

EDUCATION FINANCING AND HUMAN DEVELOPMENT

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Introduction

Two economic viewpoints-classical and Keynesian macroeconomics-are important in this discourse on whether educational expenditure should be treated as consumption or investment. In categorizing a good as consumer or capital good, Keynesian macro-economic considers the ownership of such good, where a good is purchased by a household. Then it is a consumer good since the household is not a productive unit that produces goods or services.

For example, a car owned by a household is a consumer good. But where the good is purchased by a firm or any productive unit, then it is a capital good which will be used in further production of certain good(s) or service(s). Therefore, Keynesian economics recognizes consumption and investment expenditures as different components of the national income incurred by different economic units, that is household and productive firms respectively. The goods involved are not important. What is in focus is the decision-making units. In Keynesian macro-economics, formal education is treated as consumption since household or government (acting on behalf of households by utilizing taxes collected) is responsible for educational funding. However, non-formal education like on-the-job training financed by business enterprises is seen as investment because of the decision-making unit involved. Hence formal education cannot contribute, to economic sense.

1. Education financing view as per classical economic perspective

From the classical economic perspective, the nature of the goods in question forms the basis of classification into consumer or capital goods. Therefore, investment is seen as “those uses of current output which generate higher levels of output in the future” whereas consumption depicts “those uses that are exhausted in the present calendar year”, Blaug, (1996). From this economic view-point, economic growth is increased by investment whereas consumption depletes it. Viewed in this sense, education can be said to be an investment in human capital with the hope to increase the productive capacity of human beings and the possibility of receiving higher earnings in the future. Among those things that improve human capabilities are health services and expenditures that influence life expectancy etc, on the job training, formal education, study programmes for adults and migration of individuals to meet changing job opportunities Schultz (1992).

1.1. Educational activities as for consumption and investment

The educational activities in this list are useful in developing skills and knowledge in people to enhance their productivity. When people receive education for its sake and the

motivation is not the future higher earnings, then it becomes consumption. However, this is not to say that this education (consumption) does not enhance the productive capacity of the recipient. Hence the distinction between the consumption and investment aspects of education is not easily discernible, more so, when one considers the fact that the possibility of obtaining higher life time earnings is not the only consideration when one decides to go for a higher education. Parental influence or individual wish may explain one's desire for more education.

Therefore, education should be seen simultaneously as consumption and investment because the two are inseparable. Schutz (1991) further examines "the division between consumption and investment components" of education by delineating between:

- a. education for current consumption;
- b. education for long-period future consumption; and
- c. education for skills and knowledge useful in economic activities which enhance future earnings

2. Concept of Keynesian Macro-Economic technics of analysis

The problem with the Keynesian definitions of consumption and investment as applied to education, is that it loses sight of the role that education can play in fostering economic growth since physical capital and human capital are complementary in the production process. The various skills and knowledge imparted in the process of education are, to a reasonable extent, products of investment in human beings (human capital) because they have economic value. However, this is not to suggest that the classical explanations of consumption and investment components of education cannot be faulted. It is difficult to draw a line between the two, that is, to separate educational expenditures for consumption from those that can be termed investment. Hence the position adopted here is that education in both a form of consumption aspect terminates and investment component takes over is determinable in real life.

3. Economic Contributions of Education financing

The discussion of the contribution of education to economic growth here is descriptive rather than a quantitative measurement of the share of education in economic growth. Economic growth can be explained as "the rates of increase of national income" (Blaug, 1996) where national income consists of all earned and unearned income in an economy. The analysis of the conceptual difficulties in using increase in national income to define economic growth is outside the scope of this article. Economic growth is important in any society to

improve people's welfare and increase the choices that are open to individuals in terms of the purchase of goods and services. The educated person or human capital has a role to play in bringing about economic growth.

3.1. Education financing of human capital training

In the process of human capital formation, skills, knowledge and other attributes which directly affect human capacity in carrying out productive activities are imparted. But the popularity of human capital in the process of development re-emerged after Schultz's (1991) presidential address to the American Economic Association in 1960 on the economic contribution of education titled "Investment in Human capital". Prior to this time, economists had attributed economic growth experienced in different economies to physical capital, land and homogeneous labour (which could be assessed simply in terms of quantity). In classical economic thinking, labour was limited to manual work which required little skill and knowledge, hence the belief in the homogeneity of labour. The shortcoming of this classical definition of labour can be seen when one considers the positive contributions of skilled and knowledgeable men in the organization of other factors of production in the production of goods and services. Human capital is also an important factor in bringing about technical change. Economists have then given a broad definition of capital which includes both non-human and human capital. The large increase in the earnings of educated workers is taken as the returns to past investment in human being. In the 1950s and 60s, economists began to talk about the qualitative aspect of labour in order to underscore the economic role of education. Research studies conducted in the advanced countries like the United States of America, the defunct Soviet Union, Denmark and Japan during the period they achieved rapid economic growth showed a positive relationship between economic growths and the amounts and types of education received by the labour force in these countries, Thompson, (1981:10).

