

# EDITORIAL

## Investing in people, skills and education for inclusive growth and jobs

For some time now, the global education and economic landscapes have been in a state of rapid transformation, spurred in significant part by two key changes. The first is the continued ascent of the knowledge economy, which has created powerful new incentives for people to build their skills through education – and for countries to help them do so. The second phenomenon – which is closely related to the first – is the explosive growth of higher education worldwide, which has increased opportunities for millions and is expanding the global talent pool of highly-educated individuals.

This year's *Education at a Glance* examines these landscapes in light of another important change: the full onset of the global recession in 2009 and 2010. As one might expect, our analysis finds that no group or country – no matter how well-educated – is totally immune from the effects of a worldwide economic downturn. At the same time, it also shows the remarkable importance of having a higher level of education for the economy, for the labour market and for the society as a whole.

At the most basic level, it's clear that having more education helped people to keep or change their jobs during the recession. For instance, between the start of the downturn in 2008 and 2010, overall unemployment rates jumped from an already high 8.8% to 12.5% for people without an upper secondary education, and from 4.9% to 7.6% for people with an upper secondary education, on average across OECD countries. By contrast, unemployment rates for people with higher education remained much lower, rising from 3.3% to 4.7% during this same period. While the rate of change between the two groups may be similar, its impact on labour markets is hugely different. For all OECD countries together, the unemployment rate in 2010 was roughly one-third less for men with higher education than for men with upper secondary education; for women with higher education, it was two-fifths less.

The gaps in earnings between people with higher education and those with lower levels of education not only remained substantial during the global recession, but grew even wider. In 2008, a man with higher education could expect to earn 58% more than his counterpart with no more than an upper secondary education, on average across OECD countries. By 2010, this premium increased to 67%. Similarly, in 2008, women with higher education had an average earnings premium of 54% compared to their upper secondary-educated peers. By 2010, this premium grew to 59%. This is no longer just a phenomenon of the industrialised world. Indeed, the country with the greatest earnings premium on higher education is now Brazil, where that advantage is about three times as high as on average across OECD countries. The hunger for education is also mirrored in the educational aspirations of much younger people in the emerging economies. Brazil, Indonesia and the Russian Federation are now among the ten countries with the highest proportion of 15-year-olds aspiring to highly-skilled careers.

These figures suggest that although the downturn certainly had a sweeping impact – especially for people with lower levels of education – the impact of the broader changes occurring on the global education and economic landscapes is even larger. Over the past decade across OECD countries, the percentage of adults who have attained higher education has grown at a rapid clip, from 22% in 2000 to 31% in 2010. Yet despite this burgeoning supply of well-educated individuals – as well as the faltering market conditions from 2008 forward – most people with higher education have continued to reap very good economic benefits. This signals that, overall, the demand for highly-skilled employees to meet the needs of the knowledge economy in OECD countries has continued to grow, even during the crisis.

Consequently, as long as societies continue to need more high-level skills, it's likely that the benefits of having advanced skills will remain solid not only in the short term, but over the long run. For example, this year's *Education at a Glance* estimates that, on average across 28 OECD countries, the long-term personal economic gain of acquiring a tertiary degree instead of an upper secondary degree as part of initial education, minus the associated costs, is over USD 160 000 for men and around USD 110 000 for women.

Importantly, taxpayers are increasingly aware of the economic and social returns on the public funds that are used to help people pursue higher education. On average, OECD countries receive a net return of over USD 100 000 in increased income tax payments and other savings for each man they support in higher education – four times the amount of public investment. For women, the net public return is about 2.5 times the amount of public investment. Of course, the public and private benefits of education go beyond the purely economic. For instance, this edition of *Education at a Glance* finds that higher levels of education are associated with a longer life expectancy, increased voting rates, and more supportive attitudes towards equal rights for ethnic minorities.

Indeed, the fact that investing in education yields strong benefits both for individuals and societies helps to explain one of the most salient findings from this year's *Education at a Glance*: to a notable degree, public and private investments on education rose in many OECD countries during the recession year of 2009. For example, between 2008 and 2009, spending by governments, enterprises and individual students and their families for all levels of education combined, increased in 24 out of 31 OECD countries with available data. This occurred even as national wealth, as measured by GDP, decreased in 26 of these countries. Similarly, expenditure per student by primary, secondary and post-secondary educational institutions increased by 15 percentage points on average across OECD countries between 2005 and 2009. Also here, some of the emerging economies are leading the way. In Brazil and the Russian Federation, for example, spending per student rose by around 60 percentage points over the same period, albeit from comparatively low levels.

Meanwhile, per-student expenditure by tertiary institutions rose an average of 9 percentage points during this same period.

