

# Executive summary

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Discussions about expanding the Millennium Development Goals beyond 2015 acknowledge, in part, that the original goal of universal primary schooling should include a stronger component on learning outcomes. A focus on learning and skills is strongly supported by evidence about the economic benefits that accompany improved school quality. Economic growth and social development are closely related to the skills of a population, indicating that a central post-2015 development goal for education should be that all youth achieve at least basic skills as a foundation for work and further learning, not merely that they gain access to schooling. Achieving such a goal would lead to remarkable overall economic gains while providing for broad participation in the benefits of development.

Past policies that focus on education as the means of putting nations on the path of growth and development have met with mixed success. While they have substantially expanded worldwide access to schooling, in many countries they have not secured the hoped-for improvements in economic well-being. The simple explanation for this is that these policies did not sufficiently emphasise or appreciate the importance of learning outcomes or cognitive skills. History shows that it is these skills that drive economic growth. But these skills are not measured by simple school attainment; and access to schools, alone, turns out to be an incomplete and ineffective goal for development.

## Measuring basic skills

This report measures skills based on the achievement of youth on international assessments of learning outcomes. Using data from 76 countries, it focuses on the portion of the population that lacks the basic skills needed for full participation in today's global economy. A straightforward and useful definition of basic skills is the acquisition of at least Level 1 skills (420 points) on the OECD Programme for International Student Assessment (PISA). This level of skills corresponds to what might today be called modern functional literacy.

Based on that framework, a clear and measurable development goal is that *all youth acquire basic skills*. This goal, which directly promotes inclusive development, incorporates two components: full enrolment of youth in secondary school, and

sufficient achievement for economic and social participation. By measuring progress on a consistent basis across countries, this goal can be used to direct attention and resources toward long-run economic development.

Earlier research shows the causal relationship between a nation's skills – its knowledge capital – and its long-run growth rate, making it possible to estimate how education policies affect each nation's expected economic performance. The changes needed in order to reach universal achievement of basic skills can be assessed for each of the 76 countries that currently have data on school enrolment and on achievement, and the economic impact can be estimated directly from the historical achievement-growth relationship.

# The economic returns to universal basic skills

This analysis incorporates the dynamics of education reform policies and their impact on the skills of each country's workforce. Changes in the workforce are based on school reforms that lead to achieving universal basic skills over a 15-year period ending in 2030. Over time, the knowledge capital of the nation improves as better-educated youth enter the labour force. The more skilled workforce leads to increased economic growth and other positive social outcomes. The economic value of the policy change is calculated as the difference between the GDP expected with the current workforce and the GDP expected with the improved workforce, calculated over the expected lifetime of a child born today.

As seen in Figure ES.1, which shows the projected economic gains as a percent of current GDP, the results would be stunning for all countries – even high-income OECD countries. While most of this latter group of countries have achieved nearly

universal access to secondary schools, all continue to have a portion of their population that fails to achieve basic skills. On average, these countries would see a 3.5% higher discounted average GDP over the next 80 years – which is almost exactly the average percentage of GDP they devote to public primary and secondary school expenditure. These economic gains from solely eliminating extreme underperformance in high-income OECD countries would be sufficient to pay for all schooling.

In the lowest-income countries considered here, where the enrolment rate averages just 75%, the gains summarised in Table ES.1 from improving the current quality of schools are three times as large as those from expanding enrolment at the current quality. Across the middle income countries, the economic gains from achieving universal basic skills would average more than eight times their current GDP.

