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Investment in free education has not produced adequate returns

by R. M. B. Senanayake

Many of today's English educated intelligentsia treat free education as a sacred cow and want no tampering with it. Each year eminent educationists remember the late C. W. W. Kannangara and sing paeans of praise to him. Of course he used public funds, which could have been used elsewhere- what economists call opportunity cost. The opportunity cost of the investment in free education is the inability to invest in other sectors like infrastructure and industry, which would have quickened economic growth.

Sentimental attachment to free education

People honour the Father of Free education but fail to realize he is by the same token the father of the educated unemployed since it is the excessive investment in free education, which deprived the economy of the capacity to grow faster.

The English educated intelligentsia of the country remembers that their parents could not afford to send them to English education schools if not for free education. I remember as a child being sent home for non-payment of school fees in the third standard. But one can't be sentimental. Hard thinking is required in the formulation of economic priorities. Universal free education up to and through the universities led to a massive increase in the numbers of the educated who all had high aspirations for well paying jobs.

During the colonial period these jobs were in the public service and comprised positions of clerks and administrative officials. In fact the rationale for free education was to provide upward mobility to those in the poorer classes so that they could become administrators, doctors and engineers or at least clerks, station masters, postmasters or teachers in the public sector where the earnings were much higher than the per capita income of the population.

I remember in school how the English teacher put down a statement and asked us to correct it. The statement was as follows: "At the end of a cinema show all the people crowded round the two exits while one man sat patiently while the others left. He said that if only others had followed his example how good it would be." Many children thought the grammar was wrong somewhere. But there was no error in the grammar. No sir, the error was in the logic. What is true for the individual is not necessarily true for the collective.

The purpose of free education was to promote upward mobility for the poor, a very laudable aim. But the policymakers took for granted that the number of jobs requiring high educational qualifications would increase automatically to absorb all those who passed out from the colleges and the universities.

Limit to jobs for educated

There is nothing automatic about job creation. Job creation requires investment. There are also stages of development, a concept first formulated by W. W. Rostow. An undeveloped country first requires creating a capital stock which includes such infrastructure facilities as tarred roads, concrete or steel bridges, power plants, port facilities and so on. Investment in such infrastructure creates jobs but not jobs for the educated. The jobs will be created mostly for skilled workers like masons, carpenters, fitters on the one hand and a pool of unskilled construction workers who dig the earth, fetch and carry to build a dam or construct a road.

> **Now the carnival for politicians is over. The State is bankrupt and the government does not have the revenue to employ any more - at least in such large numbers. The IMF/World Bank wants the numbers in the public service to be reduced and the educated unemployed have to look to the private sector for jobs commensurate with their education. But a surplus of such job aspirants far in excess of what can be absorbed have already been created and the universities keep on churning out more and more. So much so that some call the universities degree factories.**

Investments have also to be made in agriculture. Such investments include the building of dams, the construction of irrigation channels and so on. Another type of investment is in industry particularly factory industry. Here too the job creation is for skilled and semi-skilled workers not requiring much education. They create jobs for fitters, machinists, machine operators and a mass of semi-skilled workers like the sewing girls or seamstresses in the garment industry.

None of the above investments create jobs for educated people and few for graduates or those who have passed the GCE Advanced Level. But the colleges continue to produce more and more such persons while the politicians in power continued to build more and more universities. In the 1950s there was only one University of Ceylon. Now there are thirteen universities plus affiliated institutions like the Wickremaarachchi Ayurveda Institute plus a large number of external students. The politicians were egged on by the educationists who compared the ratio of graduates to the population or the GDP with those in developed countries- an exercise in naivetè. We still read about their comparisons and the case for education and the pursuit of knowledge for its own sake. That wouldn't matter if the cost was borne by the individual but the community has other priorities for its investible funds.

The only jobs that require high educational qualifications in the disciplines taught in our universities are the jobs in the service sector, in the professional services like law, medicine, engineering and accountancy. There are of course the middle and upper management levels but these jobs require much more than mere educational qualifications.

So the investment priorities that the government has been following - correctly apart from education - is promote the employment of skilled and unskilled labour and not educated personnel. They have not and cannot create jobs for the educated unemployed. In the early stages of development in any economy, the requirement is for skilled and unskilled labour not for a multitude of clerks and pen pushers. Economic growth hitherto has benefited sectors that rely on relatively uneducated labour and skilled workers.

Unemployment among the educated is quite high as much as 15-20% for those with GCE Advanced Level and a whopping 30% for graduates. What hope is there for them?

With the slowing down of rowth in the world economy and with heightened competition from such low wage countries like Bangladesh, Vietnam and China, many factories are likely to close down and unemployment even among the semi-skilled and skilled grades may increase. Several factories are retrenching staff. So in the coming months we may well see an increase in unemployment.

The educated could only be absorbed in office jobs in the public sector. Successive governments did just that. They packed the public service with hundreds if not thousands of educated persons so that the public service employs the largest number of people in relation to the population anywhere in the world. The comparison would be even worse in relation to the GDP. There are in government departments clerks recruited from such distant places as Rakwana or Kalmunai because the minister in charge was from such distant electorates. What did that do for public service efficiency?

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Shouldn't the universities be more strict in examinations and fail more of the students who do not reach the required standard? This will reduce the numbers of unemployed graduates and also raise the quality of the degrees. In France where after the 1968 student riots the government agreed to admit a large number of students to the universities, the authorities have refused to downgrade the quality of the degree and fail large numbers at the first year examination.

Tax concessions distort the relative prices of labour and capital

The faulty economic policies adopted by successive governments have made matters worse. Over the years governments have given incentives to capital while trade unions and the labour laws have discouraged the use of labour in industry and the services. This is not to argue that capital is not necessary. In fact capital is very necessary to create more jobs. The relative price of labour versus capital should be such as to promote the expansion of labour in the process of production. This has not happened.

Governments by their tax concessions to favoured sectors have lowered the user cost of capital and made labour relatively more expensive. These include lump sum depreciation or accelerated depreciation of capital expenditure in the year of purchase and a reduced period for depreciation. Investment relief and concessionary duties for the import of machinery are other tax distortions which favour capital at the expense of labour.

In spite of the high unemployment among the educated there is still a shortage of skilled labour. Of course many skilled artisans have gone to the Middle East to work there for better money than they can earn here. The shortage of skilled workmen locally not only undermines economic growth but it also hinders the development of labour intensive sectors which cannot operate without some skilled people who could guide and lead unskilled workers as helpers. To those not familiar with economic jargon I must mention that labour intensive production processes refer to those industries where there is more manual work and fewer machines driven work.

Of course there is a minimum capital to labour ratio. There are no research studies which show the capital to labour ratio for particular industries, for the sectors or for the economy as a whole. The International Labour Organisation (ILO) has observed that "trade liberalisation could shift production in favour of capital intensive sectors and to the detriment of labour intensive ones."

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