

Economist prefers ABC to PhD

The Toronto Star

Mon 17 Oct 2005

Page: A22

Section: Editorial

Byline: Carol Goar

Source:

As a university professor, Jean-Francois Tremblay is pleased to see Ottawa and the provinces investing in post-secondary education after a 10-year hiatus.

But as an economist, he is not convinced that pouring more public money into universities and colleges is the best way to boost Canada's economic growth.

Tremblay and his colleague, Serge Coulombe, who teach economics at the University of Ottawa, have just completed a study for the C.D. Howe Institute, which shows that improving literacy among lower-income citizens would have a greater impact on Canada's standard of living than producing more highly educated graduates.

"While increasing resources in the education system would undoubtedly improve outcomes to some extent, it is not clear that it would be the most cost-effective strategy to generate more skills," the authors conclude. "Our research - novel because it is based on direct measures of skills rather than the usual crude proxies of educational attainment - strongly suggests that there are potentially large payoffs from investment in less glamorous sectors."

By most international measures, Canada has a high-quality education system. Yet Canadians do not perform particularly well in standardized tests of literacy and numeracy. In a 14-nation survey conducted by the Organization for Economic Co-operation and Development, Canada ranked a less-than-impressive eighth, behind the Scandinavian countries, Belgium, the Netherlands and Germany. What's more, Canada's score peaked in 1975, then began a long decline.

A mediocre literacy rating drags down a country's productivity more than a mid-place ranking in university enrolment, Tremblay explained. Conversely, an increase in average literacy produces a greater economic benefit than an upswing in university degrees.

He and Coulombe demonstrate in their paper that a 1 per cent jump in Canada's literacy score, relative to the international average, would boost national productivity by 2.5 per cent and raise per capita gross domestic product by 1.5 per cent. (Details of their methodology can be found at www.cdhowe.org).

Economists have never managed to draw such a strong empirical link between years of schooling and labour productivity. "The big surprise in our research was that literacy

scores were such a clear indicator of growth," Tremblay said. "We also found that skills at the bottom of the economic spectrum matter most."

Their findings have important policy implications.

First, governments can't afford to treat adult learning as an afterthought. The single most effective step policy-makers could take to improve the country's economic performance would be to help those trapped in low-skill jobs or unable to find work.

One way to do it would be to offer employers tax incentives to provide workplace training. A second possibility would be to provide school boards with more resources for basic literacy programs. A third option would be to make skill acquisition a central component of Canada's employment insurance and welfare programs.

Next, elementary and secondary schools have to do a better job of equipping students to read, write, comprehend and use information.

Tremblay is not sure whether the problem stems from teaching practices or levels of classroom funding. That is why he thinks it is essential for all schools to conduct comparable literacy tests and make their results publicly available. Once educators know what works, they'll be able to refine their methods to raise performance levels.

Third, Canada needs to rethink its immigrant selection criteria.

Rather than recruiting highly educated newcomers who may take years to find a job in their field, Ottawa should be looking for applicants with the skills the country needs. "Schooling is not the same as skills," Tremblay pointed out.

Finally, Ottawa and the provinces have to set aside their jurisdictional battles over education and training.

Under the current arrangements, elementary and secondary schooling are a provincial responsibility, post-secondary education is managed by the provinces but jointly funded and both levels of government deliver job training. This has led to balkanization, wasted resources and debilitating friction.

Tremblay wishes he knew how to solve this problem. "It's a sensitive issue, for sure."

Ideologues on both sides of the political spectrum will find some of Coulombe and Tremblay's prescriptions hard to swallow.

The economists call for subsidized child care - considered an unaffordable frill by many right wingers - on the grounds that raising women's literacy is one of the smartest investments a society can make. At the same time, they advocate school choice - anathema to many left wingers - on the grounds that increased competition among educators would improve literacy levels.

They are guided by what works, not what is politically fashionable.

Canada needs more of this kind of open-minded research.

Carol Goar's column appears Monday, Wednesday and Friday.

Edition: ONT

Length: 764 words

Invest funds in adult literacy

The Toronto Star

Wed 19 Oct 2005

Page: A23

Section: Letter

Byline:

Source:

Economist prefers ABC to Phd

Opinion, Oct. 17.

Carol Goar gets an A+ for pointing out the equation that economists at the C.D. Howe Institute have clearly demonstrated, namely 1 per cent increase in adult literacy scores equals 2.5 per cent increase in national productivity and 1.5 per cent increase in per capita gross domestic product.

Why then are we investing so much in the post secondary system and so little in the 15 per cent of Canadian adults who struggle to read and write every day?

