Education, Child Labor and Human Capital Formation in Selected Urban and Rural Settings of Pakistan

Abdul Salam Lodhi
1 Introduction

Education is essential for human resource development and a necessary element for the sustainable socio-economic development of a society, as it can facilitate economic growth through the broader application of knowledge, skills, and the creative strength of a society. The positive long-term outcomes of education include the reduction of poverty and inequality, improvement of public health and good governance in the implementation of socio-economic policies.

Previous studies on the role of education in economic growth have suggested that education enhances human capital formation, which is positively associated with economic development and growth (Schultz, 1960; Nelson and Edmund, 1966; Mankiw et al., 1992; Barro, 2001; Krueger and Lindahl, 2001). More recently, Sianesi and Reenen (2003) reported that besides the direct effects, education indirectly influences economic growth by stimulating the accumulation of productive inputs such as physical capital, technology, and health. In turn, such inputs can mitigate the factors obstructing economic growth, including population growth and infant mortality. Therefore, the multifaceted impacts of education render it an essential element of development policy.

Considering the effect of education on economic development and growth, studies have highlighted that the impact of different education levels (primary, secondary and higher) depends on the stage of development and economic growth rate of a country. According to Petrakis and Stamatakis (2002), primary and secondary education is more important for growth in developing countries, whereas higher education is more relevant for economically developed countries. Self and Grabowski (2004) found a strong causal relationship between primary education and economic growth in developing countries, and similarly, Barro and Lee (2001) and Psacharopoulos and Patrinos (2004) suggested that investment in education has higher private and social returns for low-income and developing countries than developed nations. Harmon et al. (2003) and Dickson and Harmon (2011) also recognized an unambiguously positive effect of education on individual earnings which is relatively larger than the returns on investments in other public sectors, especially in developing countries. However, despite such empirically proven positive impacts of investment in education on economic growth and development, low levels of investment in education, deficiency in human capital and low literacy rates represent persistent problems in many developing countries. These situations provide compelling

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1 For some country-specific examples see Birdsall et al. (1993); Jones (2001); Asterious and Agiomirgianakis (2001); self and Grabowski (2003); Martins and Pereira (2004); Afonso and Aubyn (2006); Liberto (2008); and Chaudhry et al. (2010).
justification for the evaluation of the factors affecting the demand for education, to discover appropriate and sustainable solutions for continual low literacy rates in these countries.

Furthermore, the problem of low literacy rates in such countries results in a tragic waste of human capital, particularly for the youth. Rather than being a potential source of growth and social development if gainfully and productively engaged after receiving proper education and training, they are becoming a source of devastating tension and conflict. Such outcomes can be avoided by investment in education up to the socially optimum levels, by individuals for their marginal returns and by governments for positive externalities of education. However, unfortunately this seldom occurs.

On the other hand, unemployment among educated young people also occurs in countries when growth does not keep pace with the education and demographic changes. For example, Knight and Sabot (1981) argued that the rapid expansion in the stock of educated manpower, combined with the wage rigidity and job protection in the labor market, forced the more educated entrants to accept lesser jobs than their predecessors had done: the earnings premium on education was thus lower for more recent cohorts than previously. Furthermore, mismatches occur across the skills taught and those required by the job market. Such situations may also result in low levels of investment in secular school education, higher school dropouts rates and an increase in childhood activities other than secular school education, particularly from children of middle and disadvantaged classes of societies. All of these factors hinder countries in developing their competitive advantages. According to ILO estimates, South Asia has the largest number of unemployed youth, and halving youth unemployment would achieve an increase in GDP of 4.2 to 6.7 percent in the region.

Moreover, improvements in secular school enrolment have both short and long run benefits. In the short run, increasing the enrollment rate may reduce the intensity of problems such as child labor, while theories of human capital and investment in people suggest that it will enhance cognitive and other skills in the long run that in turn enhance labor productivity. Human capital formation as a result of quality education would be an effective tool for developing and low income countries to fight the problem of persistent poverty and low productivity. Therefore, understanding the causes of low demand for education in a particular area is vitally important towards forming effective policy measures.