It should be known that Thompson further referred to other studies that questioned the appropriation of all growth rates to physical capital and man-hours of labour, noting that much of the growth was unexplained by these factors of production.

3.2. Education financing for organizations improvement

This residual factor was therefore assumed to include "organization improvement and human factors including the health, morale and level of education of the work-force". However, there are methodological difficulties in identifying the components of the 'residual factor' and the share of education, which is an aspect of investment in man, in the residual

factor. Schultz (1961) has further highlighted the importance of human capital which played an eminent role in ensuring recovery of some countries that suffered extensive destruction of infrastructure and factories during the world wars. Hitherto, economists have failed to take cognizance of the influence of human capital in the production process and therefore underestimated its (human capital) importance in post-war recovery.

3.3. Education financing for economic development

In Republic of Benin, the role of education in economic development was recognized as far back as 1960 with the National Policy of Education put in place to development with necessary means in all domains of education particularly in the area of post-school certificate and higher education between 1960 and 1990. The Policy noted that the importance of middle-and high-level manpower in the development has been restated in the National Conference on Education in 1991 with Professor Paulin Hountondji as the initiator of the conference on Education Talks where education is seen as an instrument par excellence that will affect national development. At that National Conference Talks on Education, it was clearly observed that without Education, no National Development could take place. Todaro (1997:10) has noted that education especially in the developing countries of Africa and Asia, has contributed to your aggregate of economic growth by:

- creating a more productive labour force and endowing it with increased knowledge and skills;
- providing widespread employment and income earning opportunities for teachers, etc;
- creating a class of educated leaders to fill vacancies left by departing expatriates or vacant positions in government services, public corporations, etc.; and
- providing the kind of training and education that would promote literacy, numeracy and basic skills while encouraging modern attitudes on the part of diverse segments of the population.

Musgrave (1995:5) also identified the quantitative and qualitative economic contributions of education. He observed that the educational system inculcates in its clients the necessary skills and knowledge, right attitude and commitment of the labour force to the values of the prevalent economic system. As regards knowledge and skills the educational system provides the basis upon which industrial skills will be built. The skills that are taught in schools must therefore be related to what industries demand. In technical education, for example, industrial

skills should be taught or what is taught must have relationship with the requirements of the economy. In order to ensure relevance of education in this regard, some changes have taken place in the Republic of Benin educational system. The National Policy on Education (NPE) places emphasis on scientific, technical and technological education. The admission policy in higher institutions of learning is in favour of Administration, Legal and social studies. Science and Technology with 70 percent of annual admission expected to be in these areas. The number of polytechnics increased to and the center for University Polytechnics (CPU) was created to train at the University Level to consume the young technician's trained at the Secondary Schools. Thereafter, the Universities of Science Technology and Agriculture were established between 2006 and 2016, with premium placed on technological education. Vocational and technical subjects have been introduced in the nation's secondary schools and science education has received a boost in the primary schools. All these attempts are made to produce knowledgeable skilled manpower for the country. In addition to possessing the necessary skills and knowledge, the educated people must also show some commitment to the economic system that has been put in place if there is to be continuity in economic policies implementation. For instance, the educational system in a free market economy will emphasize entrepreneurship, financial achievement, etc.

4. Quantitative Economic Functions of Education

The quantitative economic function of education stresses the need for the educational system to provide the required manpower for economic growth that is, matching educational expansion with occupational needs. To ensure this, manpower planning is always suggested as a rational approach to solving this quantitative problem facing the education system. In most countries of the world, the problem is always perceived as a national problem; hence manpower planning is usually incorporated in national development planning. In this case the manpower requirements in all occupational categories in various sectors of the economy are determined in order to guide planners in manpower forecasting. Equilibrium in the demand for and supply of labour is never reached in any country and this has partly accounted for unemployment in many nations. For Bolonm (1995:10), this raises the question on the type of education to be emphasized in a country like Nigeria with limited absorptive capacity for educated people, massive expansion of educational facilities and high enrolment figures at all levels of education''. And today, there is the need to identify the type of education that is more beneficial to the society; in Republic of Benin where about twenty years ago, the private schools have trained more qualitative students than the public schools as the teachers

in those schools are constantly questing for one thing or the other from government through strikes. For example, because of strike, the whole Faculty of Arts Students do not have enough time to take examination as they were on strike and the year was declared unproductive for all students for 2015-2016. Students are to retake lectures and reseal for examinations in 2016-2017. They would have used two years to complete one year academic programme.

