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Introduction: the complex transition of higher education graduates into the labour market

Fátima Suleman, Pedro Videira and Pedro N. Teixeira

THE GLOBAL EXPANSION OF HIGHER EDUCATION

Countries worldwide have experienced a significant expansion of higher education (HE) in recent decades, and this has resulted in an increased supply of the skilled workforce. Although this was not a synchronous process, with some countries undergoing this rapid expansion process sooner than others, the pattern remained relatively similar. This raises questions about the purpose and consequences of this development.

There are strong economic and social arguments behind the expansion. In line with the economic predictions of human capital theory, rational individuals invest in education and training to access future monetary and non-monetary benefits (Becker, 1993; Mincer, 1993) and subsequent studies have provided empirical evidence and discussion on the benefits of education worldwide (Psacharopoulos & Patrinos, 2004, 2018).

Concomitantly, a skilled workforce has been regarded as a driver of economic growth (Denison, 1962; Romer, 1990; Krueger & Lindhal, 2001; Goldin & Katz, 2008) and has been incentivised by policies at the institutional and national levels. The investment in HE strives to foster individuals' employability and earning capacity and to resolve the skill problems of employers and countries. The main educational outcome was consequently the set of productive skills and other attributes acquired while in the education system. On the other hand, employers have benefitted from the increased productivity of educated people and are willing to pay more for high performers (Acemoglu, 1998; Goldin & Katz, 1998; Autor et al., 2003).

This debate around the link between HE and the labour market has progressed towards the matching of acquired and required education and skills. The major claim was that the education system should endow graduates

with skills and, more importantly, these should be aligned with the skills demanded in the labour market (De Weert, 2007; Hernández-March et al., 2009). The matching arguments have influenced the reform of the HE system and have raised questions about utilisation of the acquired skills. The core assumption of matching/assignment theories about employability was that not all knowledge and skills acquired at school are equally productive (Heijke & Ramaekers 1998). Several studies have contributed to the empirical analysis of overeducation and its impacts on earnings and other labour market outcomes (see McGuinness, 2006 for a survey). Usually, this research agenda explored individual-based approaches to overeducation and overlooks the role of economic characteristics that influence the utilisation of the acquired skills.

Additionally, the supply of highly educated workers in many countries has shown that the productive system has been unable to absorb a highly educated workforce, leading to growing levels of graduate unemployment, underemployment, and job insecurity (Clarke, 2018). These labour market outcomes became a major concern among researchers and policy makers, thus raising a discussion about the employment conditions of young graduates (Peracchi, 2006; Brown et al., 2010). HE institutions are now under increasing pressure to ensure the employability of their graduates, with graduates' employment outcomes becoming a 'performative function of universities' (Knight, 2019) linked to higher education institutions' external and internal quality assurance. Several steps have been taken to ease the transition of youngsters into the labour market; these include the promotion of greater employer engagement (Basit et al., 2015); the development of regional partnerships (Suleman et al., 2023); innovative pedagogical methods (Healy, 2023); and the inclusion of opportunities for work and life experience while still in HE through numerous types of extracurricular activities and work-based learning (Jackson & Tomlinson, 2022).

THE CONSEQUENCES OF HE EXPANSION FOR THE GRADUATE LABOUR MARKET

This debate around the employability of HE graduates seems skewed towards the analysis of access to employment. A stream of the literature unveils the role of the demand for skills and shows how it undermines the benefits of investments in education. Following the increase in graduate unemployment during the slowdown of economic growth and employment in several Western countries in the 1970s, researchers worldwide discussed the consequences of the massification of HE and highlighted the allocation of graduates to jobs that traditionally require lower levels of qualification (see, for instance, Spence, 1973; Trow, 1973; Bowles & Gintis, 1975). Although the debate has persisted, the subsequent recovery of the labour market for graduates in the latter part of

the twentieth century calmed those concerns (Weiss, 1995), leading to a more nuanced view of the benefits of higher qualifications and the transition of university graduates to the labour market.

Elias and Purcell (2004) provided a taxonomy of occupations, which includes Traditional, Modern, New, Niche, and Non-graduate jobs, to support the debate around education and labour market link. Their major concern is that graduates may be increasingly assigned to non-graduate jobs. Teichler (2000) cautioned that highly skilled jobs have not kept pace with HE expansion. Marques, Suleman, and Calheiros (2022) provided empirical evidence on higher levels of overqualification in countries with low levels of high-tech manufacturing and services sectors.

Ultimately, contemporary research has shown that the link between HE and skilled labour markets has become more complex with the increased segmentation and rising inequalities among graduates (Brown, Lauder, & Ashton, 2010; Beaudry, Green, & Sand, 2014; Figueiredo et al., 2017; Green & Henseke, 2017). Productive systems have struggled to generate skilled jobs for the rapidly growing number of graduates, with the differences between graduates from specific institutions and subsystems, age cohorts, levels of study, fields of study, or types of programmes becoming more marked (Black & Smith, 2006; Chevalier, 2014). Although the average wage premia for graduates persisted and are still significant, they are increasingly misleading as some graduates benefit from their degrees far more than others.

