

EDITORIAL

Learning their way out: Youth, education and skills in the midst of the crisis

This edition of *Education at a Glance* comes at a time when youth unemployment keeps policy makers awake at night. Between 2008 and 2011 – the years to which most data in this volume refer – unemployment rates climbed steeply in most countries and have remained high ever since. Young people have been particularly hard-hit by un- and underemployment as a result of the global recession. In 2011, the average proportion of 15-29 year-olds neither in employment nor in education or training (NEET) across OECD countries was 16%; among 25-29 year-olds, 20% were NEET. (Among this latter group, 40% were unemployed, more than half of them for more than six months; the rest did not participate in the labour market at all.) In some countries the figures are much higher, with more than one in three people between the ages of 25 and 29 neither in education nor in work. These young people are forced to pay a very high price for a crisis that was not of their making, with long-lasting consequences for their skills, work morale and social integration. The demoralising short-term effects for individuals, families and communities demand urgent policy responses, while the longer-term ramifications, in terms of skills loss, scarring effects and de-motivation, are real and affect countries' potential for sustainable recovery.

The distribution of unemployment within the younger generation sheds light on some of the factors that may increase the risk of joblessness, which, in turn, offers insights for policy responses. Most notably, educational attainment has a huge impact on employability, and the crisis has strengthened this impact even further. On average across OECD countries, 4.8% of individuals with a tertiary degree were unemployed in 2011, while 12.6% of those lacking a secondary education were. Between 2008 and 2011 the unemployment gap between those with low levels of education and those with high levels of education widened: across all age groups, the unemployment rate for low-educated individuals increased by almost 3.8 percentage points, while it increased by only 1.5 percentage points for highly educated individuals. Without the foundation skills provided by a minimum level of education, people find themselves particularly vulnerable in an insecure labour market.

The crisis has also produced ample evidence that a good education provides valuable insurance against a lack of work experience: the impact of educational attainment on unemployment is much greater for younger people than it is for older adults. Across OECD countries, an average of 18.1% of 25-34 year-olds without secondary education were unemployed in 2011, compared with 8.8% of 55-64 year-olds. Among 25-34 year-olds with a tertiary qualification, an average of 6.8% were unemployed, compared with 4.0% of 55-64 year-olds with a similar level of education.

Nevertheless, that fact that these troubling trends are far from universal indicates that they are not inevitable. There are large differences between countries in the way the recession has shaped the social reality for young people. The steep increases in youth unemployment between 2008 and 2011, especially among low-educated young people, in countries such as Estonia (a 17.6 percentage-point increase in unemployment among 25-34 year-olds without a secondary education), Greece (15.0 percentage-point increase), Ireland (21.5 percentage-point increase) and Spain (16.0 percentage-point increase) are well-known. Less known is that, during the same period, some countries saw drops in unemployment among low-skilled youth, including Austria (-3.3 percentage points), Chile (-3.6 percentage points), Germany (-2.1 percentage points), Israel (-0.9 percentage point), Korea (-1.6 percentage points), Luxembourg (-1.0 percentage point) and Turkey (-1.7 percentage points). Several other countries were able to contain the increases within more or less tolerable levels.

Though many factors play a role in a country's capacity to contain the rise in youth unemployment in times of crisis, the way institutional arrangements between education and work facilitate transitions into employment is perhaps one of the most important. This year's *Education at a Glance* provides more detailed data on programme orientation (general versus vocational) in secondary and tertiary education. Countries with relatively high numbers of 25-34 year-old graduates from vocationally oriented programmes succeeded in reducing the risk of unemployment among young people with upper secondary education as their highest level of attainment. Countries that have a higher-than-average (32%) proportion of graduates from vocational programmes, such as Austria, the Czech Republic, Germany and Luxembourg, were all able to keep the increases in unemployment rates among this age group to below 8 percentage points. Conversely, countries such as Greece, Ireland and Spain, where less than 25% of young adults graduate from vocational upper secondary education, saw increases in unemployment rates of 12 percentage points or more among 25-34 year-olds with only secondary education. For young people who do not continue into tertiary education, vocational education clearly offers better prospects for their employability than general, more academically oriented upper secondary education.

Vocational education and training (VET) systems thus play a critical role in strengthening countries' capacity to deal with rapidly changing labour-market conditions. Several OECD countries have developed policies to improve and expand VET programmes at the upper secondary and post-secondary non-tertiary levels in order to equip young people with the skills the labour market demands. These programmes often include intensive workplace training and are based on extensive partnerships between schools and enterprises. Between 2005 and 2011, the number of students graduating from upper secondary vocational programmes increased by an average of 4.3 percentage points across OECD countries. In several countries, notably Austria, Belgium, Finland, Ireland, Portugal and Spain, this increase exceeded 10 percentage points.

