

# **Economics of Education and Education Policymaking Processes in Pakistan: A critical Review**

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## **Abstract**

A number of critical economic issues are discussed linked to education; such as equity, productivity, public expenditure, regional and class divide, choice and competition, market failure, externalities. Different perspectives on impact of education and how education should be produced and financed are analyzed. Educational Policy making processes in Pakistan is critically assessed in its historical perspective. Recommendations derive out of analyzes that are immediate end to apartheid educational system, decrease inequality, increase public expenditure, more social justice, humanist inclined, less bureaucratic system should be devolved which can serve the society in best way.

## **Introduction**

Education has been source of political and intellectual debate. The debate is shaped by different perspectives on impact of education and how education should be produced and financed. Approach based on educational outcomes; opinion holds that education increases the skills of individuals, and thereby wages. Human capital view; investment in people is as akin to capital investment, the greater the investment greater the productivity. Socializing role approach; education teaches how to perform well in workplace, teaches how to obey orders, follow directions and work in teams, when successful, this socialization teaches punctuality and reliability. The social abilities make the individuals more valuable in the workplace. Another view of education, called screening view—argues that one of the important functions of education is to identify the ability of different individuals. There who go to school larger get a higher wage and are observed to be more productive. The school system is viewed as screening devices, separating the very able and highly motivated from the less able and less motivated.

## **Educational Apartheid in Pakistan—Educational System Divided against Itself<sup>1</sup>**

Pakistan has multiple parallel systems of education divided into English and non-English medium of instructions with different text books methods of learning's. The classification of this apartheid is on the lines of elite and non-elite, government and non-government military and mudarssah, rural and urban etc. First, well-known system division is between English medium and Urdu medium schools that exacerbates existing social and economic divisions and leads to a virtual system of educational apartheid in the country. Equally important second is the division between 'formal' educational institutions<sup>2</sup> and the 'informal' institutions, especially the *Madaris*.<sup>3</sup> Third, education remains inequitably distributed among various income groups and regions in the country<sup>4</sup>. Access of education to children of relevant age group is still inadequate. Educational institutions lack physical facilities. The target of minimum essential requirement of competencies for quality education has not yet been achieved. Educational institutions face shortage of qualified and motivated teachers, especially female teachers. Financial constraints and want of managerial capacity education targets remained unaccomplished etc.<sup>5</sup>

A one classical example is a population of six hundred thousand people in Islamabad has unlimited number of universities with different names of open, air, arid, green etc, but virtually not a single reputed school or college of national repute in Balochistan for more than 8.0 million population. One can simply judge the apartheid nature, regional and rural bias in educational system. The story is too long.

This apartheid nature of educational system is hardly an issue in policy debates or circles of Federation of Pakistan. Striking features and stylized facts of education of economically disadvantaged particularly impoverished areas of rural Pakistan are that very good students receive very inadequate education or support at primary and secondary levels. Leaving them unprepared to go for skills and colleges and universities,

without adequate skills, these people earn low wages, and are forced to continue to live in poor and impoverished areas, thus continuity in their the cycles of poverty. The problem has been exacerbated and coupled with trends in the economy e.g., increase in food prices, expansionary monetary and fiscal policies, rise in food inflation, privatization without safely net, increase in transport and oil prices, and recent increase in rental and transport costs along with speculations in property and stock markets often resulted suicides and increasing trend in unemployment, violence and social problems etc. Consequently, real wages of the poorest declines, real tuition fees at public sector for two and four-year institutions of higher learning increased markedly. In these circumstances students who are qualified for higher education faced increasingly insurmountable financial hurdles. Thus, education remains the domain for those who can afford, as a result increasing return on education (discussed latter) did lead to an increase in college and higher education enrollment for elites. Children's of more affluent families are better able to respond to these market signals of returns and gap between enrollment rates of the disadvantaged and advantaged actually increased. All these issues have made education a critical concern for the oppressed and marginalized people. The concerns which policy makers are unable to address.

