

LABOUR MARKETS PERFORMANCE OF GRADUATES IN EUROPE: A COMPARATIVE VIEW

Dr Golo Henseke, UCL Institute of Education

2018 AlmaLaurea Conference “Structural Changes, Graduates and
Jobs”, 11th June 2018

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

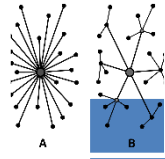


Drivers of skilled labour demand?



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?



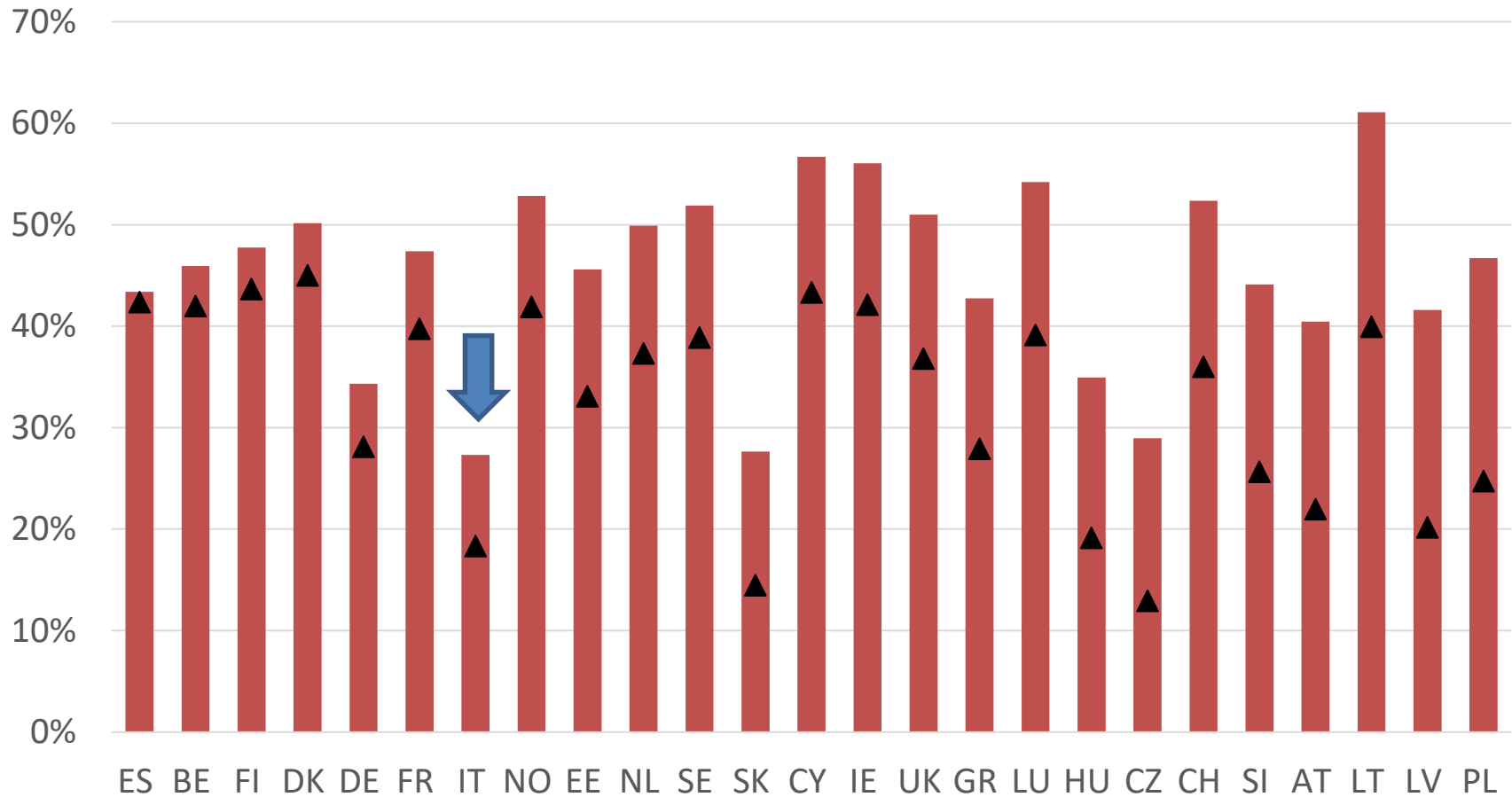
Today's outline: focus on heterogeneity among young graduates