We can further improve our understanding of how qualifications are related to labour-market outcomes by delving into the actual content of qualifications, rather than simply classifying them by level. This year's edition explores some data on graduates' field of study. While data from only a limited number of countries are examined, these data show a wide variation in unemployment rates among tertiary graduates in different fields of study. Interestingly, this variation does not fully reflect the segmentation in labour demand and wages found more broadly in the economy and in the labour market. For example, in the United States, the unemployment rate for graduates from the high-paying field of computer and information systems (5.3%) was higher than the unemployment rate for graduates of relatively low-paying secondary teaching programmes (2.4%), which had one of the lowest unemployment figures of any programme. The relationship between students' career choices, skill development in a particular field of study, and actual employability is more complex than often assumed.

Educational attainment not only affects employability, as *Education at a Glance* shows, but also has an impact on income from employment. On average, the relative earnings of tertiary-educated adults is over 1.5 times that of adults with upper secondary education, while individuals without an upper secondary education earn 25% less, on average, than their peers who have attained that level of education. The crisis has widened this wage gap: the average difference between earnings from employment between low-educated and highly educated individuals was 75 percentage points across OECD countries in 2008, increasing to 90 percentage points in 2011.

Individuals lacking the foundation skills provided by a complete secondary education cannot expect their incomes to rise substantially as they grow older. Indeed, the wage gap between those with low and high levels of education tends to increase with age. Without a secondary education, 25-34 year-olds earn 80% of what their colleagues with a secondary education earn, on average, but 55-64 year-olds earn only 72% of what their more-educated peers earn. The wage premium for higher education increases with age. A 25-34 year-old with a tertiary education earns 40% more, on average, than an adult of the same age who has only a secondary education, while a 55-64 year-old earns 73% more. Educational attainment – besides a successful start in employment – thus has long-lasting and mutually reinforcing effects over a lifetime. A higher education degree clearly pays off in the long run.

Given the close relationship between education, employment and earnings, young people develop strategies to improve their life chances by investing in education. In recent years, they literally learned their way out of the crisis. When opportunity costs declined and it seemed better to postpone entry into an insecure labour market, many young adults opted to equip themselves with more competitive skills before trying to enter the world of work. In most countries, increased demand for post-compulsory education more than compensated for the demographic decline in these age groups. In 2011, the OECD average for 15-19 year-olds enrolled in education was 85%; and the proportion of 20-29 year-olds in education climbed from 22% in 2000 to 29% in 2011. As a consequence, the proportion of adults with tertiary-level qualifications rose by more than 10 percentage points between 2000 and 2011, while the share of adults without a secondary education qualification dropped by the same rate. Across OECD countries, 39% of 25-34 year-olds had a tertiary qualification in 2011.

The changes in enrolment rates, employment rates and investment in education observed in the first years of the recession indicate how education and skills determine the way individuals, families and societies as a whole fared during the most challenging economic and social crisis in recent history. Highly educated young people from fields of study in high demand found a job easily, ending up in a “high skills – high wage” equilibrium, and could envisage a prosperous life ahead of them. For others, a tertiary qualification did not bring the expected rewards, either because the labour market was contracting too much – often protecting older generations at the expense of the youngest generation of workers – or because their chosen field of study was already saturated or not aligned with the needs of the labour market. Over-schooling and under-employment then resulted in frustration. Young adults with an upper secondary qualification were able to survive the jobs crisis if they were the beneficiaries of programmes that prepared them well for work. Those who hadn’t attained a complete secondary education, and so lacked the foundation skills needed to survive in a complex economy, often found themselves at the wrong end of the skills-based polarisation, stuck in a “low skills – low wage” equilibrium or in long-term unemployment with very little prospects for improvement.

High youth unemployment is not inevitable, even during an economic crisis; it is the product of the interaction between the economic context and particular policies. And, as the data collected during the early years of this crisis show, the amount of public spending on education has little to do with a country’s success or failure in containing youth unemployment: nearly all governments maintained more or less their level of investment in education throughout the crisis. What matters more are the choices countries make in how to allocate that spending and the policies they design to improve the efficiency and relevance of the education they provide. Data and policy experiences in countries show which kinds of policies are effective in boosting young people’s employability: ensuring that all young people achieve both a good level of foundation skills and “soft” skills, such as teamwork, communication and negotiation, that will give them the resilience they need to succeed in an ever-changing labour market; reducing school dropout rates and making sure that as many young people as possible complete at least an upper secondary education (if necessary, through second-chance education opportunities); making secondary education relevant to the skill needs of the labour market; developing vocational education and training, and bridging education to the world of work by including work-based learning; securing flexible pathways into tertiary education; and providing good study and career guidance services so that young people can make sound, informed career decisions. These are exactly the policies that the OECD Youth Action Plan, adopted at the OECD Ministerial Meeting in May 2013, is advocating to improve the prospects for young people and for societies as a whole.



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