LABOUR MARKETS PERFORMANCE OF GRADUATES IN EUROPE: A COMPARATIVE VIEW

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From 2005-2015, by how much has tertiary educational attainment risen among 30-34 year-olds across the EU? …

- 22 percentage points
- 11 percentage points
- 4 percentage points
Drivers of skilled labour demand?

Technological change
- ICT
- Digitalization
- Automation
- Offshoring of services
- Global value chains
- ...

Organizational change
- Digital Taylorism
- Decentralized decision making
- Remote working practices
- ...

Institutional change
- De-unionization
- Labour market flexibility
- Minimum wages, Social protection
- ...

Great Recession & aftermath
- Capital formation,
- High-skill vacancies
- Productivity growth

...
Is this the typical European graduate labour market?
Today's outline: focus on heterogeneity among young graduates

1. Context: graduate labour supply trends, "graduate jobs" & graduate underemployment.

2. A picture of heterogeneity across Europe's graduate labour markets
Growth of Graduate Labour Supply, in brief

• Tertiary-educated graduates have become more prevalent everywhere, but at a widely varying pace
• They will go on growing everywhere for some time to come
Rise of tertiary educational attainment 2005-2015 (30-34 years)

Source: EU-LFS. Authors’ calculations
Gap in tertiary education between 30-34 and 55-59 years olds, 2015

Source: EU-LFS. Authors’ calculations
Growth of Graduate Jobs, in brief

- Prevalence of graduate jobs varies a lot
- The ‘quality’ of graduates relative to non-graduates explains some cross-country variation
- Graduate jobs have grown more prevalent almost everywhere, though at a varying pace
- Some occupations can switch between graduate and non-graduate
Proportion of labour in graduate jobs across countries

Source: Henseke and Green, 2017.
The prevalence of graduate jobs correlates with ...

- The skill level of graduates (+)
- The skill level of graduates relative to skilled non-graduates (+)
- The dropout rate from higher education (-)
- The prevalence of generic tertiary degrees (-)

With the quality and selectivity of tertiary education systems the percentage of workers in graduate jobs changes.
High-skill job growth (2005/2015)

Source: EU-LFS. Authors’ calculations
Trends in Underemployment, in brief

• Graduate underemployment varies considerably across countries
• Graduate underemployment is increasing in some countries, but not all
• If the supply of graduates grows faster than demand, on average, prevalence of underemployment rises.
Underemployed graduates, observed and skills adjusted

Source: Green and Henseke, 2016.
Change in the proportion of employed graduates in middle- or low-skilled jobs (2005/2015, ages 30-34)

Source: EU-LFS. Authors’ calculations
Relation between excess graduate labour supply and underemployment (30-34 years)

Source: EU-LFS. Authors’ calculations
Graduate Wage Trends, in brief

• Great cross-national differences in the evolution of graduate earnings
• Growth of average graduate earnings is closely associated with labour productivity trends
• Earnings gap between graduates and lower educated groups is broadly stable in most countries
Growth rate of average graduate earning (2006/2014, 25-34 years)

Source: EU-SILC. Authors’ calculations
The changing wage differential between tertiary and (upper-) secondary education, 2006 and 2014

Source: EU-SILC. Authors’ calculations
Relation between excess graduate labour supply and the wage premium (25-34 years)

\[ R^2 = 0.2744 \]

Graduate wage premium (change in log points, 2006/2014)

Relative graduate labour supply (growth rate)

Source: EU-LFS, EU-SILC. Authors’ calculations
Graduate Wage Dispersion, in brief

- Underemployment wage penalty rose in some but not all countries.
- But there is no general trends towards greater wage inequality
- Where excess graduate labour supply rose faster, the underemployment wage penalty widened
Underemployment wage penalty rose in some but not all countries (25-34 years)

Source: EU-SILC. Authors’ calculations
How has wage inequality within graduates evolved? (25-34 years)

\[ R^2 = 0.3712 \]

Change underemployment wage penalty, 2006-2014

Relative graduate labour supply (growth rate)

Source: EU-LSF, EU-SILC. Authors’ calculations
• Universal rise in the supply of graduates and graduate jobs
• Latter grew slower than former in many but not all countries. The result is growing underemployment
• Average graduate wages stagnated or fell in most countries. Earnings growth is closely associated with trends in labour productivity
• On average, when the supply of graduates outgrew graduate jobs, underemployment rose, the returns to tertiary education diminished and the underemployed wage penalty rose


