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Why the public discourse on education is wrong

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Why the public discourse on education is wrong

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ONCE upon a time, the Philippines was praised for its relatively well-educated labor force. Not anymore. The situation seems to have reversed: policymakers and commentators single out education as one of the primary causes for the country's poor performance (lack of competitiveness) and the unemployability of many of its workers.

To put the discussion in the correct context, I will start by arguing that the relevant measure of progress for a developing nation like the Philippines is productivity. Without productivity increases, there cannot be increases in income. Productivity in the Philippines is low in general. Is education the key to increasing productivity? I will argue that it is not.

The public debate on education is oversimplified, and probably many assumptions about its relevance have no basis. Education, understood as the process of receiving (for a student) systematic instruction, especially at a school or university, matters more for political reasons than for its contribution to productivity and growth. Education is the means through which societies acquire political philosophies based on individual rights. These rights are necessary for political and social developments that overcome the privileges of special interests and satisfy individual and consumer desires better. Education is necessary to understand the complex political systems necessary for advanced economic performance. It's possible that poor countries today will not get out of poverty traps without political changes. Those political changes may only be possible with broader education. While this is an important issue, it differs from the emphasis on education in the public debate.

'Upgrading'

The public debate has also been misled for decades by the "upgrading thesis." This is the idea that the changing conditions of work require a better-trained, bettereducated and, therefore, upgraded working population. This is a myth resulting from three observed trends. One is the increasing average level of skills (in terms of average years of education) that the statistics show. It is misleading. Since with the development of technology the labor processes of society embody a greater amount of scientific knowledge, the average scientific content, and in some sense, the skill content, of many jobs is much greater now than in the past. But this increasing skill content has affected only some jobs. Indeed, today's technological world has magnified the returns to those with strong math and science skills and used them in fields such as finance, software development or genetics. This is increasing inequality in both developed and developing countries. In the Philippines, and given that it is not a leading nation in the development of advanced technologies, this group represents a very small percentage of the labor force. Many of the jobs modern societies create, and certainly in developing countries, do not require high skills. Indeed, many of the jobs created in the Philippines during the last decades do not require more skills, although workers have more years of schooling.

A second trend is the shift of workers from some major occupational groups into others, that is, structural transformation. Workers classified by the statistics in the secondary sector are believed to need and have more skills than those classified as working in the primary sector, and those working in services are believed to need and have even a higher level of skills. It is only true in the world of census statistics, and not in terms of direct assessment, that an assembly line worker is presumed to have greater skills than a fisherman or oysterman. Even pick and shovel work takes more learning before it can be done to the required standards than many assembly, or machine-feeding, jobs.

The third observed trend is the prolongation of the period of education. Better and more educated workforces are assumed to be necessary today. Hence, a longer period at school is required. However, we do not spend so many years at school today because the jobs that the marketplace creates require at least 12 years of formal schooling. The lengthening of the school period has more to do with the need to reduce unemployment and with the fact that today, by law, we do not send 14-year-old children to the labor market (surely the law is not followed in many instances). Many of the jobs created today in most developing countries in services do not require more than basic literacy, that is, reading, writing and performing basic

arithmetical operations. These qualifications are demanded by the urban environment in which many people now live, so that they learn how to conform to the rules of society and to obey the law. Beyond this need for basic literacy, there is also the function of the schools in providing an attempt at socialization in city life, which now replaces socialization through farm, family, community and church, which once took place in a predominantly rural setting.

One can hardly argue that, for the Philippines as a whole, the key constraint on its development is education. There might be specific sectors that lack "good" professionals, but this is not true at the aggregate level of the nation. This is a country where helpers, guards and drivers have college degrees. Claiming that education is the binding constraint is barking up the wrong tree. When France reached high income status, approximately in the early 1970s, its workers had an average of 6.05 years of total education, split into 4.05 years of primary, 1.75 of secondary, and 0.25 of tertiary. The same four figures for the Philippines were 5.56 (total), 3.65 (primary), 1.52 (secondary), and 0.38 (yes, more tertiary). They were not so different from those of France to justify an income per capita ratio of 15 (lower in the Philippines). Even today, the difference in education does not justify the per capita income ratio of 10. No, it is not education.

Trainability

For these reasons, the public policy debate should shift toward a different paradigm: the ability of the current work force to be trained on the job to work in high-productivity operations. Trainability is the faculty to learn quickly, pick up new skills, make fast decisions, and master different tasks. Welltrained workers perform well in an office and in an assembly line, can read and understand a manual, write correctly and know how to convey a message, and can be easily redeployed to perform new tasks. I contend that Filipino workers can be trained to achieve much higher productivity levels. Trainability is not a constraint on Philippine development.

A key aspect or component of trainability is cognitive aptitude. This is the capacity to think critically, solve problems, and digest and apply new information. Cognitive aptitude is acquired during the first few years of life. For this reason, the government's efforts must go into ensuring that children of all backgrounds receive the high-quality basic education that propels their cognitive ability. This is what will allow them to eventually enter the job market, quickly absorb the training acquired in a company, and become productive workers.

What the Philippines needs is a well-trained labor force. I am talking about plumbers, electricians, carpenters, bricklayers, mechanics, welders, etc. workers who can build a road properly, mid-level technicians, and workers with skills to make quality products (shoes, furniture, bricks, cement, plastic, glass) that meet international standards and can compete in world markets (i.e., be exported). The skills of most of these workers do not require college degrees, much less graduate degrees. The latter serves a different purpose. Certainly, we need good college and graduate students, but the reality is that many of them end up performing jobs that in other countries are undertaken by workers with lower educational attainments. Why? Because the country generates very few jobs that need tertiary, and much less master or PhD, education. This means that, paradoxically, a significant share of the Filipino labor force suffers from overeducation.

