

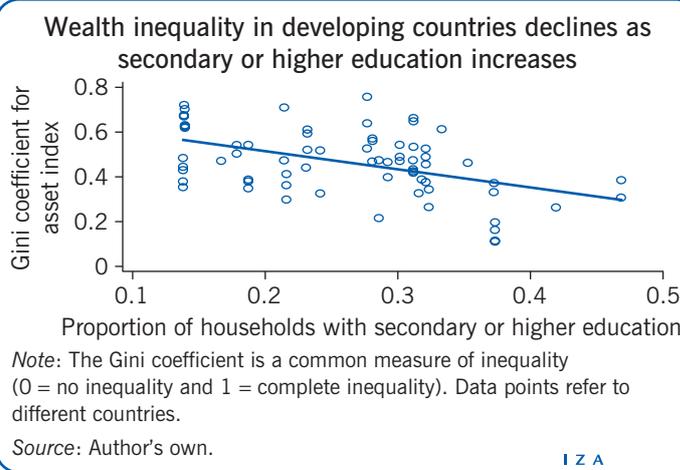
Can higher education reduce inequality in developing countries?

Expanding higher education might solve rising youth unemployment and widening inequality in Africa

Keywords: tertiary education, youth unemployment, returns to education, asset inequality

ELEVATOR PITCH

Developing countries often face two well-known structural problems: high youth unemployment and high inequality. In recent decades, policymakers have increased the share of government spending on education in developing countries to address both of these issues. The empirical literature offers mixed results on which type of education is most suitable to improve gainful employment and reduce inequality: is it primary, secondary, or tertiary education? Investigating recent literature on the returns to education in selected developing countries in Africa can help to answer this question.



KEY FINDINGS

Pros

- ⊕ Private returns to secondary or tertiary education in Africa are higher than returns to primary education, regardless of the level of development.
- ⊕ Lack of skilled manpower is identified as an important factor that impedes the competitiveness of firms and the modernization of the economy; investment in vocational and higher education is critical to address this skill gap.
- ⊕ An increase in the proportion of people with higher education may reduce wealth or income inequality.

Cons

- ⊖ Unemployment in developing countries tends to be higher among those with secondary or tertiary education; expanding higher education may therefore fuel unemployment.
- ⊖ Governments invest in primary education to address inequality in a populist manner; this also reduces the political appetite for increased investment in higher education.
- ⊖ As access to higher education is largely limited to high earners, expansion of higher education could potentially exacerbate inequality.

AUTHOR'S MAIN MESSAGE

Projections indicate that the global labor market will face continued disequilibrium. Excess labor supply is expected from less developed regions, while excess demand is expected from developed and emerging economies. At the same time, the global economy is becoming increasingly knowledge-driven. Hence, investment in vocational and higher education is important for developing countries to remain competitive; further, expanding the skill-base of the labor force may lead to lower levels of wealth inequality. In the case of Africa, despite some contrary arguments, policymakers should promote economic modernization by prioritizing investment in higher education.