

## **New Perspectives for Learning - Briefing Paper 32**

# **The effect of Educational Expansion on the Labour Market**

### **Context of the Research**

This project examined the effects of greater education opportunities and higher education levels on the labour market. The aim was to analyse the long-term consequences of the rise in levels of education on access to employment and on human resources management.

Taking a comparative approach, four major questions were addressed: -

- What are the processes and factors of influence leading to educational expansion?
- How have generations with increasing levels of qualification spread throughout the employment system, and with what returns?
- What has been the influence on company organisation and management of human resources and what links have been established between skills supply and demand?
- What are the implications for national systems linking education with employment, and to what extent are countries converging or diverging?

The analyses provide a well-founded basis to understand and shape the links between education and employment, and thus between the supply of and demand for skills on the labour markets.

### **Key Conclusions**

The following key conclusions are based on collaborative research conducted by British, French, German, Italian and Spanish teams, with comparative reference to the United States.

#### **1. Education Expansion: -**

- Relies on the equality of opportunity.
- Has a low sensitivity to economic cycles.
- Seems to have recently stabilised in most countries studied.

- Has been mainly driven by families and the State, although employers have had an indirect influence on vocational education expansion.
- After 1935, each generation has become more highly educated than the previous one in all countries studied.
- Was supported by development of explicit initial qualification levels.
- Is a product of longer compulsory education and an increase in post-compulsory education.
- Has led to a considerable fall in the amount of people with no qualifications.
- Has shifted the emphasis towards higher education.
- Has resulted in the catching up of countries where education was poorly developed. But structural differences still remain between countries despite a similar growth in development.
- Has resulted in more development within systems where general and vocational education are under the single responsibility of one State compared to those that are not.

*The effect of education expansion on qualifications within occupations: -*

2. The labour market is based on the supply and the demand for skills. Individuals have access to a specific job if they have the minimum skills required, consisting of a combination of their qualifications and their working experience. Although, the level of formal education taken tends to be the main way of acquiring and reaching the required skills, work experience can also be a substitute for skills acquisition.
3. Educational expansion has spread within all occupations under the strong impact of educational supply. It barely depends on changes in the size of occupations.
4. Overall, educational expansion has been remunerated, as a result of changes in access conditions to jobs.
5. Because of the increase in the number of those eligible for management positions, the likelihood of being appointed has tended to decline amongst generations born after 1940.
6. Qualifications also have a symbolic social value. Therefore, if their value decreases, some people will lower their expectations and others will aim for higher qualifications.
7. The educational system has been an increasingly important variable for young people's careers.
8. The educational demands of new generations are expected to be more variable and flexible, as they will follow economic situations more closely.

*The effect of education expansion on employers and the labour market: -*

9. Education levels of recruitment are rising in all the five countries and across the sectors studied.
10. Companies are undergoing technological and organisational changes that are leading, in human resource management terms, to a greater need for skills and flexibility.
11. Educational expansion and the resulting increase in more qualified people was a response to employers' actual and anticipated needs for more adaptive skills.
12. Continuing education and training is becoming increasingly important for the development of skills required by employers. Therefore companies could encourage their staff to return to study through this route.

*The effect of education expansion on government and the economy: -*

13. Post-compulsory education is a crucial factor in stabilising or raising education levels, yet the development and diversification of higher education is dependent on National policy.
14. Up to now, the needs for better qualified workers in the economy have been satisfied by States who has anticipated these needs by expanding education; and by families who have encouraged more participation in education. In this way both stakeholders have anticipated the needs of the economy.
15. Governments are encouraging greater flexibility and accessibility within the education system without any substantial change in the overall costs of education.
16. Changes in the education system are generally responses to socio-economic tensions and developments.
17. The needs of the economy may not necessarily to be the same as employers' needs, which tend to be dominated by short- term requirements. Therefore, education institutions and governments must adopt a long-term vision of educational development in response to the longer-term needs of the economy.
18. However, the economic and employment markets cannot be expected to provide education systems with the long-term information they need to guide their development.

19. The skills demanded by the economy of one State are jointly produced by its education and employment system. However, each State's education and employment systems are different requiring cooperation between both systems if all the States are to become standardised.

## Key Recommendations

The following recommendations were made: -

1. There should be no standardisation of the education systems throughout Europe. However, there should be a gradual build up of some common points of reference, especially for similar levels of education.
2. There could be changes in the area of skills development where certificated courses provided by continuing or lifelong education complement and partially replace the certificated courses provided by initial education systems. This would take the form of: -
  - a) Greater flexibility in young peoples' educational demands.
  - b) Some form of work during compulsory education.
  - c) New opportunities to choose between continuing compulsory education and returning to study after a period of work.
  - d) The creation of opportunities for workers to access continuous education and training.
3. There is a need for universities to demonstrate that the education they offer is adequate for this increasingly complex world.
4. Education systems should mainly focus on providing compulsory education in the context of meeting macro economic needs and employers' requirements.
5. However, educational institutions should avoid being dependent on employers as they are governed by the temporary economic needs of the market.
6. Educational institutions should move away from managing education in a more traditional academic manner as this ignores social and economic needs.
7. There is a need for a greater understanding of individuals; institutions and employers time scales for skill development, because employers generally look at short-term skills that suit the market without worrying about their future use, whereas individuals generally undertake long periods of education in their youth and have long-term expectations for the skills they acquire.

## **Further Information**

The full title of project - "Educational Expansion and the Labour Market" with the final report completed in March 2002.

French version published by LIRHE, Toulouse, France

English version published by CEDEFOP, Thessaloniki, Greece

Spanish version published by Ministère du travail, Madrid, Espagne

[Full report \(English version\)](#), [Full report \(French version\)](#), [Full report \(Spanish version\)](#),  
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