

New OECD indicators on education: Gap between rhetoric and reality has not been bridged

TUAC comments on *Education at a Glance 2009*

1. *Education at a Glance 2009* aims to provide a rich, comparable and up-to-date set of indicators measuring the current state of education internationally. As its publication occurs at a time of a severe economic crisis, it is unfortunate that the data do not allow an assessment of the impact of the crisis on public and private spending on education and on education systems as a whole. The data presented do not extend beyond 2007. Nevertheless, they provide a rich and helpful source of information facilitating the assessment of education policies pursued by the governments of OECD countries, as well as of a large number of partner countries. Moreover, they reveal that the rhetoric of education policy debates is not followed by policy action and implementation.

A focus on the supply of skills is not sufficient

2. *Education at a Glance 2009* bases its arguments on the premise that as economies advance they will generate jobs that require higher skills and are better paid. The related assumption, however – that in increasingly globalised and knowledge-based economies skill supply is the main problem and issues of employers' demand for and use of skills ultimately will take care of themselves – runs counter to both recent labour market trends in advanced economies and occupational employment projections.

3. Occupational employment is increasingly characterised by a shift towards a pattern of “polarisation” with rapid growth in jobs at the top and the bottom of the skills spectrum, leading to an increase of high-wage and low-wage jobs at the expense of jobs and skills in the middle of the spectrum. Future employment trends identified by the U.S. Bureau of Labor Statistics in its “Occupational Employment Projections to 2016” provide an example of such a pattern.¹ There is also evidence indicating that the types of jobs available to young people have undergone significant change. Young workers now tend to be employed more often in low-paid, low-skilled and less secure jobs on a temporary or involuntary part-time basis. Although the incidence of temporary employment among young workers differs across countries, it has increased substantially in all countries.

4. Against the background of increasing youth unemployment, it is highly questionable whether temporary jobs held by young people provide a stepping stone to permanent employment contracts and better career prospects. The ongoing polarisation of the labour market means, not only that jobs for young workers are increasingly located at the bottom end of the skills and earnings pyramid but, that the bridge between lower-quality and better-quality jobs is disappearing, making it virtually impossible for young workers to enhance their earnings by moving into better paid jobs.

5. *Education at a Glance 2009* provides ample evidence of the increasing difficulties and uncertainties faced by young people in the transition to working life (Indicator C3). Nonetheless, the report argues that “[d]ecisions to invest in education and stay on longer in school when the labour market is poor make sense. High

¹ Dohm, A.; Shniper, L., Employment outlook: 2006–16. Occupational employment projections to 2016; <http://www.bls.gov/opub/mlr/2007/11/art5full.pdf>

unemployment rates drive down the opportunity costs of education. Moreover, by continuing education individuals decrease their risk of being stranded with outdated skills once the labour market picks up again.“ While it also rightly notes that “[n]ational education systems thus play a crucial role in accommodating for increasing numbers of students in adverse economic times,” it does not call upon governments to increase resources accordingly.

OECD countries spend only 5.7% of GDP on education

6. According to *Education at a Glance 2009*, in 2006 OECD countries have spent on average only 5.7% of their national GDP on education. Just four out of the 28 OECD and partner countries for which data are available, have spent a substantially higher share of their GDP on educational institutions: Denmark and Korea (7.3% each), the U.S. (7.4%) and Iceland (8%). A number of countries have spent much less of their national wealth on educational institutions than the OECD average: Germany (4.8%), Ireland (4.7%), Italy (4.9%), Japan (5.0%) and Spain (4.7%). And only a few countries have managed to increase the percentage of GDP spent on all levels of education: Denmark, the UK and the U.S.