Christine A. Featherstone,

President & CEO, ABC CANADA Literacy Foundation, Toronto

Edition: ONT

Length: 98 words

Investing in people

By SERGE COULOMBE AND JEAN-FRANÇOIS TREMBLAY

The Globe and Mail online

Tuesday, October 11, 2005

Posted at 9:20 AM EDT

Globe and Mail Update

Is the Canadian economy investing enough in people and their skills? Perhaps not, according to recent evidence - and failing to do so will hurt Canadians' long-run living standards.

Canada is usually seen as having a good education system and should therefore be expected to do well at building "human capital." However, the International Adult Literacy Survey (IALS) shows that Canada does not perform well on standardized tests of literacy and numeracy. According to the IALS, Canada ranks in the middle of the pack on the prose-writing, document comprehension and quantitative literacy scales.

Worse, many of the countries that scored at the low end of the scale are significantly less developed economically than is Canada; our rank appears even poorer when compared with countries at a similar level of development. Perhaps more worrisome is that if we look only at individuals who have not completed high school, Canada ranks 13th, 14th and 14th in prose, document and quantitative skills.

Much of the policy debate today focuses on the role of post-secondary education in providing highly skilled workers for the knowledge economy as a means of ensuring international competitiveness. More basic education has been neglected. One reason could be that economists have had difficulty establishing a strong empirical link between educational attainment and economic growth at the cross-country level.

However, our recent research shows that if we use such direct measures of skills as the IALS, rather than educational attainment data, we see a clear relationship between investments in human capital and long-run economic growth and labour productivity. This research (The Economist has called it a "breakthrough in measuring the knowledge economy") reminds us of the equal, if not greater, importance of increasing the general level of literacy and numeracy among young people, a job that is mainly the purview of primary and secondary schools. The payoffs come in the form of increased economic growth, which benefits society as a whole.

Specifically, if a country's literacy scores rise by 1 per cent relative to the international average, that may generate an eventual 2.5-per-cent relative increase in labour productivity and a 1.5-per-cent rise in output per person. That's big - three times as great a result as for investment in physical capital.

Moreover, the results indicate that increasing literacy and numeracy for people at the low end of the skills range is more important to economic growth than producing more highly skilled graduates.

Canada's relatively poor performance in literacy and numeracy should be a serious concern for policy-makers. It would be good to respond to this situation by working out a comprehensive skills strategy, one that would exploit the different channels through we build human capital.

First, because skills, rather than schooling per se, drive economic growth, attention to the school system's output is the place to start. All governments should produce publicly available indicators of student and school performance based on standardized skills tests. The benefits include stronger incentives for education providers to improve outcomes, and increased competition and accountability throughout our school systems.

Second, because people move across provincial borders, provincial governments have less incentive to invest in educating people who may move away. A good way to compensate for this would be to partly allocate federal transfers according to provinces' investments in education.

Third, it's vital to invest in the skills of adults who are already part of the work force. The pace of technological progress creates new skill requirements in the labour market; demographic trends will tend to reduce the relative role of one's initial education to the overall process of accumulating skills. Better incentives for firms and people to pursue job-related training and lifelong learning - particularly measures targeted at people with very low skills - would generate greater economic rewards.

Our work suggests that targeting investment in people at the low end of the skills scale may be especially important. The returns to human capital in the form of higher economic growth are more sensitive to the entire population's average skills as opposed to its share of individuals with high-level of skills. That is, a high proportion of individuals with low levels of literacy acts as a drag on growth.

The right thing to do, therefore, is to ensure that young people acquire basic skills before entering the labour market. Devoting more education resources to increasing graduation rates at the secondary level would be good for economic growth, but increasing the graduation rates should not be done by lowering standards.

One of the most salient results of our research is the finding that skills matter more than years of schooling. Making welfare and employment-insurance programs more conducive to completing high-school education may also help to increase graduation rates and skills acquisition.

By the same token, it may be desirable to target adult-training programs towards low-skilled individuals, who tend to receive little employer support for training. Increasing

resources in government-training programs for the unemployed could also help if workers cannot finance investments in training by themselves.

Finally, immigration policy is an important component of a comprehensive skills strategy. Immigration can be a highly cost-effective approach to skills accumulation, and easily tailored to specific needs. The trick is to focus on skills rather than years of schooling, because schools are not the same everywhere. Attracting more skilled immigrants - and increasing the importance of demonstrated skills in immigrant selection - would help Canada distinguish itself among nations in the 21st century.

Serge Coulombe is professor economics at the University of Ottawa, where Jean-François Tremblay is an assistant professor of economics. Their study, *Public Investment in Skills: Are Canadian Governments Doing Enough?* is available at www.cdhowe.org.
