge, positively correlated with personal earnings", and again

"apart from age, no factor is as powerful in its influence on earnings as the number of years schooling completed. In short additional education can be confidently expected to raise lifetime earnings". Note that the converse is also true - as one progresses through successive stages of education, the rate of unemployment falls consistently and significantly. However, it is not just the individual who benefits from education. There are significant benefits to the economy and to society also, in terms of economic growth. As Blaug points out "the extension of education tends to raise the earnings of those who have benefitted from it; therefore investment in education accelerates economic growth", and again "the disputable issue about economic growth is not so much whether education is one of the sources of growth, but whether it is a more significant source than physical capital". This point is surely obvious - no modern industrial economy can survive without the essential skills which education provides.

In LeGrand's words, "through education individuals acquire knowledge and skills that will increase their productivity when they enter employment. Thus expenditure on education is an investment that yields benefits in the form of additional production in the future", or in other words higher growth. This view, that the availability of a well educated workforce is a condition which must be met if a country is to compete successfully is widely held. The recent Green Paper stated "the achievement of economic growth and industrial development is dependent, to a significant degree, on the availability of qualified personnel".

The importance of education is clear - it represents significant costs to the exchequer, and is a source of huge potential benefit.

THE CRUCIAL ROLE OF THE PRIMARY SECTOR

"Primary education provides the foundation for all subsequent advancement in the education system. The most formative years in a young person's development are spent at primary school. These facts alone must serve to underlie the crucial importance of ensuring the quality and effectiveness of what is experienced in our primary schools". (Report of the Review Body on the Primary Curriculum, 1990).

Certainly the link between education and productivity is stronger with skill-based second and third level education. But, without the basic skills which are provided at the primary level - reading, writing and arithmetic, along with the personal skills necessary for successful social integration - the child cannot hope to progress to further education, or to take a successful role in society or the world of work. "The quality of education received by children during the compulsory years is of fundamental importance to their progress in later life. In particular, their

performance at that stage is a significant factor in determining their access to future education and training", (Sheehan). Yet, despite this, the government continues to ignore primary education in favour of second and third level education, leaving the primary sector in its current underfunded state.

What we are describing here is what LeGrand refers to as the "option value" of primary education. Leaving aside for a moment the huge benefits which primary education confers in itself, "an increase in the number of people with the elementary qualifications which are a necessary prerequisite for more advanced training will lead eventually to a larger number of highly trained people", and this can only have positive economic effects.

PRIMARY EDUCATION AND EQUALITY

Most would agree that it is one's education which is the principal determinant of adult life chances. To quote Clancy(1986), "in recent years educational skills and credentials have differentiated between skilled and unskilled manual workers, and between professional, managerial and other routine service workers". Indeed a succession of studies have demonstrated a close relationship between social class position and educational attainment . This then illustrates the importance of education economic policy makers in the formulation of any strategy for promoting equality of opportunity.

The Constitution promises to cherish all her children equally, yet successive governments have failed to live up to this promise. In Hannan's words(1992) "class inequalities in educational failure are now so pronounced and so serious that a gross injustice exists in the educational provision for such children". Approximately 8% of students continue to drop out of secondary school without sitting any state examination and 13% of young people leave school without any qualifications - and these are predominantly from disadvantaged social backgrounds.

Time and again, research has argued that early school attendance is the most important target area when addressing educational disadvantage, and that to enhance equality of opportunity, state-financing should concentrate on pre-primary and primary levels. As Sheehan points out "since everyone has a relatively equal chance of benefitting from expenditure increases on primary schools, a shift of expenditure in this direction is relatively progressive, and socially desirable. Moreover, in the longer run, increased expenditure on primary schools should lessen inequalities of access to higher levels of education, and therefore improve job and earnings opportunities". Not only this but it would be far more cost effective to intervene at the primary level. As Tussing(1981) points out, "the consequences of inadequate schooling at these levels probably cannot be rectified, and certainly cannot be rectified at any reasonable cost, at later stages".

