



THE MANY HIDDEN BENEFITS OF EDUCATION

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There is broad consensus that education has benefits. The most observable evidence of this is provided by the labour market, where more educated workers enjoy higher earnings than their less educated counterparts. Yet education also brings a host of other benefits to both individuals and society at large that are either not so clearly observable, or even not discernible at all. Empirical research has been carried out worldwide to identify and quantify causally related private and social returns to education, and has frequently found that these considerably exceed those that are easily observed. This finding has dramatic implications for educational policies.

More educated people earn notably more on average than those with less education. This well-documented fact applies in all countries in the world, rich or poor. Under certain assumptions, most of them empirically validated, more education increases productivity and contributes to economic growth and quality of life. Based on market earnings, a ballpark estimate of the private rate of return to investment in education is 10%, and that figure has been more or less stable for decades.

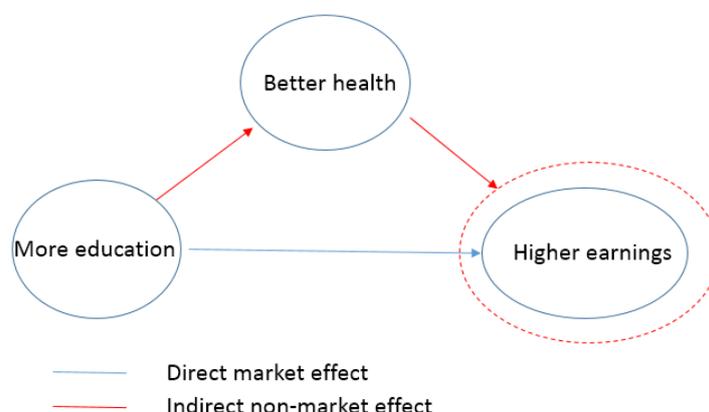
NON-MARKET AND EXTERNAL EFFECTS

There is, though, a class of benefits that cannot be easily monetized so as to give us a holistic picture of the value of education. These are known as non-market effects, externalities, or spillovers.

One example of a non-market effect relates to health. According to available data, more educated people are healthier than less educated people, for example because they understand the risks of smoking and decide to quit, or they take more care of themselves in order to protect their human capital (economic value). This kind of education-induced behaviour not only enables more educated people to have higher earnings and live better lives, but also saves resources in any public health system they are part of.

Another example of an externality relates to crime. According to available data, more educated people are less prone to commit crime than less educated people. This improves the functioning of the society they live in and reduces the amount of public resources needed for policing and imprisonment.

Adding non-market indirect effects to education benefits



BETTER HEALTH AND SOCIAL BENEFITS

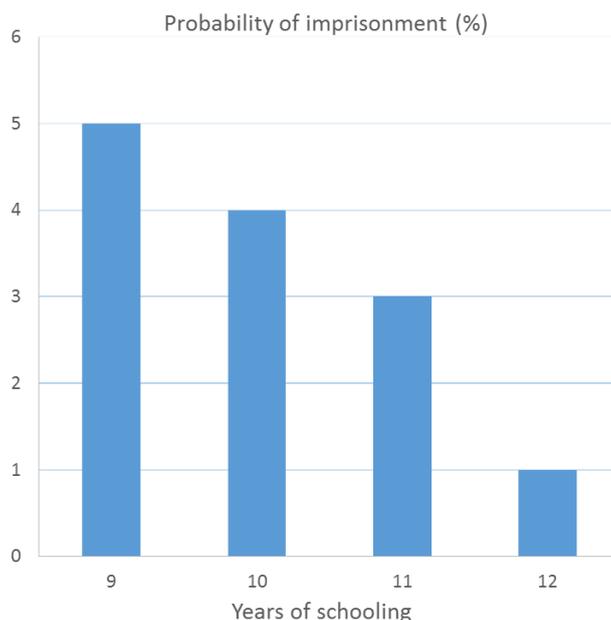
The table below shows the average values of non-market indicators in OECD countries by level of education. Education is positively associated with a wide range of indicators.

Indicator	Educational level (% of adults)		
	Below upper secondary	Upper secondary	Tertiary
In good health	65	79	88
Obese	25	19	13
Smoker	36	30	18
Volunteer	12	18	22
Trusts others	13	18	29
Has say in government	23	30	43
Participates in elections	74	79	87
Satisfied with life	58	67	76

Source: OECD, *Education at a Glance*, various years.

FEWER CRIMINALS

Those who attend school for longer and complete higher levels of education are likely to commit less crime. In England a 1-year increase in the average years of schooling among men has been found to reduce conviction rates for property crime by 20–30% and for violent crime by roughly a third to a half. In the United States there is a sharp drop in the probability of imprisonment among African-Americans who have completed high school vs. high-school dropouts. A one-year increase in years of schooling reduces arrests by 11%, while a 10 percentage-point increase in high school graduation rates reduces arrest rates by 7%.



Source: (Adapted from) Lochner, L., Moretti, E., 2004. The Effect of Education on crime: Evidence from Prison Inmates, Arrests, and Self-Reports. *American Economic Review* 94(1)

BETTER CITIZENS

Empirical research documents that education enhances social cohesion and mutual trust within society, enabling more effective social and economic interaction, which in turn leads to higher economic performance in both local and wider communities. Education may also affect both the costs and benefits of voting and civic engagement. It can instil democratic values, either through the explicit design of education systems or indirectly by improving analytical skills and increasing awareness of diversity of opinions. Education may also affect political participation by shifting people's social networks and peers, and focusing their attention on a more distant future.

A CASE FOR POLICY INTERVENTION

Educational decisions made by students and families can lead to inefficient economic and social outcomes because they do not take these sorts of externalities into account. This is a case of market failure that calls for suitably designed policies in schooling. Policy interventions can take a variety of forms, such as providing subsidies to those who generate positive externalities, setting mandatory minimum school attainment levels, or simply providing individuals making important decisions about their (or their family's) education with easier access to reliable information.

A CASE FOR RESEARCH

The growing role of education in modern societies, indicated by ever-growing public schooling budgets and a longer average time spent in education and training, makes a strong case for increasing research into educational externalities. A substantial portion of existing empirical findings come from data on individual countries in particular years, which makes generalisation difficult. Future research should therefore involve all Member States rather than concentrating on just a few.

For more details see: Daniel Münich and George Psacharopoulos, "The external and non-market benefits of education: a review". EENEE Analytical Report No. 3, 2018.

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