

**SUMMARY**

# The price of inaction

The global private, fiscal and social costs of children and youth not learning

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## The Global Education 2030 Agenda

UNESCO, as the United Nations' specialized agency for education, is entrusted to lead and coordinate the Education 2030 Agenda, which is part of a global movement to eradicate poverty through 17 Sustainable Development Goals by 2030. Education, essential to achieve all of these goals, has its own dedicated Goal 4, which aims to “*ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.*” The Education 2030 Framework for Action provides guidance for the implementation of this ambitious goal and commitments.



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## Executive summary

The 2030 Agenda for Sustainable Development makes the promise to leave no one behind. This promise hinges, among other things, on ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all (SDG 4) and achieving gender equality and empowering all women and girls (SDG 5). But over halfway through the implementation period, meeting this ambitious agenda by 2030 will be a challenge.

Despite efforts by countries and progress achieved, 128 million boys and 122 million girls remain out of school (UNESCO, 2023a). Even in high-income countries, a quarter of children have less than basic skills. Skill deficits reach 94 per cent in sub-Saharan Africa and 88 per cent in South and West Asia, 74 per cent in the Arab States and 64 per cent in Latin America and the Caribbean (Gust, Hanushek and Woessmann, 2022). Girls have more difficulty accessing education and are more likely than boys to be out of school at the primary level. Meanwhile, boys are at greater risk of repeating grades, failing to progress and complete their education, and of not learning while in school (UNESCO, 2022a). Ensuring that all girls and boys are in school and learning requires increased investments in education and gender-transformative action.

Education is a fundamental human right for all and is crucial for the personal development and well-being of individuals, as well as for societies to achieve social justice and reduce poverty. The price of not fulfilling this right is extremely high. If the right to education is not realized, individuals earn, on average, less than better educated individuals. Societies with higher average education levels enjoy higher economic growth.

This report estimates the economic costs of early school leavers and children with less than basic skills or with low socio-emotional skills. Costs are defined at the global level, for world regions and for twenty countries. The economic costs are borne by individuals (private costs), the government (fiscal costs), and society (social costs), the latter of which includes costs to both individuals and the government. Although the focus is mainly on monetary costs, the report has been able to estimate some non-monetary costs, including early pregnancies, corruption, crime and tax morale.

Economic costs are estimated by comparing a status quo scenario, in which the share of early school leavers and children with less than basic skills or with low socio-emotional skills remains at its current level, with an intervention scenario, in which these shares are either set to zero or to their minimum value. The intervention scenario is one in which all children are in school and learning, a scenario in which the aspirations of SDG4 are met, leaving no one behind.

For the first time, private, fiscal and social costs not only are categorized, but they are presented both for the total population and by sex and they are disaggregated into more elementary cost components, including the loss of labour income, the loss of fiscal revenues and variations on several private and government expenditures. Estimates by sex are based on an intervention scenario in which sex-specific shares are brought to zero while the share of the other sex remains at the current level, which corresponds to the situation in 2021.



