Editorial

Education and skills for inclusive growth

The world is slowly moving out of the worst economic crisis of our lifetimes. With productivity, innovation, investment and trade not yet at full steam, the recovery still bears risks. It is also becoming clear that economic growth is not enough to foster social progress, particularly if the growth dividend is not shared equitably. Indeed, the social cost of the crisis continues to weigh heavily, with more than 46 million people out of work in OECD countries and relative poverty affecting millions more. In many countries the gap between the richest and the poorest is widening, youth unemployment remains high, and access to social services remains elusive for many. The world is looking for ways to spur economic growth in a more inclusive manner. The OECD contributes to this effort by developing the evidence and tools that policy makers can use to formulate new policies to achieve this goal.

This edition of *Education at a Glance* provides ample evidence of the critical role that education and skills play in fostering social progress. In addition to the usual data sources used for generating the OECD Education Indicators, this edition also draws on the rich database on skills provided by the 2012 Survey of Adult Skills, a product of the OECD Programme for the International Assessment of Adult Competencies (PIAAC), published in October 2013 (OECD, 2013a). Together with the 2012 data on the learning outcomes of 15-year-olds from the OECD Programme for International Student Assessment (PISA 2012), published in 2013 and 2014 (OECD, 2013b and 2014a), and 2013 data on lower secondary teachers from the OECD Teaching and Learning International Survey (TALIS 2013), published in June 2014 (OECD, 2014b), we now have the richest international evidence base on education and skills ever produced. And with our newly developed, web-based research tool, *Education GPS*, all this evidence is easily accessible at the click of a mouse.

A first glance at the evidence shows that in OECD countries access to education continues to expand. The change in societies over only a couple of generations, from a time when only an elite few were educated to a situation today where three-quarters of the population have at least an upper secondary education, is one whose consequences are still unfolding. Close to 40% of 25-34 year-olds now have a tertiary education, a proportion 15 percentage points larger than that of 55-64 year-olds; and in many countries, this difference exceeds 20 percentage points. Importantly, the crisis did not slow this process of expansion; on the contrary, when scanty labour markets didn't provide much of an alternative, many individuals used the low opportunity costs to invest in their education with the aim of improving their chances for a better life. And in emerging economies, schooling is expanding – from a relatively narrow base – at a rate that surpasses that in the industrialised world.

It is therefore no surprise that the level of skills found in the population has also increased tremendously. The data on skills show that, across the 24 OECD countries or subnational entities that participated in the Survey of Adult Skills, there is a 13 percentage-point increase, on average, between the share of older and younger adults scoring at the highest levels of literacy proficiency; in a number of countries, the share of younger adults with this level of literacy is 20 percentage points larger than the share of older adults. But the data also show that educational attainment and skills do not always align. Moreover, not all countries with the largest increase in educational attainment rates are those with the largest increase in the proportion of highly skilled adults. In fact, across countries, adults with similar levels of education can have very different levels of proficiency in skills – a fact that argues for a reconsideration of how we define educational qualifications.

On the face of it, the expansion of education and the general increase in the level of skills available in the population should imply a growing and more highly skilled workforce. But we find that socio-economic divisions are deepening, because the impact that skills have on the life chances of individuals has increased considerably. Take the employment situation. On average, over 80% of tertiary-educated adults are employed compared to less than 60% of people with below upper secondary education. And the employment gap between these two groups is 30 percentage-points wide or more in several countries. Still, tertiary-educated people, especially young adults, are not immune to unemployment, and many governments are concerned about rising levels of unemployment among graduates.

On average across OECD countries, the unemployment rate among tertiary-educated adults stood at 5.0% in 2012 (up from 3.3% in 2008), but among 25-34 year-olds, it was 7.4% (up from 4.6% in 2008). By comparison, the unemployment rate for 25-34 year-olds without an upper secondary education reached 19.8% in 2012 (and even higher in many countries), up from 13.6% in 2008. Our data reconfirm that the economic crisis hit young, low-educated adults hardest.

A lack of skills increases the risk of unemployment – even among people with similar levels of education. For example, on average across countries that participated in the Survey of Adult Skills, 5.8% of adults without upper secondary education, but who had a moderate level of literacy proficiency, were unemployed compared to 8.0% of adults with similar educational attainment but who had low levels of literacy proficiency. Similarly, among tertiary-educated adults, 3.9% of those with lower literacy proficiency were unemployed compared with 2.5% of those with the highest proficiency.

The data on earnings also point to a widening gap between the educational "haves" and "have-nots". Across OECD countries, the difference in income from employment between adults without upper secondary education and those with a tertiary degree continues to grow. If we consider that the average income for 25-64 year-olds with an upper secondary education is represented by an index of 100, the income level for adults without upper secondary education was 80 in 2000 and fell to 76 in 2012, while the average income of tertiary-educated adults increased from 151 in 2000 to 159 in 2012. These data also show that the relative income gap between mid-educated and high-educated adults grew twice as large as the gap between mid-educated and low-educated adults. This means that, in relative terms, mid-educated adults moved closer in income to those with low levels of education, which is consistent with the thesis of the "hollowing-out of the middle classes".

