

Promotion of education and employment

June 2012

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The role of the education sector in the context of employment

Education creates the basis for employment, the supply of labour – step-by-step from primary education through to the tertiary level for more highly skilled labour. Education creates the resources for employment and for growth in businesses, the public service and, thus, the economy as a whole.

For individuals, of course, education first and foremost has an effect on earnings prospects. Moreover, the level of education determines how people work and what satisfaction they draw from their work. Thus, job satisfaction rises disproportionately with the duration of the educational career, and this effect is dependent only to a limited extent on the higher earnings associated with a higher level of education. Rather, as the level of education rises, so does the qualitative assessment of the occupation by the workers themselves. Conversely, the likelihood of becoming unemployed diminishes with the degree of education, and the duration of unemployment is closely linked to the individual level of education. Even if there may be regional and temporary exceptions to this rule, for instance in the MENA region, where the Arab spring was also fuelled by lack of prospects, particularly for those with a good education, it is certainly a general fact that, from the perspective of an individual, education not only creates income but improves the quality of life overall.

However, the education sector not only provides resources for the job market; it is itself an enormous job market. In the public service sector, the ministry of education usually has the most personnel-intensive budget. In OECD countries, education expenditure accounts for an average 13 % of the national budget (2008). In international agreements on the education sector, partner countries are required to spend 20 % (GPE, formerly EFA/FTI Indicative Framework), with the

share of primary education expected to be around 50 %. In developing countries, where investment expenditure made from the education budget is often financed by donors outside the national budget, the share of personnel expenditure in the education budget can be as high as 95 %.

Primary and secondary schools are predominantly public, vocational training and, even more, tertiary education is provided either by private or semi-public institutions. The closer education is to the job market, the easier it is to provide it in a way that conforms to the needs of market. In this area, promoting education can also contribute to boosting the private sector. Involving the private sector in education programmes is particularly important and relevant for improving employment opportunities.

Employment impacts of KfW's activities in the education sector

In the education portfolio of KfW Entwicklungsbank, primary and secondary school projects account for some 70 % of the portfolio. Promoting employment is not a direct target here, or at best on a very aggregate level, as in Bolivia, where KfW's contribution to the comprehensive education reform programme also aimed to improve the basic qualifications of the potential workforce.

In contrast, programmes in the field of vocational training are not directly aimed at creating jobs either but always formulate indirect job market-related goals, which typically include improving the labour potential available to enterprises, often in specific industries, through basic and advanced training measures.

Direct employment effects

Irrespective of the defined objectives, all education programmes financed by KfW Entwicklungsbank also generate direct em-

ployment impacts. As the measures are concentrated on the investment-intensive areas of education sector financing – construction, rehabilitation and equipment of training facilities, provision of teaching and learning materials – the important temporary impacts are first generated in the construction industry and related enterprises as well as, in some cases, the school furniture industry, publishing and printing.

Primary and secondary education

During the construction phase, jobs are created directly in the construction of schools. As they are built primarily in rural regions and poor areas of cities, employment for the poor population is generated in this phase as well. As in the programme "Pooled Funding for Primary Education I and II" in Benin, the workers for the construction measures are recruited locally. This provides them and their families with additional earnings opportunities. Such improved earnings opportunities are often mentioned as intended elements in the impact chains of primary education programmes. These impacts are temporary.

Permanent employment is generated for teaching staff and in school administration,

Promoting employment by building schools in the Palestinian Territories

Over the past 15 years German Financial Cooperation (FC) has been providing funds from the federal budget to enable girls and boys in the Palestinian Territories to attend school, thereby also helping Palestinians to earn a living through paid work. The buildings are being renovated, expanded or newly built under the Employment Generation Programme (EPG) – School Construction. Local firms supply furniture and equipment for classrooms. So far 81 schools have been completed and another 39 are in planning or under construction.

(from: KfW (2010), Bildung schafft Entwicklung (Education Promotes Development), Frankfurt)

and to a lesser extent for caretakers and/or maintenance staff where these can be funded and are not paid for by parents' associations. If it is assumed that the construction and rehabilitation of educational facilities lead to an increase in qualifying teaching personnel and the expansion of good teaching offers as planned, then the following – very rough – estimate of the quantitative impacts on the employment of teaching personnel can be deduced: According to the 2011 portfolio analysis, KfW Entwicklungsbank currently reaches some 10.7 million children, teenagers and young adults as target groups of 93 education programmes in 37 countries. The international standard is at least 40 children per teacher. Accordingly, it can be tentatively said that KfW Entwicklungsbank is contributing with its primary and secondary education portfolio to creating, safeguarding or at least quantitatively improving 200,000 teaching positions.