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

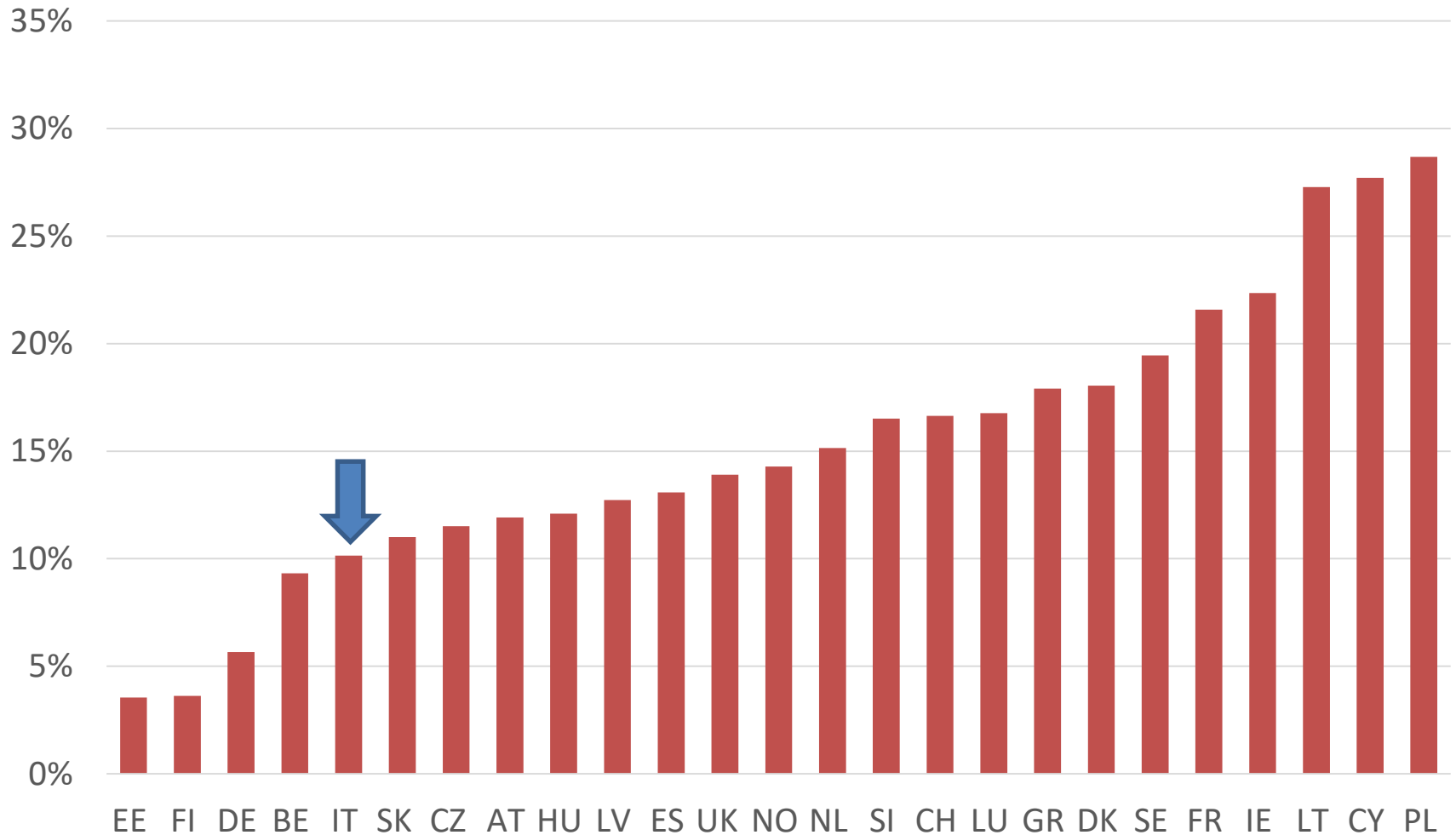
Rise of tertiary educational attainment 2005-2015 (30-34 years)