Educational performance is typically measured by literacy rate and enrollment indicators. However, these merely represent educational accountancy

2 ILO (2006)
3 See, Mincer (1958), Schulz (1961) and Becker (1964).
rather than economic variables. A review of historical literacy rates shows that Pakistan has improved its education profile, yet there is still considerable room for progress. Literacy rates in the country identified by the number of people “who could read only” was 16 percent in 1951. Currently, rates are calculated on the basis of those “who are able to read with understanding and can write a short statement”, which was 57.7 percent in 2010 (G.O.P., 2011). The comparison of Pakistan’s literacy data with India and Bangladesh (Figure 1.1, 1.2 & 1.3) is interesting, as both gained political independence at approximately the same time, with Bangladesh subsequently separating from Pakistan in 1971. From 1950 to 2010, literacy rates in India increased at higher rates for both men and women than in the neighboring countries. In India the gender gap in literacy is also narrowing, despite historical evidence that this gap was formerly greater than in Pakistan. In the case of Pakistan, the gender gap has been increasing with the passage of time, with literacy rate performance for both sexes also decreasing, compared with India’s for the same period. The comparison of the literacy rates of Pakistan and Bangladesh, which had a literacy rate of less than 20 percent as recently as 1972 (BRAC, 2008), indicates that Bangladesh's performance in terms of overall literacy and gender parity is better than Pakistan’s. Considering the limited progress of Pakistan, it is evident that if this trend continues, the achievement of a 100 percent literacy rate will be impossible in the coming decades.

Pakistan offers a thought provoking case, where the relationship between poverty and childhood activities is more complicated than in many other developing nations. Rather than rapid growth in the last 60 years, the social indicators of the nation are among the worst across developing countries. According to official reports of the government of Pakistan, the country stood as the third fastest growing economy in the world in 2006.\(^4\) In addition, it boasted an average annual growth rate of 6.6 percent between 2002 and 2007 (G.O.P., 2008). However, in terms of the Human Development Index (HDI), Pakistan is currently ranked 145th out of 187 in the world; moreover, as the HDI of South Asia as a region has increased, Pakistan is also below the regional average (UNDP 2012).

Furthermore, Pakistan also provides an example of a country that has improved in Gross Domestic Product (GDP) growth without achieving corresponding significant improvements in other economic and social development indicators. Additionally, the performance of Pakistan in basic secular school education enrolment is also less than satisfactory. If current trends continue, the country will host the second largest out-of-school

\(^4\) See GOP (2007).
population of children by 2015, after Nigeria. There is even evidence that the situation is getting progressively worse, due to on-going war, floods and poor governance. The 2009 Education For All Global Monitoring Report also concluded that in both countries (Pakistan and Nigeria), poor governance with respect to education is responsible for limiting progress and keeping millions of children out of school.

![Figure 1.1: The Literacy Rate Trends in Pakistan Since 1950](source: PMDG 2010)

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5 Education For All (2009)
Figure 1.2: The Literacy Rate Trends in India Since 1950

Source: UNESCO 2011

Figure 1.3: The Literacy Rate Trends in Bangladesh Since 1981

Source: BBS 2009
1.1 The Education System of Pakistan: A Brief Overview

The education system of Pakistan can be broadly divided into two types - secular and non-secular religious education. The existing secular education is divided into five levels: the primary level (class one to five), middle level (class six to eight), secondary level (S.S.C), intermediate level (H.S.C.) and finally the university level (bachelor, master and research). On the basis of the school systems, further education system in Pakistan can be divided into three categories - public, private and religious (locally known as Madrassa).

Public schools are managed and financed by the government, providing free education up to the secondary level. Free textbooks are also provided up to the secondary level in the Punjab province, and at the primary level in three other provinces. Unfortunately, the majority of schools are in poor condition and the quality of education is questionable, particularly in rural areas. One issue is that there is no merit system; teachers and other staff are appointed according to the wishes of politicians in the area. Furthermore, there is no accountability: a large number of schools are only present in documents and are termed as ghost schools, receiving funds without existing in reality. In rural areas, the buildings of public schools are also used as marriage halls, guest houses or stores by the influential people of the area. The country’s public school system was previously well disciplined and held a good reputation, around 20 or 30 years ago. However, today these institutions are culvert of corruption, nepotism, and backwardness (Stern, 2000 and Partnow, 2009). Nevertheless, there are a few chains of semi-public institutions that provide high quality education. However, owing to high fees and other formalities, children belonging to the middle and lower classes of society are unable to enter such institutions.