## Key findings

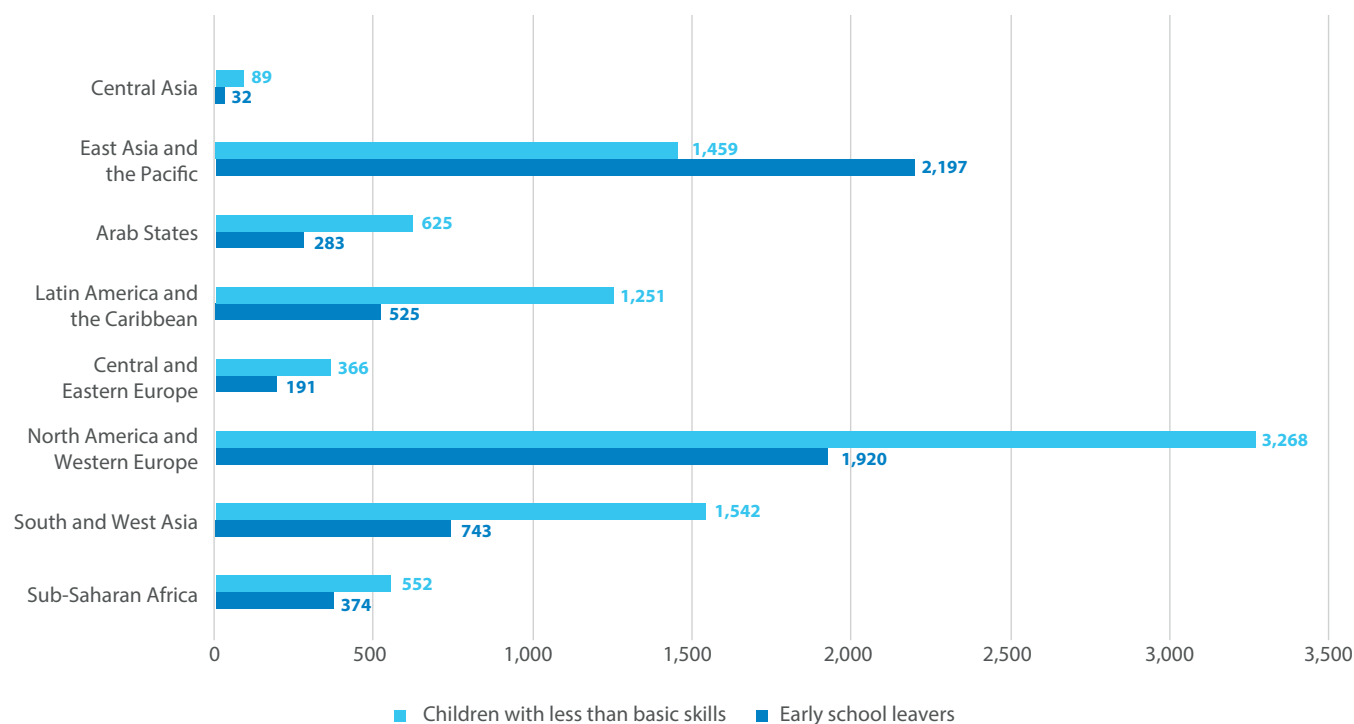
This study finds that, by 2030, the private, fiscal and social costs of children leaving school early and not gaining basic skills are enormous, adding up to trillions of US dollars lost to economies around the world.

- By 2030, globally, the annual private costs (economic costs borne by individuals) of the current shares of early school leavers and children with less than basic skills will be US\$6.3 trillion and US\$9.2 trillion, or 11 and 17 per cent of global GDP, respectively. Estimating these private costs to a twenty-year horizon (to 2041) raises these values as much as 20 times higher.
- By 2030, globally, the annual fiscal costs (governments) of early school leavers and children with less than basic skills will amount to US\$1.1 trillion and US\$3.3 trillion, respectively.
- By 2030, globally, the annual social costs (private and fiscal costs, minus the costs of raising taxes) of early school leavers will equal US\$6 trillion. They will equal US\$10 trillion due to children with less than basic skills. The latter corresponds to more than the combined annual gross domestic product (GDP) of France and Japan, which stood at US\$9.8 trillion in 2022 (OECD, 2023a).
- In the subset of countries for which data are available, the loss of GDP due to low levels of socio-emotional skills by 2030 will be as high as US\$7.4 trillion (19 per cent of annual GDP).

Costs as a percentage of GDP vary depending on the region of the world. Private costs, which represent the bulk of economic costs of early school leavers and children with less than basic skills, are highest in sub-Saharan Africa, at 19 per cent of GDP for early school leavers and 26 per cent of GDP for children with less than basic skills (see Figure 1).

Costs as a percentage of GDP are also high in South and West Asia, Latin America and the Caribbean and the Arab States. Unsurprisingly, they are lowest in high-income North America and Western Europe. However, these latter regions, together with East Asia and the Pacific, bear the highest absolute costs because of their higher per capita GDP.

**Figure 1:** The annual private costs (in Billion US\$) of early school leavers and children with less than basic skills in 2030



Source: Compilation by the authors using the data listed in **Table 1:** Data summary.

Since the share of early school leavers and children with less than basic skills are on average higher for boys than for girls, the private costs associated with boys (US\$3.5 trillion and US\$5.2 trillion, respectively) are higher than those associated with girls (US\$3 trillion and US\$4.6 trillion, respectively). For sub-Saharan Africa, however, the private costs due to girls and boys leaving school early are higher for girls, equal to around US\$190 billion and US\$210 billion, respectively.

Regarding the 20 selected countries analysed, as could be expected, large gaps exist in the share of early school leavers and the share of children with less than basic skills between higher income and lower income countries. In the

selected countries where there are gender disparities at girls' expense, Chad bears the highest social costs (in terms of percentage of GDP) with The Netherlands having the lowest costs. In Afghanistan, if the suspension of girls' and young women's access to secondary education remains in place, the absolute private costs of girls leaving school early are estimated at US\$1.5 billion.