Source: EU-LFS. Authors' calculations

■ 2015 ▲ 2005

Gap in tertiary education between 30-34 and 55-59 years olds, 2015

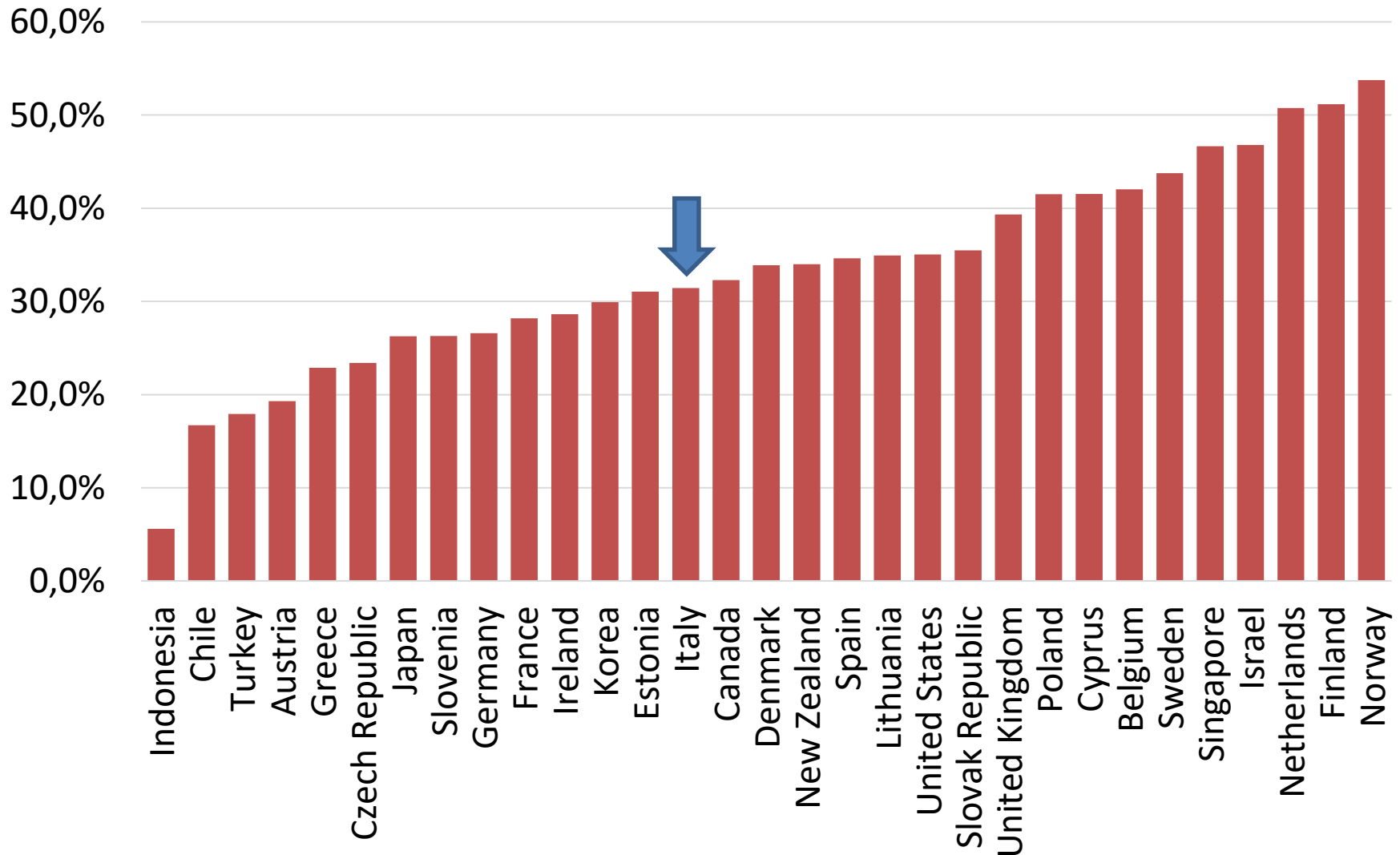