### **Ambitious Targets and Poor Achievements- Common Features of Policies and Historical Context**

The history of policy making in education is the history of repeated admission of failure of all policies, plans, projects and schemes<sup>6</sup>. Table 1.1 and 1.2 show nearly all the five year plans have been failed to achieve the targets of primary school enrollment e.g. third five year plan set the target of achievement of 70 percent of school enrollment rate but actually it was 54 percent at the time of fifth plan, the fifth plan set the target of achieving 100 percent enrollment rate by 1987 but, it was 60 percent at the time of seventh plan by 1998. Eighth plan set the target of 48 percent by 1998 but actual enrollment rate was 39 percent.

All the educational policies set the ambitious targets of achieving the 100 percent literacy by 1975 in 1959 educational policy but ended 21.7 percent literacy in 1972. 1979 educational policy set the target of 35 percent by 1983 and 100 percent by 2010 but the literacy ended 26.17 percent by 1981. Same with the national literacy plan and nationwide literacy program which set the targets of 33 percent literacy by 1986 and 54 percent by 1990 respectively, but ended 34 percent of literacy in 1992. The last educational policy set the target of 70 percent literacy by 2010.

**Table 1.1**  
**Targets of various five year plans to achieve**  
**The primary school enrollment rate**

<b>Five Year Plans</b>	<b>Targets (primary school enrollment rate)</b>	<b>Actual</b>
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<b>Third Five Year</b>	70 percent	54 percent at the time of fifth plan
<b>Fifth Five Year</b>	100 percent by 1987	60 percent at the time of seventh plan 1998
<b>Seventh Plan</b>	100 percent by 1993 Lowered to modest 40 percent by 1993	Actual 39 percent
<b>Eight Plan</b>	48 percent by 1998	39 percent in 1998
<b>1992 Education policy</b>	100 percent by 2002	
<b>1998 Education policy</b>	90 percent by 2002	

**Table 1.2**  
**Targets of literacy achievements in**  
**Various educational policies**

<b>Education Policy</b>	<b>Targets (literacy)</b>	<b>Actual</b>
<b>1959 education policy</b>	100 percent literacy by 1975	21.7 percent in 1972
<b>1979 education policy</b>	35 percent by 1983 and 100 percent by 2010	26.17 percent by 1981
<b>National Literacy plan</b>	33 percent by 1986	34 percent in 1992
<b>Nationwide Literacy Program</b>	53 percent by 1990	34 percent in 1992
<b>1998 education policy</b>	70 percent by 2010	55 percent in 2006-07