Government policies towards private educational institutions have differed across time. During the 1970s, the government nationalized all private schools and firmly restricted the growth of this sector. In the 1980s, a change in policy allowed the opening of private schools, and in the mid-1990s a major shift occurred in the government policies, marked by the encouraging of the private sector. The government officially started to reduce its burden, involving private sector and civil society organizations in the financing, management and delivery of education services. The government continues to maintain this encouraging policy at present. Due to the government’s failure to provide education and encourage private sector policy, private and religious schools in Pakistan are emerging at an increasing rate. Nowadays, even poor people prefer to send their children to private schools, though the high fees prevent many young aspirants

7 Ghost School; the school that only exists on papers.
8 GOP (2004)
from enrolling. Around 31 percent of basic education students attend private schools,\(^9\) and it is generally accepted that the quality of education is better and more reliable than in public schools (Alderman et al., 2003). Schools run by the private sector usually offer greater accountability, transparency and monitoring than public schools. Generally, students achieving education in private school students are more competent than those in public schools.\(^{10}\)

The religious education system in Pakistan has roots in the traditional education systems which had been the mainstay among Muslims on the subcontinent from the thirteenth to the eighteenth century, until the rise of the British power in 1857.\(^{11}\) This type of education was brought by the arrival of Islam and Islamic/Arabic culture marked by the invasion of Muhammad Bin Qasim in Sind in 712 A.D. By that time, the Arabs had already distinguished themselves not only as conquerors and administrators over vast territories in the Middle East and North Africa, but more significantly as creators of a culture rich society, with literature, art, architecture and religious studies.

At in Pakistan present, private educational institutions imparting religious education are locally termed as madrassa. They provide both Islamic and worldly education,\(^{12}\) additionally offering accommodation and food for the children. Such institutions take students on a full-time basis, therefore children are not allowed to work while attending a Madrassa. The exact number of children enrolled in these religious schools is unknown; however some approximations have been published in existing literature using information provided in the National Educational Census (NEC) 2005 by the Federal Bureau of Statistics. Accordingly, Irtiqa (2009) and Andrabi et al. (2009) suggested that only 1.3 percent of the country’s total enrolled students are attending these religious private schools. However, this survey, corrected for regional differences using survey routines, suggests that around 10 percent of 5 to 14 year old children attend religious schools. To support this figure, the percentage of religious school enrollment was computed, based on the NEC 2005 data, accounting for 7.9 percent of total public school enrollments. This percentage was calculated by using information regarding the total enrollment in public sector schools and stated information on the total enrollments of registered

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9 See Lynd (2007) and Andrabi et al., (2009)
10 See, Alderman et al., (2001), Arif and Saqib (2003), and LEAPS (2008)
11 See, Education Encyclopedia- StateUniversity.com, Pakistan-History Background, available at: http://education.stateuniversity.com/pages/1141/Pakistan-HISTORY-BACKGROUND.
12 There is no standardized curriculum for all the religious private schools.
religious schools.\textsuperscript{13} The above computed percentage again represents an underestimation, as the NEC 2005 report mentions that not all registered religious schools provided their enrollment records. Moreover, the exact number of non-registered religious schools is not available.

The latter type of education refers to the secular school education system introduced by the British colonial government. Secular school education initially faced resistance from the Muslim population, who felt that it was inharmonious with their religious views. Even after many reforms, there remain people who believe that modern education is dissonant with Islamic values, because the education is rooted in the British system.

1.2 Problem Statement

Critical analysis of the education history and performance of Pakistan indicates that no government has given this sector the requisite attention. Education in Pakistan is thus suffering from a serious crisis of quantity, quality, and to some extent, relevance. Numerically, around seven million children aged 5-9 years old remain out of the education system, and only 52 percent of primary level students would have places at secondary level, assuming that all of them wanted to further their education (Lynd 2007). Hence the participation rates in secular school education are very low, with high dropout rates and gender disparities when compared both with other countries within the region and middle income countries across the world (Figures 1.4 and 1.5 in the Appendix). Compare the statistics of literacy rates of different provinces within Pakistan, the situation is more discouraging and thought-provoking due to the vast disparities (Figure 1.6 in the Appendix). To achieve the goals of poverty alleviation and sustainable economic development, Pakistan truly needs to improve its secular school education participation rates and reduce the gender and regional disproportions within the country.

Additionally, regarding the low investment in education, Birdsall et al. (1993) found that a large income growth has been forgone. Their estimates suggested that if female enrollment in primary school had been as high as male enrollment in 1960 (46 percent rather than 13), the per capita income of Pakistan would have been at least 15 percent higher than it was in 1985. According to Glewwe and Jacoby (2004), education is often viewed as the principal route to reduce poverty and minimize inequality in developing countries. For low income and developing countries, investment in education has higher returns.

\textsuperscript{13} See, the enrollment of Schools and Deeni Madaris, in the Executive Summary of NEC (2005), Available at: www.pbs.pk/content/national-education-census-2005-pakistan (accessed on July 16, 2012).