Furthermore, Thurow (1975) warned that employers tend to raise educational requirements when there is a growing supply of highly educated candidates and overeducation helps positioning job applicants at the front of the labour queue. His argument was that workers acquire most skills through on-the-job training and learning-by-doing, thus imposing the cost of formal and informal training on employers. Educated candidates are expected to be endowed with cognitive (intelligence) and behavioural skills (perseverance, work discipline, punctuality, willingness to perform unpleasant tasks, and group compatibility) that facilitate learning and consequently reduce training costs.

These arguments were highlighted by other economists of education who have questioned the productive role of HE and advocated that it has an informative function (Arrow, 1973; Spence, 1973). Their theory was built around the assumptions of information asymmetry and uncertainty regarding individual qualities. Arrow (1973) advanced the screening theory and claimed that schooling classified individuals through attributes that employers valued and for which they agreed to pay higher wages. Therefore, HE provided information and helped employers to screen candidates through diplomas and certificates that certified unobservable abilities. In this asymmetrical context, rational individuals would acquire further education to signal their attributes to prospective employers (Spence, 1973).

Sociologists of HE have questioned the above-mentioned economic arguments (e.g. Marginson, 2016). First and foremost, expansion persists in the context of overeducation (Teichler, 2009) and most economic skill needs are met (Keep & Mayhew, 1999). In fact, expansion is more a response to social demand since families see HE as a tool to advance or maintain their social position (Marginson, 2016). Therefore, this ongoing expansion challenges simplified economic arguments and provides some support for the sociological views that expansion strives primarily to respond to demand from families and to provide educational opportunities for under-represented categories.

The value of education is therefore due not only to the useful skills it grants, as argued in classical human capital theory, but also to the formal credentials it provides that help graduates access high-level jobs (Collins, 1979). While Tomlinson (2018) notes that credentialism and grade inflation are important outcomes of mass HE, Saar et al. (2014) raise awareness of the consequences of the segmentation of HE institutions and graduates' labour market outcomes.

It has been said that the expansion of the system towards mass and universal access must provide a more varied programme supply to cater to an increasingly diverse student population and help mass HE more effectively fulfil an ever-broader set of missions (Scott, 1995; Trow, 2010). The more diverse supply is also considered necessary to respond to the needs of the so-called knowledge economy given that HE has been called on to adapt to more varied and complex training profiles (Levy & Murnane, 2004; Brown, Lauder, & Ashton, 2010). Nonetheless, this growing institutional differentiation raises important issues when it comes to the transition of graduates into the labour market as institutional differences tend to be translated into hierarchical or stratified relations between different types of higher education institutions, and this may have an impact on the benefits and opportunities offered by a degree. Thus, several studies have examined different forms of stratification (level of HE, type of institution, type of degree, field of study, selectivity, reputation, etc.) and how these may affect students' paths in HE and subsequently in the labour market (Shavit et al., 2007; Triventi, 2013).

THIS BOOK'S CONTRIBUTION

The collection of studies included in this book adds to this discussion by providing valuable insights into the range of consequences of HE expansion in countries with varying economic and social characteristics. We address a set of questions on the labour market of HE graduates:

- To what extent do investments in HE enable graduates to access appropriate/matched jobs?

- What are the employment conditions in these jobs? How have these conditions evolved during the massification processes?
- How are countries at different stages of HE expansion and economic development designing strategies to support the transition of graduates into the labour market? Are there particular transition regimes?
- How do country-specific socioeconomic characteristics affect employability and employment conditions?
- What segmentation dynamics are at play in which graduation from specific types of HE institutions (public or private; or from vocational/research) may significantly impact the employability and employment outcomes of graduates?
- Are there persistent differences between categories of workers even after significant investments in HE?

Our goal is thus to look at the effects of HE massification on graduate labour markets from an international comparative perspective using case studies in countries from very different regions and socioeconomic and HE contexts. There is already a significant body of literature for some of these countries; in addition, the Organisation for Economic Co-operation and Development (OECD) and Eurostat provide more wide-ranging information and examples of the labour market problems of highly educated youth, as well as policy guidelines to promote fulfilling work for young people, including graduates. However, some of the cases we propose to study (such as Lebanon) are largely