Yet, despite all this the government insists on leaving primary education underprovided for, while giving higher increases and preferential treatment to second and third level sectors, even though patent inequalities persist at second and third level. For example 30.5% of 15-19 year olds from the semi/unskilled manual class participate in fulltime second level education while the corresponding figure for the professional/managerial class is 76.4%. Also, the participation ratio for entrants to third level education in 1986 was 3.00 for the Higher Professional class compared with 0.16 for the Unskilled Manual Workers class. Taking Trinity for example, 25.6% of 1986 entrants were from the Higher Professional class; 0.3% were from the Unskilled Manual Workers class.

So, as Breen(1991) points out "it is clear that public educational expenditure, at any rate at the senior cycle of the post primary level and at third level, is regressive. The divergence between class participation ratios rise in tandem with per pupil costs as one moves into post-primary education and beyond". Thus it is that potentially able children are lost to university through failure to complete secondary education, and this failure is in turn predetermined by an inadequate primary education. But has educational policy moved to remedy this ailment? No - over the years primary expenditure has continually lagged behind expenditure at other levels. It is clear that much needs to be done, and that a major policy shift involving a heavier emphasis on primary education is vital.

THE FUNDING OF PRIMARY EDUCATION

That primary education has been neglected for many years is a fact. In 1966 55.9% of public expenditure on education went to the primary sector, in 1992, 36.7%. Is it any surprise then that provision for primary education today is grossly inadequate? Ireland spends less per primary student than any other OECD country, and the results can be seen in our crowded classrooms, the drop-out rates among pupils with no qualifications, and the highly inequitable nature of our second and third level systems. My proposals then are quite clear. The central policy concern thrown up by my paper is how to achieve the most effective distribution of resources between the various levels of education in terms of equality and efficiency. I would argue, based on the evidence that I have presented in this paper that:

1. more money must be provided in the primary education budget.
2. in order for the Irish education system to achieve a greater level of equality of opportunity, a transfer of resources from the second and third level sectors to the primary sector should be effected.

I would envisage this redistribution being achieved in two ways :

(i) The method of financing third level education must be revised. Most third level courses confer significant economic benefits on those who complete them, and so a system of subsidised loans, rather than, or in combination with, the present grants system should be introduced. This would shift the burden of expenditure from the taxpayer to those who benefit from the expenditure i.e. the students. It would also free up funds which could then be reallocated to the primary sector. The possibility of a graduated fees system, where the payment of fees is related to the ability of the student's family to pay should also be considered.

(ii) At present, public funds contribute approximately £25 million to exclusive, private, fee-paying secondary schools. Thus the state, by funding, on equal terms, fee-paying and non fee-paying schools, allows the former to maintain their relative superiority - so that the inequality between better and less well-off is maintained. This contribution should be stopped immediately and any savings redistributed to the primary sector.

CONCLUSION

The paper has described the vital significance of the education system to our economy, in particular the role which primary education has to play in increasing growth and reducing inequality within our society. I have also shown that the funding of primary education has not increased commensurately with the funding of the education system as a whole, due to a change in emphasis away from the primary sector, a change not based, so far as I could see, on any educational, economic or sociological grounds. So, the system cannot at present function effectively. In the final section, I indicated the policy implications of my study, and how I believe a huge improvement in education generally and particularly in educational equality could be achieved. I feel that if such proposals were put into effect, our economy and our society could only be the better for it.

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**EUROPEAN ECONOMIC ASSOCIATION
SEVENTH ANNUAL CONGRESS**

**28-31 AUGUST 1992
TRINITY COLLEGE DUBLIN**

AS PART OF the College's Quatercentenary celebrations the Department of Economics T.C.D., played host to the Seventh Annual Congress of the European Economic Association from the 28-31 of August 1992. In effect, this was the largest gathering of economists ever assembled in Ireland. Over 600 delegates from all over the world attended the Congress, including some of the most influential names in the world of economics such as Paul Krugman, Professor of Economics at MIT, and Assar Lindbeck, Chairman of the Nobel Prize Committee in Economics to name but a few.

The Congress was opened by the Chancellor of the University, Dr. Frank O'Reilly, who reminded the delegates that Trinity was one of the first universities in these islands to establish a Chair in economics — the Whately Chair of Political Economy, established in 1832, which is presently held by Professor Dermot Mc Aleese and whose famous predecessors included Issac Butt and John Elliot Cairnes. In keeping with this sound economic tradition a good number of the 300 papers delivered to the Congress were presented by Irish delegates from TCD, UCD, the ESRI, Queen's and the NIERC in Belfast and indeed many others based overseas.