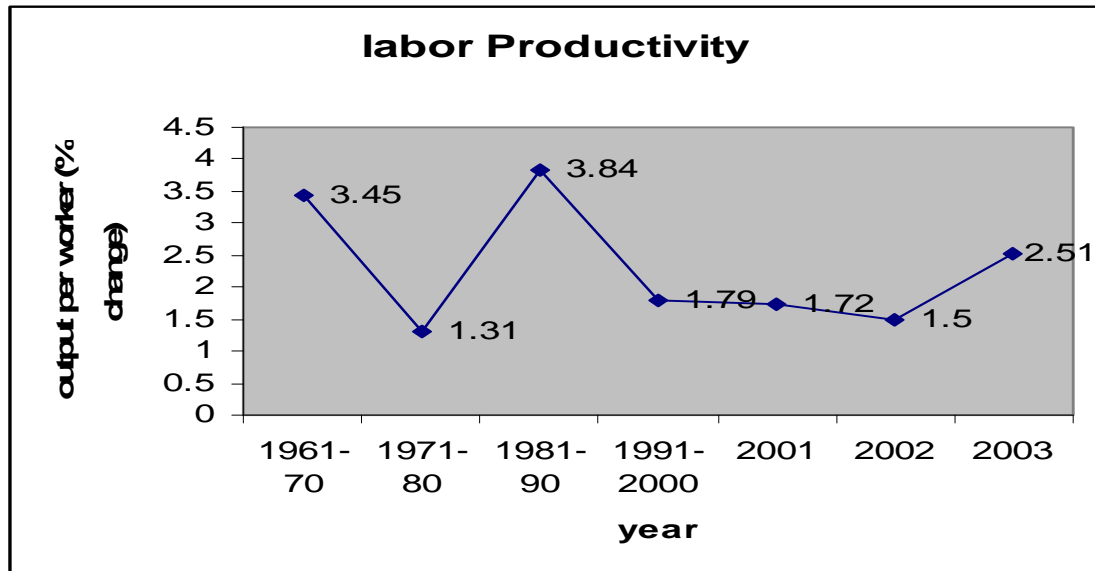
It is visibly clear each policy commenced with a lament about the failure of past, each plan reviewed performance of the previous plan and opined about the failure to achieve the targets, each PC-I of an education scheme provided justification for the project in terms of the failure of past schemes. A part from many other critical issues, the drafting and finalization process of the (1998-2010) policy also violated three fundamental requirements for developing a viable plan of education: openness, transparency, and critical debate.<sup>7</sup> Most of these policies are failed to achieve their own set targets and in fact largely formulated and maintained around the issues of achievements of literacy and enrollment targets rather addressing the issues of seriousness of its apartheid nature and several imbalances in the system.

### **Major Economic Imbalances linked to educational system**

Two major economic issues- a slow down in productivity and increasing inequality are the striking features of economy reflected also in educational system in Pakistan. Many economists and policy makers agree that improvements in human capital-skills and experience of workers- may hold the key to improving productivity growth; and strong education is seen as critical to that goal. Evidence demonstrates in Pakistan, output per worker during the first decade and during the period of nationalization 1970-80 increased with the rate above three percent, but during the period of green revolution and during the period of stabilization policies of post 1990's eras the output per worker declined to

below two percent on the average (see Graph 1.1). It seems that over the last two decades the productivity growth per worker declines significantly.

**Graph 1.1 Output per worker (percent change)<sup>8</sup>**



Post 1990's also marked important changes in pattern of income distribution in Pakistan. The return in poverty is attributed to the implementation of liberal economic policies which resulted, besides other things, elimination of subsidies, the deregulation of prices—particularly in the agriculture and energy sector, privatization, and informal labor markets<sup>9</sup>. The post September 2001, speculation, boom in telecommunication, real state property, finance, banks, stock markets and credit markets etc. The fruits of economic growth are largely shared more inequitable during the last two decades. The income gap between rich and poor classes widens. The Gini co-efficient (measure of inequality) increased from 0.35 to 0.398 in 1992-93 and reduced to 0.296, (See Table 1.3 and graph 1.2 and 1.3) increased again to 0.301 in 2005-06

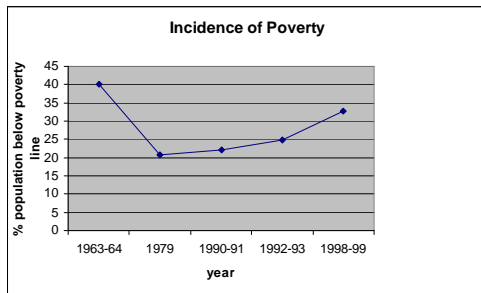
**Table 1.3  
Incidence of Poverty and inequality**

	Incidence of Poverty			Gini Coefficient
	All	Rural	urban	
1963-64	40.2	38.9	44.5	0.356
1979	20.7	32.5	25.9	0.36
1990-91	22.1	23.6	18.5	
1992-93	24.9	27	19.8	0.398
1998-99	32.6	34.7	25.9	0.296
2000-01	34.5	39.3	22.7	0.275
2004-05	23.9	28.1	14.9	0.297