Source: EU-LFS. Authors' calculations

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

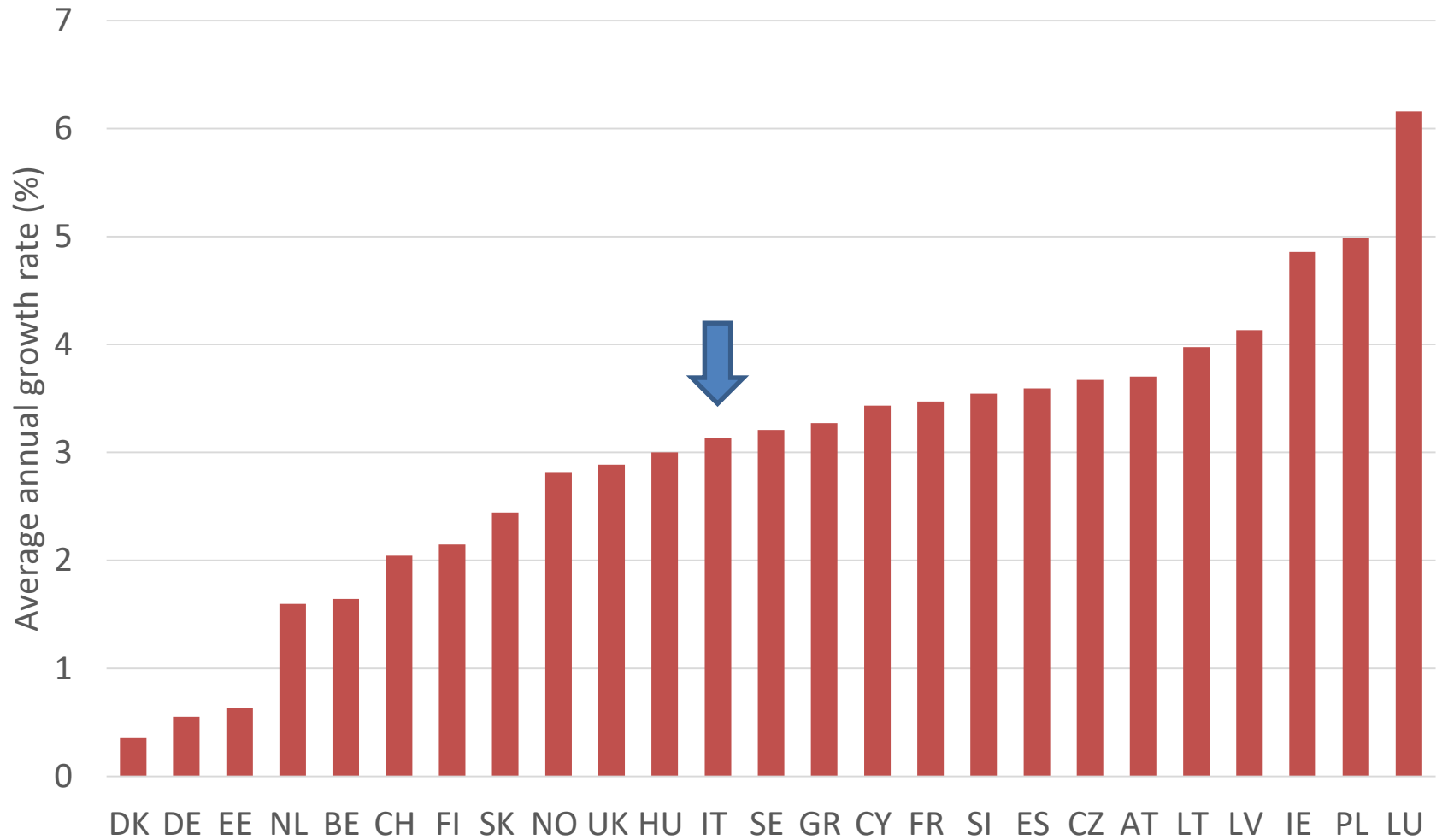


The prevalence of graduate jobs correlates with ...

