

## Costs of School Failure in Developing Countries

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| <b>Sponsored by:</b><br>World Bank                       | <b>Principal Investigator:</b><br>Clive Belfield |
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### **Project description:**

The project reviewed the ‘costs of school failure’ across 8 countries. This report examined how low educational attainment is associated with significant gross economic costs for private individuals, for taxpayers, and for society. It reviewed the research literature showing that higher education levels are associated with higher earnings, increased labor market participation, better health status (including lower prevalence of epidemic disease), and improvements in family decision-making. In addition, education is also associated with lower rates of poverty and intra-household benefits such as improved family nutrition. These effects are generally found for males and females, for urban and rural residents, and for developing and developed economies. Even as they do not count the costs of making educational investments, these school failure costs are suggestive of significant economic burdens as populations fail to make optimal investments in education. The countries examined were: Indonesia, Ghana, Kenya, Pakistan, Mexico, Chile, Ukraine, and Egypt.

### **Methodology:**

Costs of school failure were simulated in terms of country-level GDP losses using data from extant literature. The method used for calculating the costs of school failure involved three stages: i) specifying an appropriate threshold level of education that constitutes success or failure; ii) identifying the impact of education on each benefit, building on previous research findings; iii) calculating the monetary benefits or economic/cost consequences from each educational impact for each population cohort using direct information or government budgetary spending, or the marginal utilities and prices of education and other inputs in the utility function. The method was adjusted to overcome the challenges associated with differences in the available information among countries in order to provide comparable findings across them.