This may explain the present priority placed on vocational and technical education with opportunities for self-employment and job creation. Functional education has to be accorded an important place to improve economic quality of human resource. It is expedient to have large numbers of skilled technical manpower in Benin to make effective use of sophisticated equipment which would be imported from technologically advanced countries or to act as catalyst for technological advancement.

5. The Education Financing as factor for human development

There has been an emergence of new thinking on development issues. Although it has been pointed out that education promotes economic growth, emphasis has now shifted to the need to enhance human development as a result of economic progress. Economic growth should not therefore be seen as an end itself, but a means to an end, that is, human development. In its human development report of 1996, the United Nations Development Programme (UNDP) drew attention to the importance of job-creating, participatory, egalitarian, sustainable growth, the one that enriches the culture of the people, instead of a “jobless”, “voiceless”, “ruthless”, “futureless” and “rootless” growth. As the economy grows, employment opportunities must be created for the people to develop their abilities to ensure personal dignity and self-respect. Investment in human capabilities will be made to take advantage of the new job opportunities that have been created. Economic growth should also not be divorced from democracy. As the economy prospers, democratic values and deals should also be given priority for people to have a say in how their affairs are run. Trade unionism and workers’ rights must not be restrained. Rule of law can also engender economic progress because business enterprises may not thrive in an atmosphere characterized by authoritarianism or the one that stifles initiative. Education is an important instrument that can be used to achieve these political objectives-people’s empowerment, industrial democracy, etc.

To improve the quality of life of the citizenry, economic growth has to be accompanied by fair and just distribution of national income. In a situation where the rich get

richer with widespread poverty among the masses of the people, that society has promoted “ruthless growth”. Reforms might be necessary in schooling policies to enable the citizens have equal access to educational opportunities. Although the provision of free education to every Nigerian was enshrined in the 1979 constitution, the implementation of the programme was kept in abeyance for logistic reasons. Economic growth must also take account of the need to protect people’s cultural identity. While it is advantageous to use national languages as media of instruction, the cultures of the various groups should be protected. Where cultural repression characterizes governance, violence may be inevitable. School programmes can be tailored toward protecting the diverse cultures of the people. Finally, economic growth must be sustainable. The present generation needs to conserve the commonwealth so that the future generations do not suffer. For instance, conservation of forests, prevention of environmental pollution and efficient use of the nation’s resources must be ensured. Educational institutions can assist the society by introducing programmes that will promote this objective.

To expect that economic growth will ensure widespread benefits to all and sundry will be a misplaced optimism. Conscious efforts have to be made to realize human development through redistribution of resources and taking policy measures that are sympathetic to the cause of the masses of the people. Education is a veritable instrument that can be employed to ameliorate the poor conditions of the underprivileged people. A basic level of education may be proposed for all citizens.

In order to address the prevailing economic problems and promote economic growth, a number of developing countries introduced the Structural Adjustment Programme (S.A.P) whose policy measures include deregulation of foreign exchange rate, removal of public subsidy, and so on. This programme was criticized because it does not preach human-crested development. In other words, it lacks human face. The adoption of the programme in Republic of Benin in 1985 led to the closure of many industries such as SOBEPAR², SONAR³, BCB⁴ etc, and the attendant high unemployment rate. The programme was criticized by trade unions, non-governmental organizations and the general public who were concerned about the worsening conditions of the masses of the people. A new approach that will see human beings as the focus of development is therefore needed. After all, economic growth should benefit the people for them to further increase the economic opportunities available to the future generations. In essence, people must be seen as the driving force of all

² SOBEPAR: Société Béninoise de Parfumerie (Beninese Company of Parfum Production)

³ SONAR : Société Nationale d’Assurance (National Company of Insurance)

⁴ BCB : Banque Commerciale du Bénin (Commercial Bank of Benin)

economic growth. Human capabilities can therefore be strengthened by changing their behaviours positively. Other writers believe that research and development will go a long way in achieving economic prosperity. This also depends on human capital because educated people use capital in more productive ways and can introduce innovations.