However, in many developing countries only some of the positions mean secure and qualified employment. In many countries teaching positions are filled with poorly qualified and poorly paid temporary casual staff, which has serious consequences for the quality of education. Here, too, KfW's work is making an important contribution to improving the situation.

Technical and vocational education and training (TVET) and tertiary education

Temporary construction jobs are also generated in TVET and tertiary education projects



Source: KfW Photo Archive / Rüdiger Nehmsow

(some 30 % of the FC portfolio). In addition to the described impacts, specialised contributions are often needed here as well, for instance through the provision of laboratory equipment.

Permanent employment is also generated for TVET teachers, although to a lesser extent than in primary education. Developing countries also require candidates to be highly educated for these positions, and they are usually better paid. In addition, the expansion of universities must go hand-in-hand with an increase in positions for professors. In many countries, however, these cannot be filled with domestic staff, so the employment impacts on the domestic job market may initially remain limited.

Indirect employment effects

Primary and secondary education

Primary and secondary education creates the preconditions for acquiring specific qualifications in vocational training and academic study. However, the direct impacts of basic skills should not be underestimated. Under certain circumstances, just being able to calculate, read and write provides opportunities for the performance of a more highly qualified job. However, markets also develop fast as the education level rises. For example, as education rose in Bolivia, so did the requirements for the skills of the workforce. Soon workers were expected to have a secondary school diploma even for relatively simple work such as that of a delivery man or domestic servant.

TVET

Employment effects are at the core of the impacts expected from technical and vocational education and training programmes supported by KfW Entwicklungsbank. These effects are mostly indirect because the programmes target the supply side of the job market while the jobs themselves must be created in the enterprises.

In order to maximise the employment effects, KfW Entwicklungsbank therefore considers it particularly important to involve the private sector as much as possible in the planning and implementation, but also in improving the practical training of teaching personnel, as well as to assure the quality of education through the introduction of an examination and certification system that ensures profes-

sional skills. The investments therefore are usually preceded by an all-encompassing sector analysis, and the practical support of individual centres is embedded in a systemic approach. Among other outcomes, this ensures that graduates of the financed facilities will ultimately gain a foothold in professional life as well. So in the Philippines, for example, on average 70 % of the graduates of the financed TVET facilities found a job compared to 22 % in the facilities not financed.

In addition to KfW's still dominant engagement in the construction and equipping of TVET centres, German Financial Cooperation can draw on further innovative instruments aimed at promoting employment. TVET funds are regarded as a forward-looking instrument for designing basic and advanced training systems in a more sustainable way, and they support the systemic approach by involving businesses through a training levy. Voucher programmes emphasise the demand for basic and advanced training because they let the learners choose where to take their course

Providing rural regions with skilled workers

Until a few years ago, it was almost impossible for children from poor families in the interior of Guatemala to graduate from university. One of the reasons for this was that in remote regions there was no university within reach. Even those who were able to graduate from secondary school often could not afford to move to a city in order to take up academic study. Scholarships are therefore being made available specifically to poor students so that they can go to university.

The university Rafael Landívar has therefore been expanding its regional centres for some years with the help of KfW. New centres have been built and old ones have been expanded. At the same time, the university has developed teaching materials adapted to the specific situation of the rural students, and it has given lecturers appropriate further training. Degree courses now range from forestry and gardening through social work to law. This enables businesses outside the capital to recruit highly skilled employees as well.

(from: KfW (2010), *Bildung schafft Entwicklung* (Education Promotes Development), Frankfurt)

and in this way promote competition, which leads to an improved offer of basic and advanced training programmes.

Tertiary education

The employment effects of measures aimed at supporting tertiary education in developing countries are lower in quantitative terms than in TVET but particularly important because they provide the highly skilled resources for research and teaching, which are particularly scarce in many developing countries. Moreover, it is very likely that graduates become entrepreneurs or contribute to the creation of more and/or highly skilled jobs in enterprises. A focus of development policy may be to

improve regional access to tertiary education, which is being done in Guatemala, for example, where KfW is supporting the expansion of regional centres of a university.

Conclusion

Education is a core element of employment promotion; education provides the workers for the job market. The education sector not only generates employment but is a large job market itself. While the massive expansion of primary education has already been successful in recent years, much remains to be done to improve the quality of education and to expand the higher levels of education which are particularly relevant for employment over

the long term. KfW is taking on these tasks with its education programmes.

Further information

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<http://www.kfw-entwicklung-bank.de/ebank/DE/Home/Sektoren/Bildung/index.jsp>