- 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.

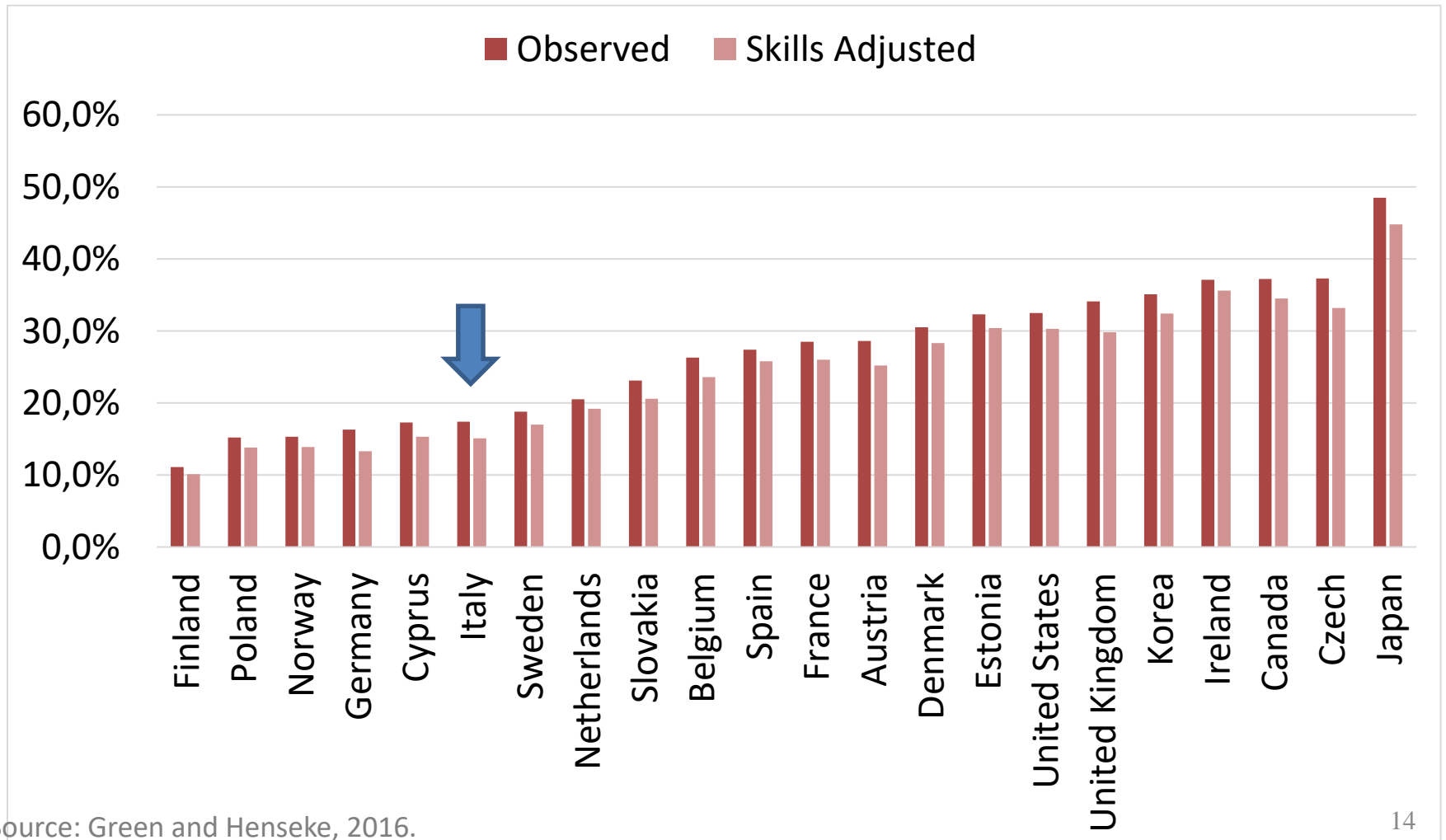
High-skill job growth (2005/2015)



