

EDUCATION, ENTREPRENEURSHIP AND ESCAPE FROM POVERTY

Natalia MOTILI,
specialist, proiectul USAID
“Reforma autorităților publice locale”

SUMMARY

The current paper explores the subjects of education and entrepreneurship to find out whether they can contribute to bringing poor out of poverty. Export activity is taken as an example of poverty reduction strategy, since export growth is one of the main ways to strengthen country economy. Author brings multiple evidences that education is a successful way for boosting entrepreneurship. As such, a greater accent should be placed at all levels of education in a country which is willing to unleash entrepreneurship potential of its citizens, especially of poor ones.

Education

Education is the gradual process of acquiring knowledge and/or knowledge acquired by learning and instruction. In the learning process information and knowledge can be exchanged, while skills can be developed. In this regard education can be viewed as a preparation for life.

Education is also an important human right, what is recognised by various international conventions, like the 1948 Universal Declaration of Human Rights¹, the International Covenant on Economic, Social and Cultural Rights² and the Convention on the Rights of the Child³. This means that governments have duty to ensure that every person is able to realize this right and to receive a free basic education. Nevertheless,

there are currently over 100 million children out of school. Despite numerous promises from developed countries, aid for basic education in poor countries remains extremely low at \$2.6 billion per year. An additional \$10 billion per year is needed by 2010 to ensure that every child completes a quality primary education. To meet this goal, each G8 country must contribute their fair share based on gross national income⁴.

Multiple researches bring evidence of relationship between education and quality of life. Studies show that adults who lack basic skills of reading and writing encounter greater difficulty in finding well-paying jobs and escaping poverty⁵. A single year of primary school increases the wages people earn later in life by 5-15%. A single year of secondary

school increases wages by 15-25%. No country has ever achieved continuous and rapid economic growth without first having at least 40% of its adults being able to read and write. It is obvious that the cost of educating people is far outweighed by the cost of not educating them. If society needs responsible and productive members of society, it has to invest in education, otherwise individuals and society as a whole will fail. There are at least 1.2 billion poor people in the world who cannot read or write. This restricts their ability to carry out every day activities such as read signposts, understand medicine labels and machinery instructions, confirm commercial transactions and avoid being cheated. "Lack of education and illiteracy are at the root of poverty, both for adults and children," says Florence Tobo Lobň, founder of the Rubisadt Foundation⁶.

In other words, education can be solution for escaping from poverty – idea, which is supported by Kailash Satyarthi, head of Global Campaign for Education, who considers that "education is one of the most effective routes out of poverty"⁷. Lavinia Gasperini, the UN's Food and Agriculture Organisation (FAO) education expert, also considers that "education provides the best route for the rural poor ... to work their way out of poverty"⁸. In its publication "Education Highlights #1, 2005" id21 from the Institute of Development Studies, University of Sussex, states that "literacy pulls people out of poverty"⁹. Researches presented at the Poverty Conference in 2001, organised by SIDA, also come to conclusion that education is a way out of poverty¹⁰.

Importance of education was recognized by the world leaders and as a result, achievement of universal primary education by the year 2015 became one of the Millennium Development Goals¹¹. But right now this goal appears to be out of reach for many poor countries.

Education can stimulate people to be more self-confident in whatever they undertake. Global Entrepreneurship Monitor 2005 Executive Report¹² brings proofs that in the middle-income countries people with post-secondary education are more involved in both early stage entrepreneurial activity and established businesses.

Entrepreneurship

The study of entrepreneurship has grown considerably over the last years, from a simple definition, to multiple journals and researches of the subject. A great deal of attention paid to the subject of entrepreneurship over the past few years can be explained by the fact that the vast majority of jobs in all countries are generated by small and medium-sized enterprises, which are usually created by the entrepreneurs, and which contribute considerably to the country economic growth. Entrepreneurship becomes a vital element in the economies of countries, especially in those developing.

International Labour Organisation¹³ views entrepreneurship as the driving force for initiating business ideas, mobilizing human, financial and physical resources, for establishing and expanding enterprises, and creating jobs. The Entrepreneurship Center at Miami University of Ohio defines entrepreneurship as "the process of identifying, developing, and bringing a vision to life"¹⁴.

The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty. According to Wikipedia¹⁵, entrepreneurship is the practice of starting new organizations, particularly new businesses, generally in response to identified opportunities. In his definition of entrepreneurship Austrian economist Joseph Schumpeter also placed emphasis on innovation such as: new products, new production methods, new markets and new forms of organization¹⁶. According to the Entrepreneurship Action Plan developed by the European Commission, entrepreneurship is recognized as a key driver of innovation, competitiveness and growth.

European Commission identified entrepreneurship as one of the key competences that all citizens should have in a modern, knowledge-based society¹⁸, along with communication in the mother tongue; communication in foreign languages; competences in maths, science and technology; digital competence; learning to learn; interpersonal, intercultural, social and civic competences; cultural expression. Entrepreneurship as a competence refers to an individual's ability to turn ideas into action. It includes taking initiatives, being responsible, accepting risk and achieving one's own objectives. It is important to mention, that all key competences that are pre-requisites for successful life in a knowledge-based society can be acquired through education and training.