Furthermore, for economic growth to have meaning, it must be translated into employment opportunities. Apart from creating access to land and credit facilities, providing good shelter, health facilities, and basic education, etc, people should have access to jobs. Education has contributions to make in this regard. Access to education widens job opportunities, promotes upward social mobility and empowers the people in a society. The education given to the citizens must be one that is functional. One of the major problems that are facing Benin at the present is unemployment. Job security is also seriously eroded. Adopting the recommendations of the UNDP (1994:6), it can therefore be said that what the country needs now is employment-creating growth. The question is: how can this be achieved? First, there must be a more serious commitment to full employment on the part of government, trade unions, employers and politicians. Second, emphasis may have to be laid on the establishment of industries that are labour-intensive and others that will create more jobs. Third, investments in human capital in form of functional education, provision of health facilities, in-service training, research and development, need to be increased. Fourth, policy measure should target granting of pro-employment incentives like decent working conditions, harmonious relations between workers and employers, etc. Fifth, equal access to education and health facilities must be guaranteed. Equal access to education will ensure open access to jobs. Equal access to health care will ensure that people are healthy and fit to work in order to enhance job security. Sixth, opportunities should be expanded for the disadvantaged groups. All forms of discrimination arising from ethnicity, gender and physical characteristics should be removed. For instance, women and disabled people should have unrestricted opportunities to be engaged in productive work. Lastly, the self-employed group can be assisted with credit facilities because apart from land, capital has always inhibited their efforts geared toward increasing productivity.

To conclude this section, economic policy objectives should not only concentrate on promoting economic growth. Attention should also focus on the need to guarantee human development since the evidence from a number of countries has shown that a nation's economy may be growing and yet, the quality of life of the people may be low. Education plays a significant role in cultivating human development which should be the object of economic growth.

6. Measuring the Economic Contributions of Education

Different approaches to the estimation of the contribution of education growth have been developed. Bowen (1993:12) has identified four approaches, namely; simple correlation, residual, returns to education and forecasting of manpower needs. The forecasting of manpower-needs approach relates more to educational planning than to assessing the contribution of education to economic growth. It is therefore not discussed here.

The simple correlation approach involves “correlating some overall index of educational activity with some index of level of economic activity”. Bowen discussed three variants of this approach. These are inter-country comparisons, inter-temporal correlations, and inter-industry and inter-firm correlations. Many studies have been carried out especially in the advanced countries to show the application of the variations of this approach. The inter-industry and inter-firm correlation seems to highlight the quantitative significance of the economic contribution of education. It involves correlating one of the indices of educational emphasis, for example, the number of the work-force that has higher education and the profitability of the industry or firm on cross-sectional basis in a country or across country over some time. Since we do not expect the same combination of inputs among the firms, there is the possibility of changes in the value placed on educationally – heavy inputs. The profit maximization criterion still holds. Any positive correlation suggests that differences in expenditures on educationally based inputs brought about the profit margins. We will then expect a shift towards procuring the educationally based inputs to justify profitability assumption. The assumption is that the industry or firm which emphasized educationally heavy inputs does not control the market through imperfect competition, so that the relationship between the educational input and relative high profitability is not a reflection of imperfect competition, but the benefit of emphasizing the educational inputs.

Conclusion

The residual approach concerns identification of the contribution of inputs like capital and labour and attaching the residual growth rate to unspecified inputs, among which education and advances in knowledge are most important. Other components of the “residual” are improvement in the quality of capital asset, influence of economies of scale, improvement in the health of workers and so on Bowen, (1993:14). A major snag with this approach is how to identify the share of education in the “residual». The direct returns –to-education, beset with many theoretical and practical difficulties, involves looking at earning

differentials between a more educated and less educated persons and comparing these benefits with the cost of more education.

Feel not morally bound to pay taxes when government shows a lot of irresponsibility in managing the economy and in using resources efficiently. Poor data base is another major problem facing taxation in the country. With inaccurate head count it becomes almost difficult to have an accurate figure of taxable adults in the country. All the above problems have to be addressed for government to realize huge revenue from its taxes. These potentials are high. There is a need for exploring other tax opportunities. The introduction of VAT in the last few years has been rewarding. A responsible and accountable government can be expected to change the attitude of people to their civic duties to pay taxes and avoid evasion of taxes. The various tax offices should be better staffed with responsible and patriotic people who are adequately equipped to cope with the demands of their offices. Not only that, tax evasion should attract heavier punishment.

Progressive tax structure should be relied on rather than one that increases the gap between the rich and the poor. To reduce the cost of tax administration, a higher level of government with more efficient administrative machinery for tax collection may help government at the lower levels. If governments at all levels can realize as much as half of what is lost as a result of corruption, evasion, inability to reach every taxable adult, there will be a remarkable growth in tax revenue levels.

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