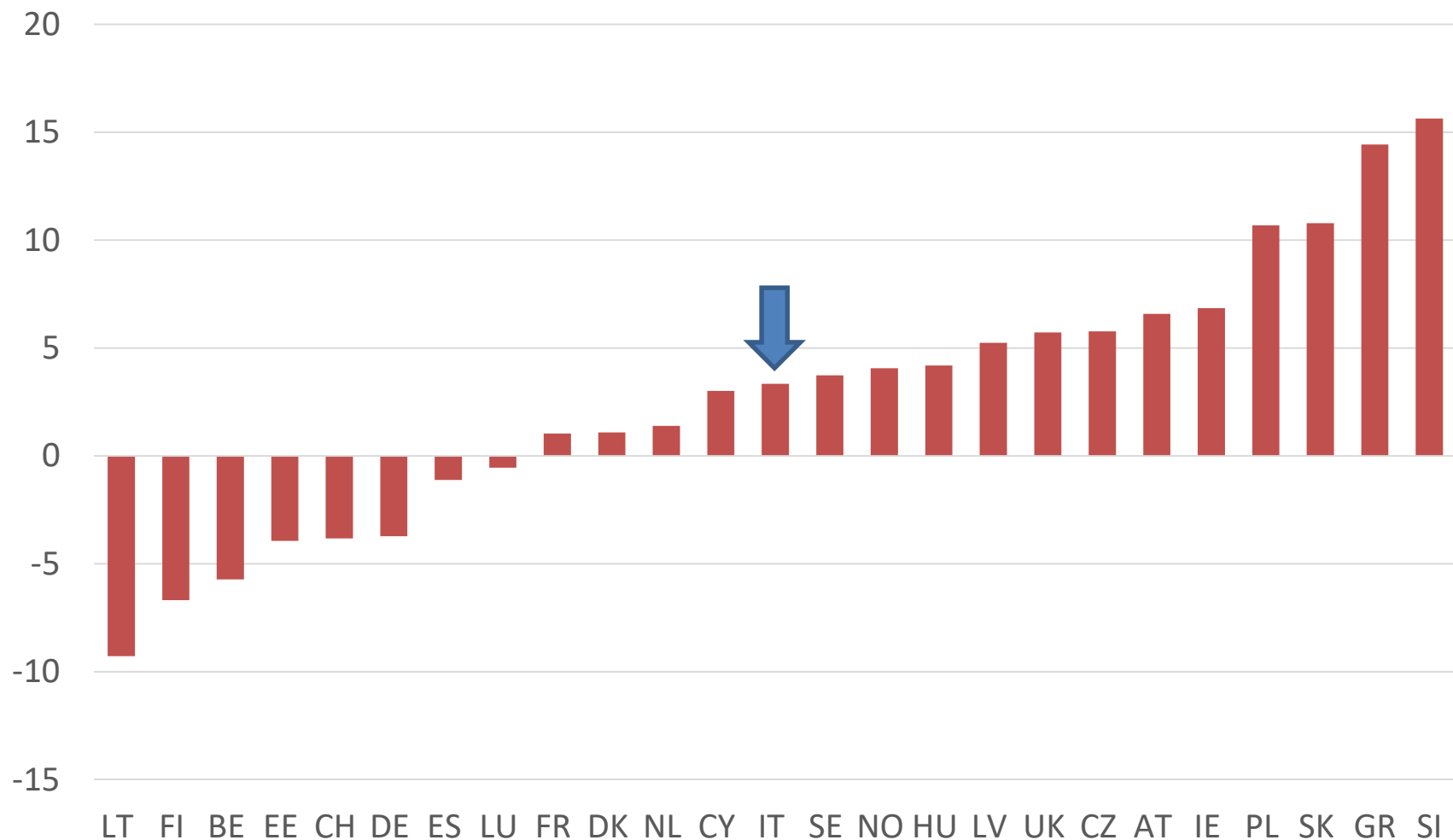
Trends in Underemployment, in brief

- 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