European Union committed itself to

boost entrepreneurship. Understanding that higher entrepreneurial activity is positively influenced by education, European Commission actively promotes education in entrepreneurship. It is recommended that curricula for schools at all levels - primary, secondary, vocational and higher education - should include entrepreneurship among the other objects. Priority to education and training for entrepreneurship is also given in the European Charter for Small enterprises¹⁹. Charter recommends the following actions to be taken to create favorable conditions for entrepreneurship boosting: nurture entrepreneurial spirit and new skills from an earlier age and throughout the education system; develop specific business-related modules in education schemes in secondary level, colleges and universities; promote the entrepreneurial efforts of young to-be entrepreneurs.

European Commission supports and disseminates good practices in education for entrepreneurship. Several European countries, such as Finland, the UK, Iceland and Norway encourage children from the age of 6 to participate with inventions in the frames of the "Young Inventors Competition". In Luxembourg, programme for 11-12 year-old pupils is devoted to starting up a business, based on the strip cartoon "Boule and Bill set up a business", and this is used as a compulsory subject for all primary education. In Estonia about one half of all primary schools have entrepreneurship education activities organised by an NGO, Junior Achievement Estonia, in cooperation with the business sector. There are many examples of introducing entrepreneurship education in the

secondary schools in Europe. The European Commission is actively promoting the “mini-companies” initiatives, which are organised by various actors at European, national and local level. 82 mini-company programmes are run in the EU, with roughly 15% of the secondary schools in the EU are already involved in this initiative. Some evidences demonstrate that around 20% of participants in mini-company activities in secondary school decide after studies to launch their own business.

Knowledge and skills are indispensable for entrepreneurship and enterprises. According to the findings of the report “Unleashing Entrepreneurship: Making Business Work for Poor”²⁰, the following factors (pillars) are necessary for flourishing of entrepreneurship: access to finance, access to skills and knowledge and level playing field with fair rules which are fairly enforced. It becomes obvious, that education is extremely important in this regard, since it offers directly the necessary skills and knowledge, and indirectly, access to finance, which is otherwise restricted due to limited skills of the potential borrowers.

Education in entrepreneurship increases the chances of start-ups and self-employment and enhances individuals’ economic reward and satisfaction. Information about possibilities to conduct a business plays important role in decision to start a business. While indicating which are considered to be obstacles for entrepreneurship, 45% of Americans and 36% of Europeans consider that “it is difficult to obtain sufficient information on how to start a business”²¹. A recent Gallup Poll²² shows

that 69 percent of high school students in the USA want to start a small business, but 84 percent of those surveyed report that they have no preparation to do so.

Thus, it becomes evident that entrepreneurship education should become an essential part of a lifelong learning approach for any country, and especially for countries that are struggling with poverty.

Bringing poor into export process

Increasing exports is considered to be one of significant poverty reduction strategies. According to the information from the “Fact Sheet: Trade, Development and Poverty Reduction”²³, between 1993 and 1998, the number of people living in absolute poverty in developing countries that opened themselves to trade declined by 14 per cent. By contrast, poverty in developing countries that did not open themselves to trade rose by 4 per cent between 1993 and 1998.

World trade grows faster than Gross Domestic Product (GDP), what means that growth opportunities are greater for exports. Export growth is key to developing countries’ efforts to improve their people’s living standards, because it allows to develop human resources, create new jobs, accumulate income. If Africa, East Asia, South Asia, and Latin America were each to increase their share of world exports by one per cent, the resulting gains in income could lift 128 million people out of poverty. In Africa alone, this would generate \$70bn - approximately five times what the continent receives in aid²⁴.

Export-Led Poverty Reduction Programme (EPRP) of the International

Trade Center²⁵ already accumulated useful experience in bringing poor into export in several countries around the world. The main objective of the EPRP is to empower poor in developing countries to exploit new export opportunities and thus, reduce poverty by generating employment and higher income for disadvantaged. Since its beginning in 2002, around 9,500 poor people have benefited by creating additional jobs and higher income. Thousands more were able to improve their livelihoods as a side effect of the projects. Salaries have gone up considerably, exceeding previous ones by 20% up to 200% in some cases. Additional results are the risen self-confidence of participating women and the positive environmental impact of introducing eco-friendly production methods and sustainable forms of tourism. But it is important to mention that small and medium sized enterprises can be successful in export operation only if they correspond to the tough requirements of the global competition. In this regard EPRP underlines importance of training and education of human resources, especially in overall management skills (including productivity, benchmarking, sales, financing), production related skills, quality improvement, market-

ing, distribution, trade promotion and market development.

Moldova

According to the Country Brief 2006 prepared by the World Bank²⁶, poverty remains very high in Moldova. With a GDP per capita of only US\$720 and a poverty headcount of 34 percent, Moldova is the poorest country in Europe. Some 64 percent of the country's poor live in rural areas and are deprived of qualitative education.

It was shown previously that education in entrepreneurship increases the chances of start-ups and self-employment. The capacity and chances of any country to successfully develop economically depend to a large extent on fostering entrepreneurial mindsets through education and learning. This becomes true especially for education and training of poor citizens. In its efforts to eradicate poverty, Moldova should pay more attention on education and especially, on entrepreneurship education. According to the Questionnaire 2005, European Charter for Small Enterprises, Contribution of the Republic of Moldova²⁷, September 2005, Moldova reported on a certain progress to achieve Charter's objectives related to education and training for entrepreneurship. But compared to progress of other countries, it is insignificant. Moldova needs more entre-

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