In the ten selected countries where there are gender disparities at boys' expense, Burundi followed by Senegal bear the highest social costs (in terms of percentage of GDP). By comparison, the social costs are lowest in Belgium and Finland.

Box  
1

## Assumptions of the empirical model used

The empirical model associating the shares of early school leavers and children with less than basic skills with per capita GDP growth is linear. The assumption of linearity facilitates causal estimates in a setting in which the sample size, given by the number of countries, is relatively small. However, it implies that the relationship between the shares and the growth rate of per capita GDP is the same across countries, and that average rather than country-specific effects are estimated.

This implication is likely to hold when countries are sufficiently similar but may fail when they are significantly different. Consider, for instance, countries in which the participation of women in the labour market is low. In these countries, a reduction in the share of female early school leavers is likely to have a smaller effect on GDP growth than in countries where female participation in the labour market is not discouraged, because additional female education cannot be productively employed.

The assumption that the share of early school leavers and children with less than basic skills have the same effect on GDP growth across countries is likely to produce higher estimates of the cost of these shares in countries where the access of women to the labour market is restricted, and lower estimates in countries where this access is not hampered.

The assumption of common effects does not mean, however, that the empirical model forces GDP growth rates to be the same across countries. The estimated rates of GDP growth vary by country and reflect underlying structural differences, the most important of which is the level of economic development achieved by 2021. In addition, these rates are applied to very diverse levels of per capita GDP in the baseline year (2021) and produce forecasts of per capita GDP in 2030 which account for differences in both GDP levels and growth rates.

## Conclusions and recommendations

The report concludes that investing in quality education is a cost-effective strategy for economic development. If governments do not invest in education, they have fewer economic resources. In turn, they have less to spend on reducing early school leaving and the share of children with less than basic skills, therefore trapping their economies in a status of low education and low productivity.

Previous research has shown that improving student cognitive test scores by 50 points in the Programme for International Student Assessment (PISA) scale permanently increases annual economic growth by 1 percentage point (OECD, 2015). This report finds that reducing the shares of early school leavers and children with less than basic skills by 10 per cent increases annual GDP growth by 1-2 percentage points, a similar effect as improving cognitive test scores.

Numerous policies have been pursued around the world to reduce early school leaving and improve learning outcomes. Debates over which policies are more effective than others are ongoing among both academics and policy-makers.

Based on an extensive literature review, the report makes several key policy recommendations that are found to be successful in reducing the share of early school leavers and children with less than basic cognitive skills and low socio-emotional skills. The recommendations below would need to be tailored to the specific contexts of the communities, countries and regions in which they are implemented.



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## Recommendations

1

In line with SDG 4, provide 12 years of free, publicly-funded, inclusive, equitable and quality education without discrimination by making school affordable and reducing the direct and opportunity costs of schooling and ensuring that education systems are responsive to gender-specific needs. It is recommended that governments allocate at least 4 to 6 per cent of their GDP to education.

2

Create gender-transformative, inclusive and empowering learning environments that challenge unequal power dynamics, gender bias and stereotypes, including through curricular and pedagogical approaches that respect difference and promote equality.

3

Intervene early by investing in early childhood education for girls and boys to lay a foundation for learning and harness its potential to tackle gender inequities and harmful gender norms from an early age.

4

Avoid early tracking, provide academic support and second chance options for girls and boys who missed out on education or whose education was interrupted.

5

Improve school infrastructure, including providing single-sex water and sanitation facilities, reducing class sizes, especially in disadvantaged areas, and ensuring shorter distances to school.

6

Improve the quality of education by hiring a qualified, motivated and diverse teacher workforce and ensure that they attend school, are fair and engage all students equally. Support teachers' continuous professional development so they can unlock all learners' potential.

7

Raise awareness among local communities and parents of the importance of girls' and boys' completion of a full cycle of basic education and engage the community and parents in school activities and management.

8

Address girls' and boys' health and mental well-being, including through preventing and responding to all forms of school-related gender-based violence, comprehensive sexuality education and socio-emotional skills development.

9

Provide compelling interventions connecting learners to the world of work.

10

Conduct rigorous evaluations and research to identify what works to retain or get girls and boys back to school and learning, with a focus on girls and boys at high risk of learning poverty and dropout. Collect more data on socio-emotional skills.





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Education is a fundamental human right for all. The United Nations Sustainable Development Goal (SDG) 4 on education has received considerable attention since its adoption in 2015. But more than halfway through the implementation period, achieving the ambitious agenda of inclusive and equitable quality education for all by 2030 remains a significant challenge for countries around the globe. As this report shows, the US\$10 trillion social cost of failing to educate all the world's children is just too high.