Traps

The Filipino labor market suffers from three standard traps. The first one is that by focusing on exploiting low labor costs (e.g., by restricting wages or through devaluations) it has ended up stuck in a vicious circle of low productivity, deficient training, and a lack of skilled jobs, therefore preventing key sectors from competing effectively in the markets for skill-intensive products. This situation is referred to as a "low-skill, bad-job trap." Bad jobs are associated with low wages and few opportunities to accumulate human capital. Good jobs demand higher skills and command higher wages.

A second trap derives from the complementarities between capital and labor. This is the "low-skill, low-tech trap" problem. Filipino workers have insufficient skills to operate modern machines. The result is that the latter are underutilized. Consequently, firms will have little incentive to invest in the latest technologies, which will reduce workers' productivity even more.

The third problem emerges from the interaction between innovation and skills. Innovating is crucial for developing technological capabilities, but it requires well-trained workers. Economies like the Philippines have got caught in a vicious circle in which firms do not innovate because the labor force is insufficiently skilled, and workers do not have incentives to invest in knowledge because there is no demand for these skills.

The above means that the relatively low demand for and supply of skills derives from rational decisions made by both firms and individuals within the particular legal and institutional framework in which they operate. The Philippines, with a low-skilled workforce, has greater incentives to produce nontraded services rather than tradables such as manufactured goods because the former are relatively protected from foreign competition. This pattern of specialization creates and perpetuates the demand for less skilled labor. The Presidential Commission on Educational Reform 2000 lamented that the education obtained in a typical Philippine college or university may only be equivalent to a secondary education from the better high schools in the country, or from a typical high school in Japan or Europe. Moreover, Filipinos prefer white-collar professions and look down upon vocational and technical education (training).

In an environment of global competition, Philippine organizations must focus on skills and competencies. Today's globalizing world demands organizations designed on skill-based systems that realize that the nature and content of jobs and their skill requirements are changing fast and adapt quickly to the new circumstances. Some specific sectors or activities may suffer from mismatches between the skills that firms demand and the practical knowledge that workers bring to the workplace. Where do these mismatches come from? On the one hand, the type of business, level of investment, and scale of operations, determine the competencies expected from employees. The prevailing global competition, and the spread of new technologies affect those expectations. On the other hand, the knowledge, skills, and attitudes of the workforce are shaped by the existing social institutions, including the quality of basic education, support services, and government policy.

One of the most important consequences of deficient training is the lack of skilled workers, which leads to the manufacture and export of relatively poor-quality and low-value products. The manufacture of high-quality products requires highly trained workers. But if the country does not generate enough of these workers, firms will be forced to produce low-quality goods; and likewise, workers will acquire little training because few high-quality goods are produced, leading to a vicious circle. The choices made by employers reflect the availability of a skilled workforce. Different outputs require different types of training. Business people, aware that their workers are not highly skilled (and thus are more likely to make mistakes), will tend to specialize in the production of low-value products. Thus, the labor force will be more suited to the production of low-value than high value products.

In the end, firms' decisions about what type of products to manufacture depend on the availability of skilled labor. The result is that in countries that offer little support

for education and training and that contain a large proportion of unskilled workers, the market mechanism may reinforce the existing lack of skills by providing little incentive to acquire more; whereas in countries with well-functioning educational and training institutions and large bodies of skilled labor, the free market may do much more to induce people to become skilled.

Returning to the productivity problem mentioned at the beginning of the article, many Filipino firms, especially small and medium-sized, lack organizational capabilities (OCs), defined as the tacit knowhow to organize the flow of work in the factories and offices. It is easier to attain superior trainability in large companies. Low OCs result in low productivity and low-quality products. I insist that the solution to this problem is not workers with college degrees but excellent pre-school, primary and secondary education, and excellent vocational training programs. This is where the Filipino educational system fails. Improving it requires acknowledging where the fault lies and dedicating resources to improving it.

Ultimately, development requires collective and systemic efforts at acquiring and accumulating productive knowledge through the construction of better organizations. The development of productive capabilities and the increase in productivity is not an individual activity but a social and collective process that requires private, public and cooperative efforts, and takes place in productive enterprises.

Jobs

I close this article with two notes. The first one is that while it is important to think about the skills that will be needed for tomorrow's jobs, the nation needs jobs for the workers it has today. If the education paradigm were true, it would imply that the Philippines would have to wait for a new whole generation of "well-educated" workers; and also, that today's Filipino workers cannot do what Korean or Singaporean workers did in the 1970s, what Chinese workers did in the 1990s and 2000s, and what Vietnamese workers seem to be doing today.

The second one is that, while the mismatches and traps I have described are a problem in the Philippines (in some sectors/activities), unemployment and underemployment are also the result of a shortage of employment. In these circumstances, training and other similar solutions will not eliminate the problem, but switch some individuals between unemployment and employment. The idea of transforming workers by educating them so that they become high-skilled laborers

is simply not true. Lack of work is not solved with microeconomic policies (i.e., policies to help workers move from one job to the next). This problem is macroeconomic. Hence policies should be devised to generate employment, ideally to attain full employment.