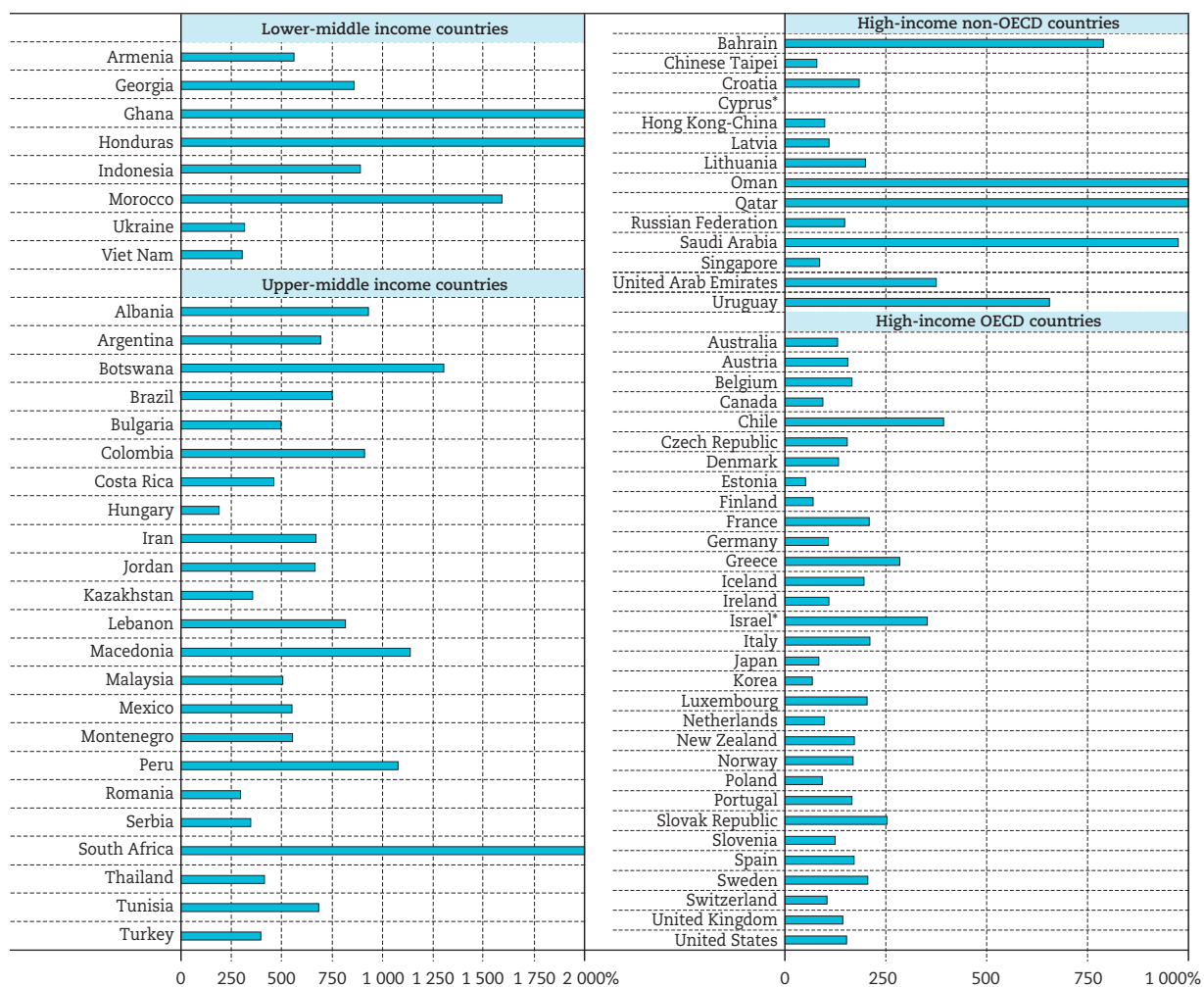
# Universal basic skills and inclusive development

A great strength of the universal basic skills goal is the contribution it would make to inclusive growth. The goal would ensure that a wide variety of countries participate in – and benefit from – enhanced economic well-being. Within each country, the variation in earnings currently observed would shrink, and many more individuals would be able to engage productively in the labour market. The evidence of improvements in achievement over the past 15 years shows that many countries could meet the goal of universal basic skills over the next 15 years, assuming they duplicate the record of the best performers. But improvement is clearly difficult, and some countries have even seen their

achievement levels fall. If countries wish to improve, there is no substitute for measuring achievement outcomes and evaluating policies on the basis of achievement.

The inclusive growth made possible through universal achievement of basic skills has tremendous potential as a way to address issues of poverty and limited health care, and to foster the new technologies needed to improve the sustainability of growth. No substitute for improved skills has yet been identified that offers similar possibilities of facilitating the inclusive growth needed to address the full range of development goals.

**FIGURE ES.1** EFFECT ON GDP OF ACHIEVING UNIVERSAL BASIC SKILLS (in % of current GDP)



\* See notes at the end of this summary.

Notes: Discounted value of future increases in GDP until 2095 due to a reform that achieves full participation in secondary school and brings each student at least to minimum of 420 PISA points, expressed as a percentage of current GDP. Value is 3 881% for Ghana, 2 016% for Honduras, 2 624% for South Africa, 1 427% for Oman and 1 029% for Qatar. See Table 5.5 for details.

**TABLE ES.1** GAINS FROM POLICY OUTCOMES AS % OF CURRENT GDP

	Scenario I All current students to basic skills	Scenario II: Full enrollment at current quality	Scenario III: Universal basic skills
Lower-middle income countries	627%	206%	1 302%
Upper-middle income countries	480%	134%	731%
High-income non-OECD countries	362%	60%	473%
High-income OECD countries	142%	19%	162%

Notes: See Tables 5.3-5.5 for details.

### **Notes regarding Cyprus**

Readers should note the following information provided by Turkey and by the European Union Member States of the OECD and the European Union regarding the status of Cyprus:

#### **Note by Turkey**

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

#### **Note by all the European Union member States of the OECD and the European Union**

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

### **Note regarding Israel**

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.



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