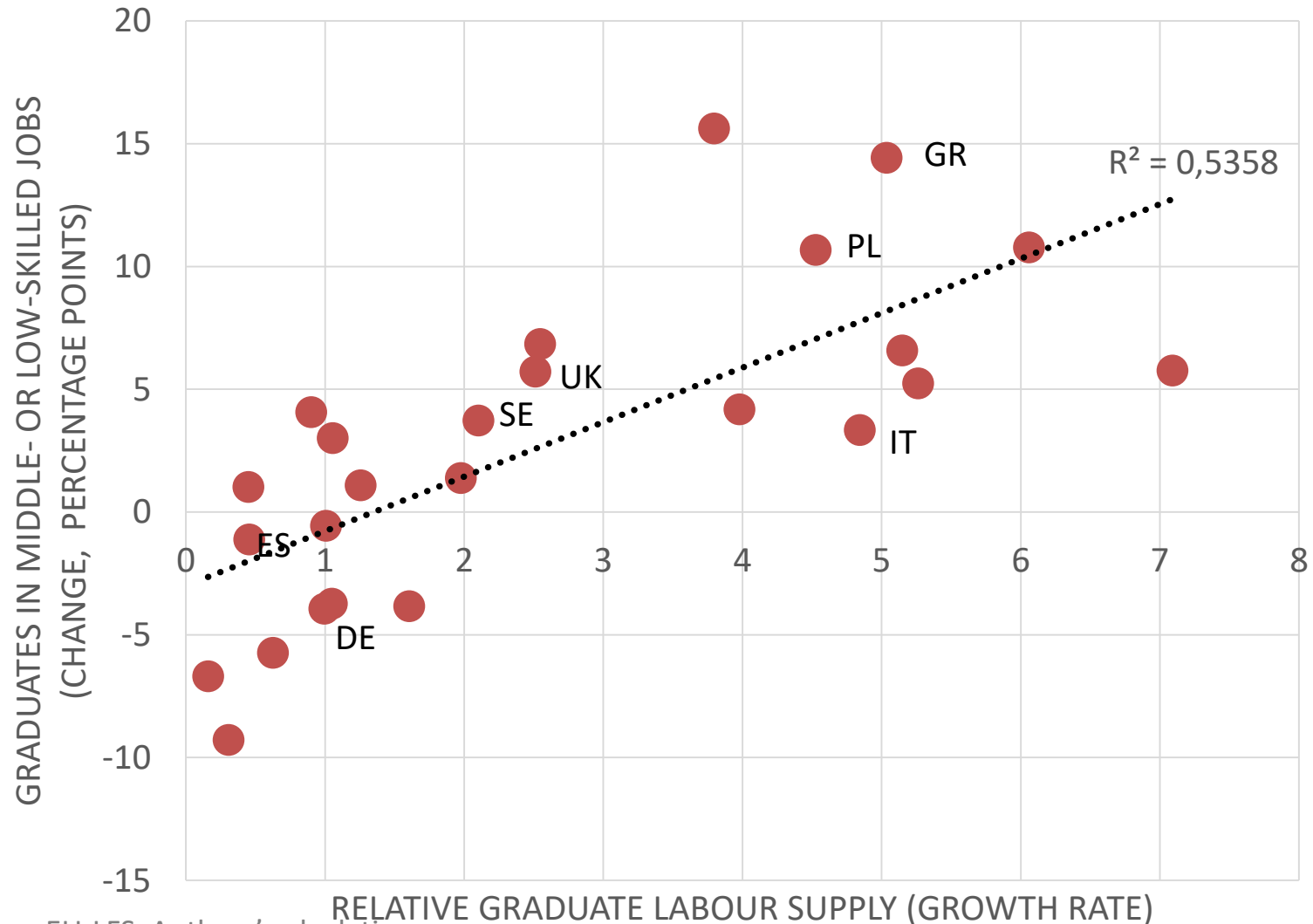


Change in the proportion of employed graduates in middle- or low-skilled jobs (2005/2015, ages 30-34)