Less surprisingly, while public expenditure on education as a percentage of total public expenditure remained at 13% on average across OECD countries in both 2005 and 2009, it decreased in 19 out of 32 individual countries during this period – an outcome that is almost certainly related to the onset and deepening of the global recession during the latter part of this time frame. Nonetheless, the fact that overall public and private education expenditure rose by any measure during the economic slowdown speaks to the efforts by governments and individuals to preserve what both see as the unique advantages of promoting investments in education.

This is not to say, however, that more spending necessarily equals better results. In recent years, policy makers have continuously emphasised the need for increased investments to be matched by improved outcomes. Moreover, especially in times of fiscal constraint, countries must make smart choices about how to allocate limited resources – a priority that the OECD is helping to address with initiatives like our Skills Strategy. This edition of *Education at a Glance* calls attention to several areas where countries have made noteworthy progress, and identifies others that are likely to require continued attention in the future.

For example – as detailed in our first-ever indicator on early childhood education and care – countries are making admirable strides in expanding schooling for their youngest students, an issue that has become more prominent on countries' education policy agendas in recent years. On average, in OECD countries with data for both years, enrolments in early childhood education programmes rose from 64% of 3-year-olds in 2005 to 69% in 2010, and from 77% of 4-year-olds in 2005 to 81% in 2010. More than three-quarters of 4-year-olds are enrolled in early childhood education across OECD countries as a whole, and in a majority of OECD countries, education now begins for most children well before they are 5 years old. Given that early childhood education is associated with better performance later on in school, these developments bode well for a future in which increasing young people's skills will be more important than ever.

OECD countries are also benefitting from continued gains in women's participation in higher education. For instance, the percentage of women expected to enter a university programme in their lifetime rose from 60%

in 2005 to 69% in 2010, on average across OECD countries, while the proportion for men increased from 48% to 55% during this same period. In addition, women now comprise 59% of all university first degree graduates, on average across OECD countries. While more needs to be done to increase women's participation in fields of study like engineering, manufacturing and computer science – as well as their representation among advanced degree-holders – the progress thus far is nonetheless quite positive.

By contrast, it's clear that increasing educational equity and opportunity for all students, regardless of their background, remains a deep and abiding challenge in all countries. For example, this year's *Education at a Glance* concludes that the reading performance of students from immigrant backgrounds may be particularly negatively affected when they attend schools with large numbers of pupils from families with low levels of education – a finding that suggests the need for effective policy remedies in many OECD countries.

Similarly, policy makers would do well to take note of the increase in the number of 15-29 year-olds who are neither in employment nor in education or training – the so-called “NEET” population – which spiked to nearly 16% across OECD countries in 2010 after several years of decline. This increase reflects the particular hardship that young people have borne as a result of the global recession. Data from the 2012 *OECD Employment Outlook* show that youth unemployment has now reached alarming levels in several OECD countries, underscoring the need for countries to examine measures that can productively engage people in this crucial age group, such as vocational education and training programmes and opportunities for non-formal education and training.

Likewise, in an era when having a higher education degree is increasingly necessary to assure a smooth transition into the labour market, many OECD countries need to do more to increase access to higher education for young people from disadvantaged circumstances. For example, this year's edition finds stark differences in young people's chances of attending higher education, depending on their parents' educational background. On average across OECD countries, young people from families with low levels of education are less than half as likely to be in higher education, compared to the proportion of such families in the population. Meanwhile, a young person with at least one parent who has attained a higher education degree is almost twice as likely to be in higher education, compared to the proportion of these families in the population.

Finally, because changes to the global economy affect both countries and individuals, countries should take care to strike a careful balance between providing appropriate public support for education and requiring students and families to cover some of the costs. As the expenditure data cited earlier suggest, students and families have been bearing an increasing share of the costs of education in many OECD countries. While this general approach is reasonable in that individuals receive many of the benefits of education, it can also lead to scenarios in which individuals face large financial barriers in pursuing more education – a situation that is now the case for people seeking higher education in several OECD countries. In turn, these barriers may impede countries' own goals of increasing educational attainment in their populations.

With the launch of this 20th edition of *Education at a Glance*, the OECD marks its close co-operation with a generation of leaders, policy makers, and researchers in assessing their countries in light of the global education landscape to chart an effective course for the future. As the spectre of another economic downturn is looming large in some countries and is already a reality in others, the findings from this year's edition may be especially relevant. Investing in people, their skills and their education is key for inclusive growth and jobs – it is key for the success of economies, societies and their citizens!

The OECD remains committed to finding new ways to provide accurate, relevant data and policy recommendations on the world's most pressing education issues and to help countries design, promote and implement *better education policies for better lives!*



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