

New Perspectives for Learning - Briefing Paper 18

Schooling and Training – An Economic Perspective

Context of the Research

Improved schooling and training has long been considered as a way of improving the work-force and strengthening the labour market. This project has brought together the work and experience of European economists who have contributed to the field of education and training. It has enabled comparative analysis and a deeper understanding of the mechanisms that have shaped schooling and training systems and labour market transitions, somewhat differently across countries.

Four phases of transition were identified school-to-school, school-to-work, work-to-work and work-to-inactivity. Transitions describe the adjustments that occur as a result of economic growth, structural change and policy interventions. This project examined schooling, training, and transitions at various points of an individual's life cycle.

Key Conclusions

These key conclusions, based on research from 57 working papers from various countries covered: -

- A comparative analysis of schooling systems.
- The transition from school to work.
- Training and labour market flexibilities.

The economic comparative analysis of schooling systems concluded: -

1. Generally, all schooling systems are subject to market forces i.e. as the school population increases more resources are put into the system.
2. When considering allocation of resources the following conclusions were reached: -
 - a) The way in which resources are allocated within schools is as important as differences in resourcing levels across schools or school districts.
 - b) A low pupil-teacher ratio significantly increases the unit cost of education, as does early streaming and decentralisation.
 - c) Since a higher pupil-teacher ratio compensates for the increased cost of streaming, differentiated education systems allow more crowded

classrooms in order to maintain the unit cost of education at the same level as that in non-differentiated systems.

- d) Higher resources in the form of early streaming or a lower pupil-teacher ratio do raise the unit costs of education but also seem to increase the academic attainment of pupils.
3. There was some evidence to suggest that since ability can be detected earlier than talents, it is not optimal to make an intensive use of differentiation by cognitive ability too early at the lower secondary level.
 4. There seems to be a trade-off between differentiation in schools and selection at university entry level. The use of selection at university is reduced essentially by the amount of differentiation at the upper secondary level, the quality of secondary education, and the typical duration of study in universities.
 5. Vocational training is more efficient when firms are involved in its organisation, which is ultimately correlated with longer tenure and lower labour turnover in the economy.

The transition from school to work research concluded: -

6. Being trained in a firm as an apprentice is more efficient in helping young people to be employed than training provided in school only. However, in France only, it was found that ex-apprentices seem to have lower wages than vocational school leavers.
7. With the exception of Spain, a young person take less time to get a job the higher their level of schooling. However, in Norway females have shorter search periods and longer job durations than males. But, as is more common, they also have lower wages.
8. There appears to be no evidence that the widespread increase in youth education is resulting in over-education and increased job competition.
9. Least-educated young workers experience the greatest difficulties in finding a job mainly because of their own lack of appropriate schooling to fulfil (possibly new) job requirements rather than competition with better-educated youths for unchanging low skilled jobs.

Conclusions concerning training and labour market flexibilities: -

10. Informal training ('learning by doing') has no impact at all upon wages and promotions, compared to formal training which does positively influence both.
11. For the UK, the long term effects of government training policies can be beneficial, particularly in relation to employment enhancement of women and for people taking training that has some element of compulsion and has highly structured content.
12. Young people are not unemployed because they have unrealistic expectations of the wages they are worth in the labour market. The length of their unemployment duration is more likely to be dependent on the available supply of jobs and training places.
13. Turnover in the labour market may allow better quality job matches to be achieved.
14. Better-educated people seem to obtain more training, and, in general, obtain better jobs. Their re-employment probabilities are greater than are those for workers with lower levels of education, and they are more likely to obtain permanent jobs. Thus, the training and education of workers should yield appreciable dividends.
15. Job destruction rates are not noticeably different by workers skill level, whereas job creation rates are higher for better-educated workers. Therefore, measures to dissuade "firing" will not necessarily benefit lower-educated workers any more than they benefit other workers.
16. When studying turnover in the labour market, job satisfaction should not just be considered in terms of pay and hours of work, as it seems to depend strongly on what the person does, with whom the person does it, and what the person expected.
17. There is no significant overall difference between the job performance of older and younger workers.
18. The low labour force participation of older workers will become a cause of growing concern.

Key Recommendations

The following recommendations were made: -

1. Market forces must essentially drive educational efforts and resources, as businesses are able to define the kind of training they require and evaluate skill-specific talents.
2. Education policies need to take into account the rate of technological change and the structure of international trade, as both will have an impact on the future skill requirements of the labour market.
3. Policy to aid lower-educated workers must concentrate on increasing skill levels or alternatively developing new policies that increase the demand for lower-skilled workers i.e. wage subsidies.
4. For workers who have difficulty in finding and keeping suitable long-term jobs, measures are needed that address: -
 - a) Low productivity.
 - b) The content of the jobs found by this group.
 - c) Their ability to use their initiatives.
 - d) The establishment of good relations with co-workers and managers.
5. Measures are needed that encourage better quality job matches, which target a wide variety of aspects of the job and do not just aim to raise workers' productivity.
6. Additionally, a complete analysis of minimum wages is needed that includes: -
 - a) Transitions into employment.
 - b) The effect of firm hiring policies.
 - c) The effects on skill formation.
 - d) The long-term labour market successes of young workers.
7. To target the decreasing labour force participation of older workers, schooling and training policies are needed to discourage early retirement.

Further Information

The full title of project - "Schooling, Training and Transitions: An Economic Perspective" with the final report completed in March 2000.

[Full report](#), [Summary](#) [Partner details](#), [Working Papers](#) [Website](#)

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