There were three special lectures on Monetary Economics, fourteen Invited Paper Sessions and sixty-eight Contributed Paper sessions - with over 300 papers being delivered. "Privatisation in Eastern Europe", "Labour Migration in Europe", "Economic Reforms in Russia" and "Economic Geography" were but just a taste of the delights on offer from the world's finest economists.

However it was not all work and no play, the delegates got a chance to sample Irish hospitality, food, drink, and 'craic' in a social programme that included a Civic Reception in the Exam Hall, a buffet dinner and concert in the splendid surroundings of the National Concert Hall and last, but not least, a State Reception in Dublin Castle.

In all, the congress was a tremendous success, the standard of economic debate was superlative and all praise should be given to the local organising committee, chaired by the Senior Dean, Dr. P. J. Drudy, without whose time and effort, a mammoth task such as this, could not have been undertaken.

Aileen Gerrard

PROCEEDINGS OF THE STUDENT ECONOMIC WORKSHOP 1992-1993

VARIETY IS THE spice of life, and indeed the Student Economic Workshop has seen plenty of variety so far this year, with many diverse topics coming up for discussion. With Ann Murphy at the Chair, Stephen Weir kicked off Michaelmas Term with an excellent paper on the social costs of Monopoly, during which he argued that Harberger's Triangle was an inaccurate tool for evaluating the full costs of monopolies.

This paper was followed by a thought provoking delivery from Rory Carroll on Third World Aid. He pointed out that by the year 2000 one quarter of the developing world's population will have an income which is inadequate to meet their most basic needs and that around half of this number (600 million) will lack the most basic necessity - adequate food. UNICEF has calculated that the additional financial resources required to meet these basic needs would amount to 0.5% of the GNP of donor nations - for Ireland this would mean tripling current aid levels to around £120 million, a figure significantly less than the annual amount spent on the National Lottery!

Tony Lynch followed by delivering a paper entitled "Devaluation - No Retreat. No Surrender", arguing that the Government should continue the hard currency policy pursued up until that point. Unfortunately, subsequent events invalidated the debate, yet it still proved to be a heated one, with prominent members of the Economics Department airing their respective views.

Hot on his heels was Ann Murphy, with a rhetorical question "Pollution - No Solution?" Ann argued that the Coase Theorem was theoretically quite valid, but difficult to apply in a real economy, as property rights are ill-defined. She concluded that if a system of individual tradeable permits could be applied in some countries, the problem may be remedied.

Stephen Weir had a second outing with another excellent paper on Investment, dealing with the intricacies of the Capital Asset Pricing Model. This was followed by Pat McColgan on his chosen subject "Free Trade in a not so free World". In this paper he outlined the classical Ricardian argument on trade, which views free trade positively, the counter argument being Paul Krugman's "New Trade Theory" which implies that free trade may not always be the optimal approach in all circumstances. The ensuing debate was broadly based and informative and in end he concluded that free trade is not always preferred option.

But all is not yet over. The Student Economic Workshop has a packed agenda for Trinity Term, with two more papers to be delivered; one on Unemployment and the second on the implications of the CSO's readjustment of the Balance of Payments figures for Industrial and Economic Policy. Of course the highlight of the year for the Workshop will be the forthcoming Colours Economics Debate on April 14th between the old sparring partners - UCD and Trinity. UCD are this year's hosts with Trinity proposing the motion "*That this House would Float*". The speakers for Trinity are; Siobhan O'Dwyer, Donal O'Reardon, Nicholas Holman and Celine Armstrong, (who, as a member of last year's winning team, rode roughshod over UCD's arguments). The Workshop wish this year's team the best of luck.

Much credit is due to the many contributors and indeed to the Chairperson Ann Murphy, who have worked hard to make this year yet another highly successful and enjoyable one for the Workshop. The quality of the economic debate at the regular meetings, and the standard of essays in this year's *Review* bears testament to their enthusiasm. With such a high level of commitment amongst the student body, the future success of the Workshop is guaranteed.

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