Changes in the income distribution towards greater inequality are increasingly determined by the distribution of education and skills in societies. Across OECD countries, 73% of people without an upper secondary education find themselves at or below the median level of earnings, while only 27% of university graduates do. Educational attainment is the measure by which people are being sorted into poverty or relative wealth; and the skills distribution in a society – its inclusiveness, or lack thereof – is manifested in the degree of income inequality in the society. Countries with large proportions of low-skilled adults are also those with high levels of income inequality, as measured by the Gini coefficient, as are countries with a polarised skills profile (i.e. many low-skilled and many high-skilled people, and the skills distribution is usually linked to socio-economic background).

The risks – and, in many instances, also the penalties – of low educational attainment and low skills pertain not only to income and employment, but to many other social outcomes as well. For example, there is a 23 percentage-point difference between the share of adults with high levels of education who report that they are in good health and the share of adults with low levels of education who report so. Levels of interpersonal trust, participation in volunteering activities, and the belief that an individual can have an impact on the political process are all closely related to both education and skills levels. Thus, societies that have large shares of low-skilled people risk a deterioration in social cohesion and well-being. When large numbers of people do not share the benefits that accrue to more highly skilled populations, the long-term costs to society – in healthcare, unemployment and security, to name just a few – accumulate to become overwhelming.

Indeed, the increasing social divide between the educational "haves" and "have-nots" – and the risks that the latter are excluded from the social benefits of educational expansion – threatens societies as a whole. In the past, countries were predominantly concerned with raising their average level of human capital without paying much attention to the way education and skills were distributed across the population. Of course, improving the general level of educational attainment and skills in a population is necessary for economic growth and social progress. But as more developed countries move towards higher levels of education and skills, aggregate measures of human capital seem to lose their ability to explain differences in economic output between countries. Analysis of data from the Survey of Adult Skills shows that when people of all skills levels benefit from greater access to education, so do economic growth and social inclusion. Countries with small shares of low-skilled adults and large shares of high-skilled adults – i.e. countries with a higher degree of inclusiveness in their skills distribution – do better in terms of economic output (per capita GDP) and social equality (Gini coefficient) than countries with a similar average level of skills but with larger differences in skills proficiency across the population (Van Damme, 2014).

Education and skills have thus become increasingly important dimensions of social inequality; but they are also an indispensable part of the solution to this problem. Education can lift people out of poverty and social exclusion, but in order to do so, educational attainment has to translate into social mobility. Maybe the biggest threat to inclusive growth is the risk that social mobility could grind to a halt. Comparing our cross-sectional data over age groups

seems to confirm that across OECD countries this risk is real. In the countries that participated in the Survey of Adult Skills in 2012, 39% of 35-44 year-old adults, on average, had a tertiary qualification. Their parents' educational background had a strong influence on the likelihood that they too would acquire a tertiary degree: 68% of the adults with at least one tertiary-educated parent had also attained a tertiary education; while only 24% of adults whose parents had not attained an upper secondary education had a tertiary degree. But among the younger age group (25-34 year-olds), where the tertiary attainment rate had risen to 43%, the impact of parents' educational background was just as strong: of the adults with at least one tertiary-educated parent, 65% attained a tertiary qualification, while of the adults with low-educated parents only 23% did. In other words, the benefits of the expansion in education were shared by the middle class, but did not trickle down to less-advantaged families. In relative terms, the children of low-educated families became increasingly excluded from the potential benefits that the expansion in education provided to most of the population. And even if they were able to access education, the interplay between their disadvantaged background and the lower quality of education that these students disproportionately endure resulted in the kinds of education outcomes that did not help them to move up the social ladder.

Inclusive societies need education systems that promote learning and the acquisition of skills in an equitable manner and that support meritocracy and social mobility. When the engine of social mobility slows down, societies become less inclusive. Even at a time when access to education is expanding, too many families risk remaining excluded from the promises of intergenerational educational mobility. On average across the countries that participated in the Survey of Adult Skills, upward mobility (the percentage of the population with higher educational attainment than their parents) is now estimated at 42% among 55-64 year-olds and 43% among 45-54 year-olds, but falls to 38% among 35-44 year-olds and to 32% among 25-34 year-olds. Downward educational mobility increases from 9% among 55-64 year-olds and 10% among 45-54 year-olds, to 12% among 35-44 year-olds and 16% among 25-34 year-olds. These data suggest that the expansion in education has not yet resulted in a more inclusive society, and we must urgently address this setback.

OECD averages can be misleading in that they hide huge differences among countries. In this edition of *Education at a Glance*, the most interesting findings may not be the averages across OECD countries, but the way the indicators highlight the differences among countries. These variations reflect different historical and cultural contexts, but they also demonstrate the power of policies. Different policies produce different outcomes, and this is also true with regard to education and skills. Some countries do better than others in breaking the cycle of social inequality that leads to inequality in education, in containing the risk of exclusion based on education and skills, and in keeping the proportion of low-skilled adults small while providing opportunities to as many adults as possible to improve their skills proficiency.

Education and skills hold the key to future wellbeing and will be critical to restoring long-term growth, tackling unemployment, promoting competitiveness, and nurturing more inclusive and cohesive societies. This large collection of data on education and skills helps countries to compare and benchmark themselves, and will assist them in identifying policies that work.

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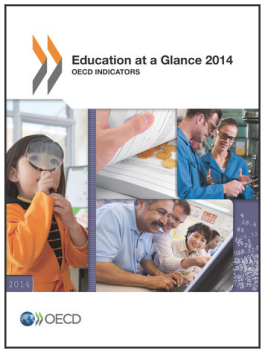

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