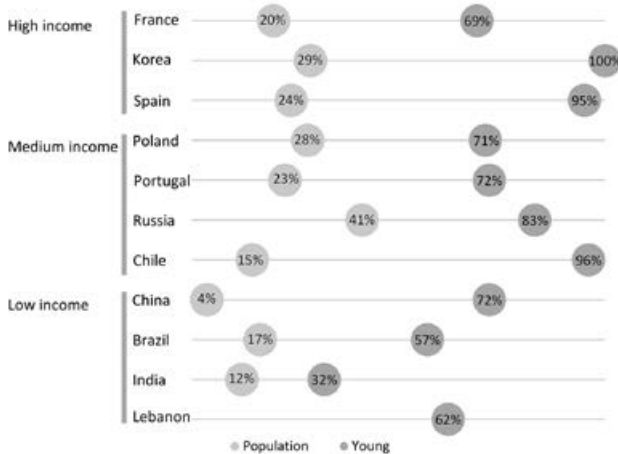


Figure I.1 Generational gap in higher education completion for adults and enrollments for young

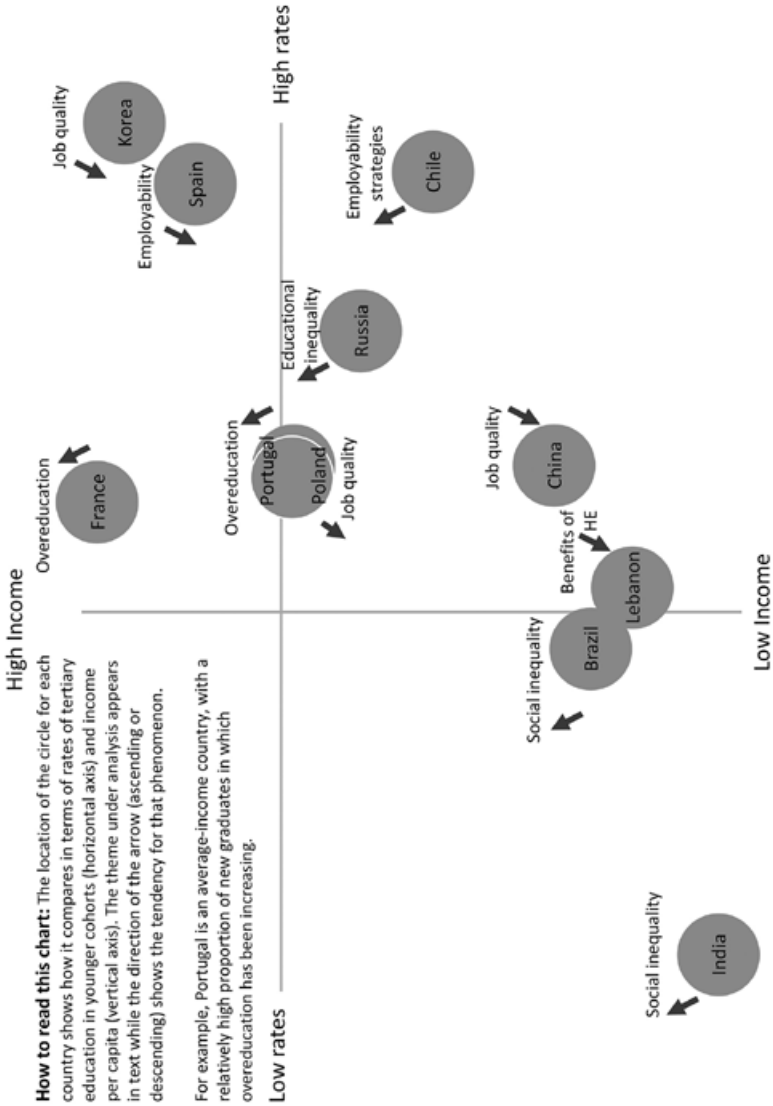


Figure I.2 Major themes explored in each chapter

unknown to the international English-based community, while others have not yet been adequately studied (such as Korea, Brazil, and Russia). Figure I.1 provides an overview of the countries under analysis regarding the average income as well as the generational gap in HE completion/ enrollments in each country. As the book provides a hitherto non-existent global perspective of graduates' labour market outcomes based on specific dimensions, it can contribute to policy design guidelines and recommendations for HE institutions, policy makers, international institutions interested in labour issues, and society in general.

This comparative approach is expected to make a novel contribution to our understanding of how and why the labour market outcomes of graduates vary across countries and what we can learn from different experiences with a view to ensuring that highly educated workers, especially young people, can find fulfilling work. The book comprises three parts that cluster countries with similar challenges based on the stage of HE expansion, the segmentation of HE institutions, and socioeconomic conditions that affect labour market outcomes. Figure I.2 depicts these socioeconomic conditions and the major topic examined in each country chapter.

Each chapter starts with a brief description of the HE system and socioeconomic characteristics of the country in question and an analysis of the main problems faced by graduates as described above. This Introduction and the Conclusion are used by the editors for a critical reflection on wider global trends while underlining the key similarities and differences between countries. The book concludes with some lessons drawn from the various contributions as well as some policy recommendations.

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