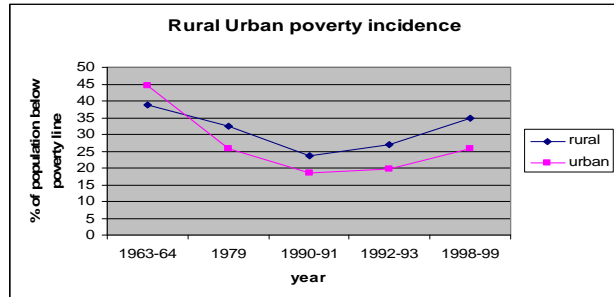
2005-06	22.3	27	13.1	0.301
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Source: Economic survey of various years

Graph 1.2 Incidence of poverty

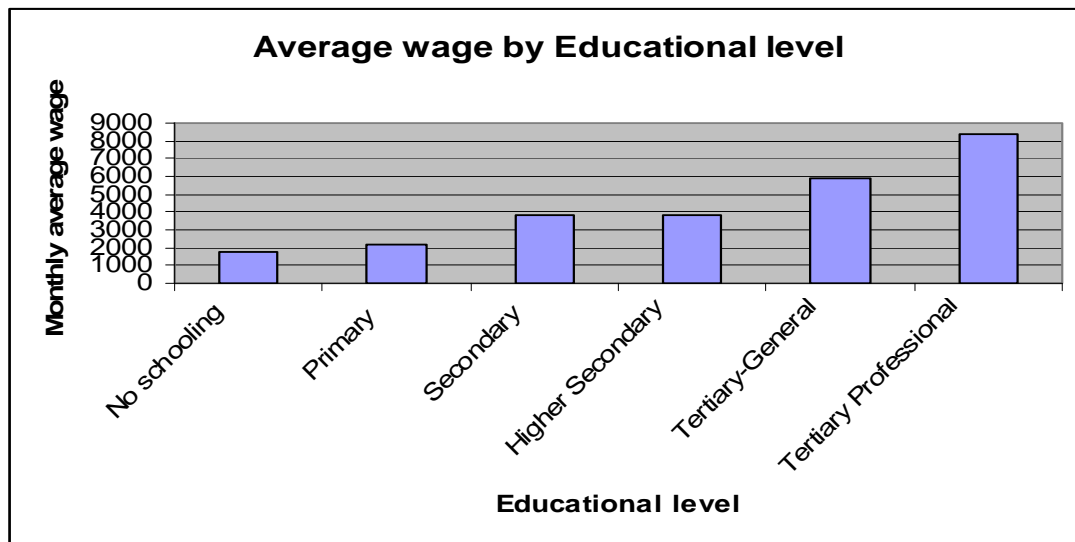


Graph 1.3 Incidence of Rural Urban



Much of the inequalities linked and reflected to education. Average wage increases as the level of educational attainment is increasing (see graph 1.4). Simply, income of educated graduate will increase compare to no schooling or quasi literate, the market place a greater premium on skilled (educated) workers. Thus, providing better education and ensuring that larger fraction of population went for education or seen as ways of enhancing opportunity and reducing inequality. By getting education, a number of social returns are increasing as well e.g., fertility rate of educated married women is dropped significantly, incidence of mortality and contagious disease, diarrhea, of educated mothers is dropped significantly<sup>10</sup>.