7. In half of the 28 countries, the increase in spending on educational institutions was lower than the growth in national income: for Austria, France and Spain, and the partner countries Estonia and Israel the proportion of GDP spent on educational institutions decreased by 0.6 percentage points or more between 1995 and 2006. Some other countries, including Austria, France, Germany and Spain, actually reduced their expenditure on educational institutions for all levels of education as a percentage of GDP during that period. There are also differences in the trends in expenditure for the various levels of education during this period. 21 out of the 28 OECD and partner countries increased expenditure (relative to GDP) on educational institutions for tertiary education at a greater rate than for primary, secondary and post-secondary non-tertiary education.

Renewed call for tuition fees

8. In line with previous issues of *Education at a Glance*, the new report reiterates the call for effective cost-sharing between the student and/or his or her family and society. However, it also acknowledges that cost-sharing is a hotly debated issue and that there is no single model in OECD and partner countries for financing tertiary-type A education. It identifies the following four models:

Model 1: Countries with no or low tuition fees but quite generous student support systems: (the Nordic countries – Denmark, Finland, Iceland, Norway and Sweden – the Czech Republic and Turkey);

Model 2: Countries with high level of tuition fees and well-developed student support systems (Australia, Canada, the Netherlands, New Zealand, the United Kingdom and the United States and the partner country Chile);

Model 3: Countries with high level of tuition fees but less developed student support systems (Japan and Korea);

Model 4: Countries with a low level of tuition fees and less developed student support systems (Austria, Belgium, France, Ireland, Italy, Portugal and Spain).

9. Examining the relative earnings of workers with different levels of educational attainment in 25 OECD countries and the partner countries Brazil, Israel and Slovenia, the report finds that there is an educational earnings advantage, with earnings increasing with each level of education, as well as with the age of the individual (Indicator A7). This, together with particularly high private returns to tertiary education, is interpreted by the OECD to be not merely a “*key driver for individuals’ decisions to invest time and money in education beyond compulsory schooling. The monetary benefits of completing higher levels of education motivate individuals to postpone consumption today for future reward*”, but also as a legitimate reason for the introduction of tuition fees.

10. Based on rather optimistic assumptions (e.g., a discount rate of 5%, an almost complete exclusion of unemployment spells both during the transition from education to working life and later on), the report finds that “[*t*]ertiary education brings substantial rewards in most countries and the present value of the gross earnings premium for males exceeds USD 300 000 in Italy and the United States over the working life. The rewards for investing in tertiary education are typically lower for females, except in Australia, Denmark, Korea, Norway, Spain and Turkey where the returns on the overall investment are higher for females than for males.” Moreover, the reports asserts that “*the returns to tertiary education are largely driven by earnings premiums; other components are less important in explaining differences among OECD countries*” (Indicator A8). This implies basically two things: first, that on the supply side, the distribution of earnings is determined by the distribution of skills; secondly that in order to make private returns of tertiary education work as a strong incentive, greater inequality in earnings in more OECD countries would be required.

Greater earnings inequality no prerequisite for achieving high tertiary attainment levels

11. A closer inspection of the data – in particular regarding the link between differences in the distribution of earnings and differences in the distribution of skills, as well as enrolment rates in tertiary education across countries – does not suggest that greater inequality in earnings and high private returns to education are prerequisites for achieving both high enrolment and tertiary attainment levels. The data confirms that low private returns of tertiary education do not work as a disincentive to enrolment in tertiary education. This is in particular the case in the Nordic countries, where the private rewards for tertiary education are found to be substantially lower but the entry rates are above the OECD average.

12. The conclusion to be drawn from the above is that education policy can neither rely on the provision of economic incentives for investing in education, nor on efforts aimed at increasing the skills of the workforce. In order to maximize benefits from education and training, a broader and comprehensive set of policies is required. Education policy must be linked to policies promoting research, development and innovation. Policies must go beyond a supply-side focus; they must give particular attention to the use of skills and to the creation and expansion of decent jobs. Calling merely upon young people to stay on in education in order to prevent unemployment and to wait for education dividends to be paid in later life through higher salaries is not going to work.