Graph 1.4 Average age of different level of educational attainment



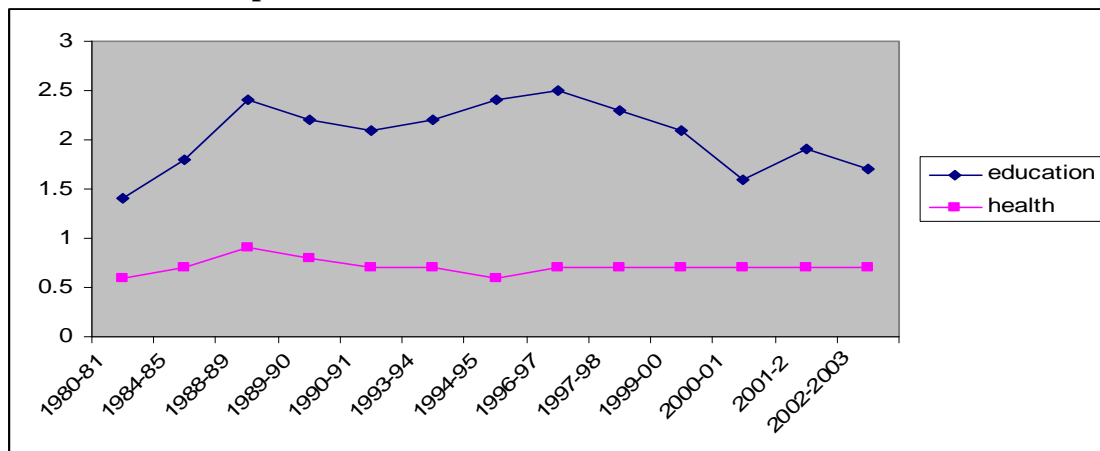
PIHS 2001-2002

Economists and policy makers placed a very high priority on strong education. The central question is how strong is the educational system in Pakistan?

## Structure of Education System: Trends in Expenditure in Health and Education

Health and education is considered to be the two key elements of human development apart from reduction in income poverty. Following picture figure 1.5 depicts the historical trends in expenditures in these two sectors health and education as percent allocation of GNP. The trend is declining in the post-PRSP (poverty reduction strategy) years. The over all expenditure on education as percentage of GNP has declined from the level of 1990's in post-PRSP era. The health expenditure remained stagnant. Looking the table 1.4 PRSP years projected data 2002-2008 even the projection of expenditure on education is insignificant around two percent of GDP to 2.35 percent. Though it is also visible for last many ears this projection and actual expenditure speaks a lot, education expenditure is grossly under utilized, mismanagement and misused. It can be derived that increased expenditures in key social development sectors is not robust which should lead to achieving the millennium development goals or goals of educational policies. Several independent experts are of the view that government should double its budget to social sectors to meet the MDGs targets which will surely not be achieved within the target time of 2015. Pakistan is already marked as underachiever based on international progress reports of MDGs.

**Figure 1.5**  
**Expenditure on Education and Health as % of GNP**



Source: Data compiled from Pakistan Economic Survey 2003-04, Government of Pakistan

**Table 1.4 PROJECTED PRSP BUDGETARY EXPENDITURES (2002-2008)**

PRSP EXPENDITURES	BASELINE (Actual)		PROJECTIONS (Based upon FY 2001-02 actual expenditures) (Rs. in million)											
			FY 2002-03 (Actual)		FY 2003-04 (Budgetary)		FY 2004-05 (Projected)		FY 2005-06 (Projected)		FY 2006-07 (Projected)		FY 2007-08 (Projected)	
		% GDP		% GDP		% GDP		% GDP		% GDP		% GDP		% GDP
	66290	1.78	78613	1.96	88842	2.01	102375	2.10	116036	2.15	135049	2.25	156698	2.35

Source: Ministry of Finance, Government of Pakistan

### **Do Expenditures matter? Why education should not be publicly provided and publicly financed?**

Economic theory guides that public provision of public goods like education should provide by the government as markets are failed to provide, why because there are issues of redistribution (education to be provided to marginal classes), equity (reducing the gap between poor and rich), merit goods (compelling to consume education) and externality (positive benefits) and correct market failure (where market is unable to provide education). Education is not a pure public good as marginal cost of education- to provide extra good to additional individual is not equal to zero. However, the marginal cost is equal to average cost. Economic theory guides, that there are who justify public education in terms of market failure focuses on the importance of externalities. Educated citizen in a society in which everyone can read functions smoothly than a society in which few can read. There are large private returns that are being able to read. The benefits are not only for individual but nation also. Access to education should not be based on the dependence upon the parent's income; thus it should be publicly provided while addressing the issues of equity.

### **Fault Lines- Critical Issues and Controversies in Educational Policies Affecting Educational System**

Evidence demonstrate that "Educational Policy announcement" is too frequently been made, had little to do with reality. A good education policy must beforehand understand the existing structures as well as the behavior of all participants and to asses how the system is working. It would then the very objectives are to be defined based on the assessment whether the current system is capable of achieving these targets or not. What extent government is capable to make the difference? Does the government have the valid instruments and equipments to overhaul the system and address the critical issues? For example, in education before prescription, there are several questions that need to be answered to understand the current situation and place the role of government in some



perspective. It is not the targets of attainment of literacy rate or enrollment; it is wider problems of inequity, inefficiency, divisions mentioned earlier.

a) Understanding the demand for education: Presumably there is a demand for education because it is an investment that pays off in terms of higher earnings than the alternative of no education. But does this mean that the return occurs to all forms of schooling regardless of quality, content and some form of certification? Do moral and religious education increase earnings in the marketplace? If not, is the continued emphasis on these aspects in the curricula served to increase the demand for education? Similarly, does the declining quality of education in public schools help to increase the demand for education?<sup>11</sup>

c) The system of supply of education: a complex bureaucracy and apartheid nature in which the teacher is at the bottom, frustrated in every way is not supplying Education. He has a lower grade than the administrator, a lower salary, relatively limited perks, and little control over syllabi and grading and poorly trained and qualified. He has no control over even his location, being subject to whimsical transfer. Why should he invest in his current situation? Is this model efficient? Is it followed in the rest of the world?<sup>12</sup>

### **Choice and competition**

This apartheid nature of system is lacking in offering choice and competition. Measuring quality or the kind of education that the people demand requires effort and hence, is not comprehensible or not done. It is easier to keep the issue at the level of increasing the number of schools and commanding what has to be read regardless of market considerations. Moreover, constantly increasing the number of schools is good for obtaining rents and corruption gains. Similarly suggesting non-modern and non-skilled subjects leads to employment of those that would otherwise be unemployable. But then they are only nurturing non-skilled-non-demanded related certifications that are not going to yield a social or private rate of return. But in view of their private gains society and children must lose. This vicious cycle of rent seeking and corruption has destroyed education system and many analysts, academician; educationist today is lamenting the situation. The notion that the form of actions that government intervention can take, is to build more schools and enforce syllabi, has not worked in the past and is unlikely to work in the future. Policy must therefore not be based on it. New initiatives must break away from this approach and look for new interventions and instruments. The only way out of it is to reform the system in keeping with the way that most other countries are running their education system. In this globalized world, one cannot be an only exception that provides our kids useless and low quality education. It will surely destroy our economy and society. And it has already!

### **Performance Standards and Goals**

Examine the achievements of the current system, the quantitative indicators, such as the resiliently low literacy and enrollment rates are well known. What is not emphasized as much as it should be the abysmally low and declining standards in the public schools that have robbed the poor of any opportunity for social mobility? Public do not notice how under-utilized expenditure is, educational establishment given that an average school (especially college day) is much shorter in Pakistan than the rest of the world. There are hardly any seminars, creative or extra-curricular activities. Recognizing the dismal quality of this education system, the rich have already flown the local education system. The poor have no chance of competing with the foreign educated sons of the richer. Is this not explosive?

What is the measure of performance in the current system? How is it enforced? When exams are not held on time and student years are wasted, do any heads roll? When students gain an education that they cannot use for gaining employment, what is the cost to those who provide and write the syllabi? Admittedly, the current system with its low quality education, wastage, and ghost schools is not working. Should one expect it to deliver on more ambitious objectives without some fundamental reform? Is this system capable of using resources more efficiently? Should throw more resources at this system? Is it possible to run the system with the current managers, teachers and bureaucracy? Or does it require a complete overhaul?

## **Conclusion**

The system of education is largely unequal at all levels of language, courses, regional and access to disadvantaged communities and classes. Education remains inequitably distributed among various income groups and regions in the country Economics guides as how education should be produced and financed. The history of policy making in education demonstrate failure of all policies, plans, projects and schemes, present policies are proved to be failure, the system is unlikely to work and will not work in future. Paper analyzed as how slow down in productivity and income inequality reflected in educational system in Pakistan. The system's inherent inability to assess the various biases, demand and supply mechanism, choice and competition, resource allocation, systems inability to correct itself of resource allocation and other inefficiencies in quality, syllabus and bureaucratic nature of system put it into a grave danger.

It is recommended that immediate end to apartheid system of inequality at all levels, that education should be provided by the state irrespective of any biased ness, more efficient allocation of resources through decentralizing of powers to the lowest level of education and empowering the communities by controlling the managerial affairs, Increasing local community democratic accountability in schooling and further, the resource allocation can be increased by reducing spending on defense and by taxing rich people and increasing better provision of quality schools, curriculum, staff, and higher incentives for teachers. Engagement in critical pedagogy, with a commitment to developing critical reflection committed to struggling for social justice and equality inside and outside the classroom could be its ultimate solution. Lastly, development and dissemination of

policies for equality (e.g. secular, anti racist, gender sensitive, class sensitive), seeking to promote equality for the working classes and marginalized communities.

Increasing the powers of democratically elected and accountable Local government (Education Authorities) with powers of redistribution of resources, quality control, engaging, *inter alia*, in the development and dissemination of policies for equality (e.g. secular, anti-racist, anti-sexist, anti-homophobic policies and policies seeking to promote equality for the working class and the disabled); greater involvement of relevant stakeholders in policy making process-transparent, open and accountable policies .

## Endnotes

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<sup>1</sup> Higher education in Pakistan: towards a reform agenda in Pakistan . A draft report to task force on higher education by Boston group

<sup>2</sup> (formal in the sense of being under some nominal supervision of national educational authorities)

<sup>3</sup> The report further stated that The *madrasah* system differs from the formal educational system (including its own internal divides) most profoundly in every respect—the underlying approach to education, the values to be espoused, the literatures to be studied, the philosophical bases of pedagogy, and the social and political priorities. Although, the graduates of the two systems have long been active in the social, cultural, and political life of the country, their relative proportions, economic prospects, and their attitudes towards each other have changed dramatically. During the first Afghan war (1979-90), the *madrasah* system expanded from a small and impoverished enclave to an elaborate and well-funded network. Although precise numbers are not available, the general impression is that it now produces graduates in the thousands. Whatever the political motivations and implications of this development might be, the point is that the existence of two completely alienated systems of cultural reproduction has contributed significantly to the social polarization. To put it most bluntly, both groups simultaneously harbor feelings of inferiority and superiority towards the other. It is very clear that a society cannot long survive in such a polarized situation.

<sup>4</sup> Policy framework paper for Educational sector reform.

<sup>5</sup> As above

<sup>6</sup> History of educational policy making and planning in Pakistan by (Kaiser Bengali)

<sup>7</sup> Eqbal Ahmed ‘A critique on education policy’: a newspaper article (internet downloaded).

<sup>8</sup> Data graphed from the source given in ‘Macro Determinants of Total Factor Productivity in Pakistan’, by Safdar Ullah Khan, State Bank of Pakistan , working papers February 2006

<sup>9</sup> Rehana Siddiqui (April 2006), ‘ The Pakistan economy: performance and challenges’, the Muslim World , Volume 96., p251-268.

<sup>10</sup> SPDC annual reviews of various years

<sup>11</sup> The New Education Policy by Dr. Abdus Samad posted December 12, 2001

<sup>12</sup> Same as above