Source: EU-LFS. Authors' calculations

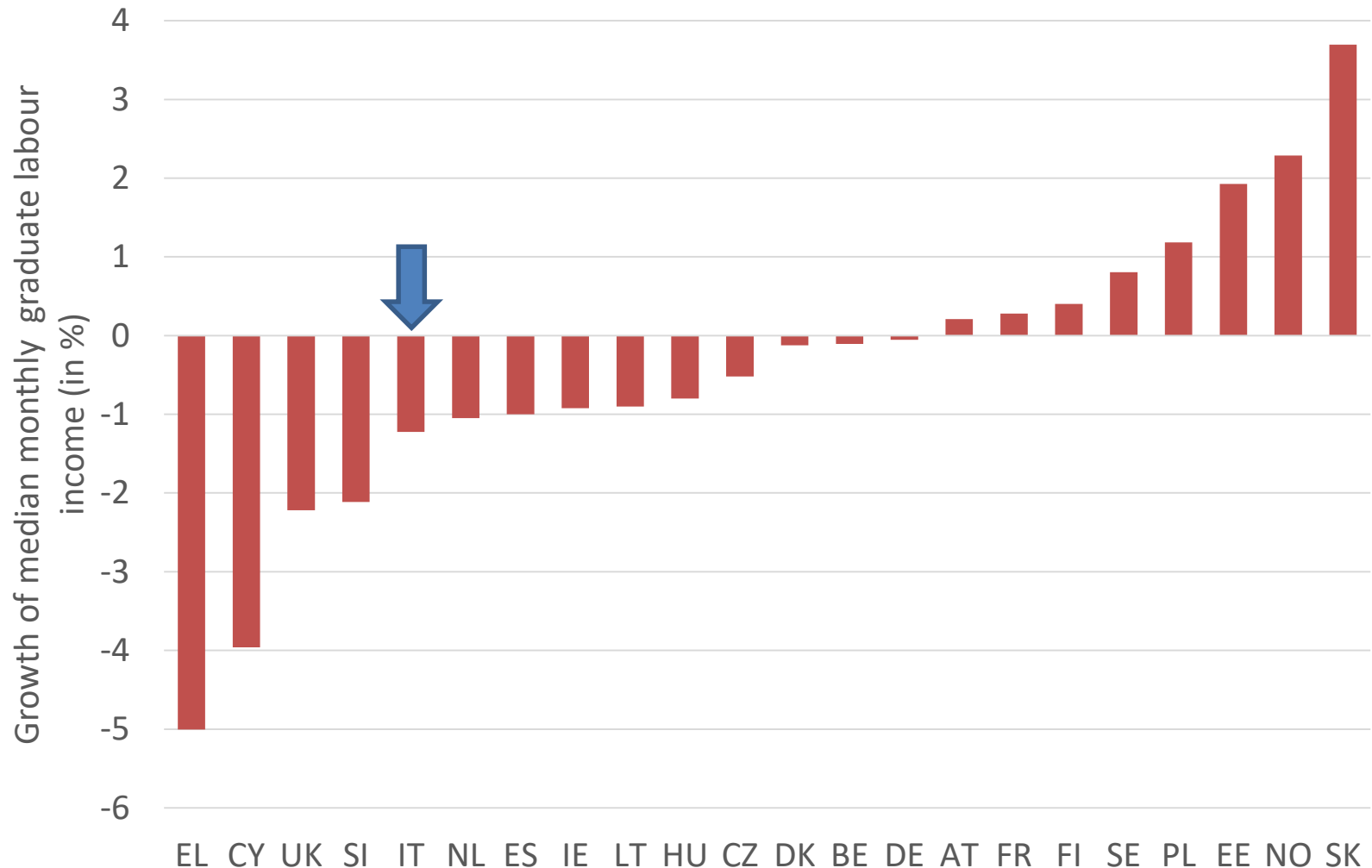
Relation between excess graduate labour supply and underemployment (30-34 years)



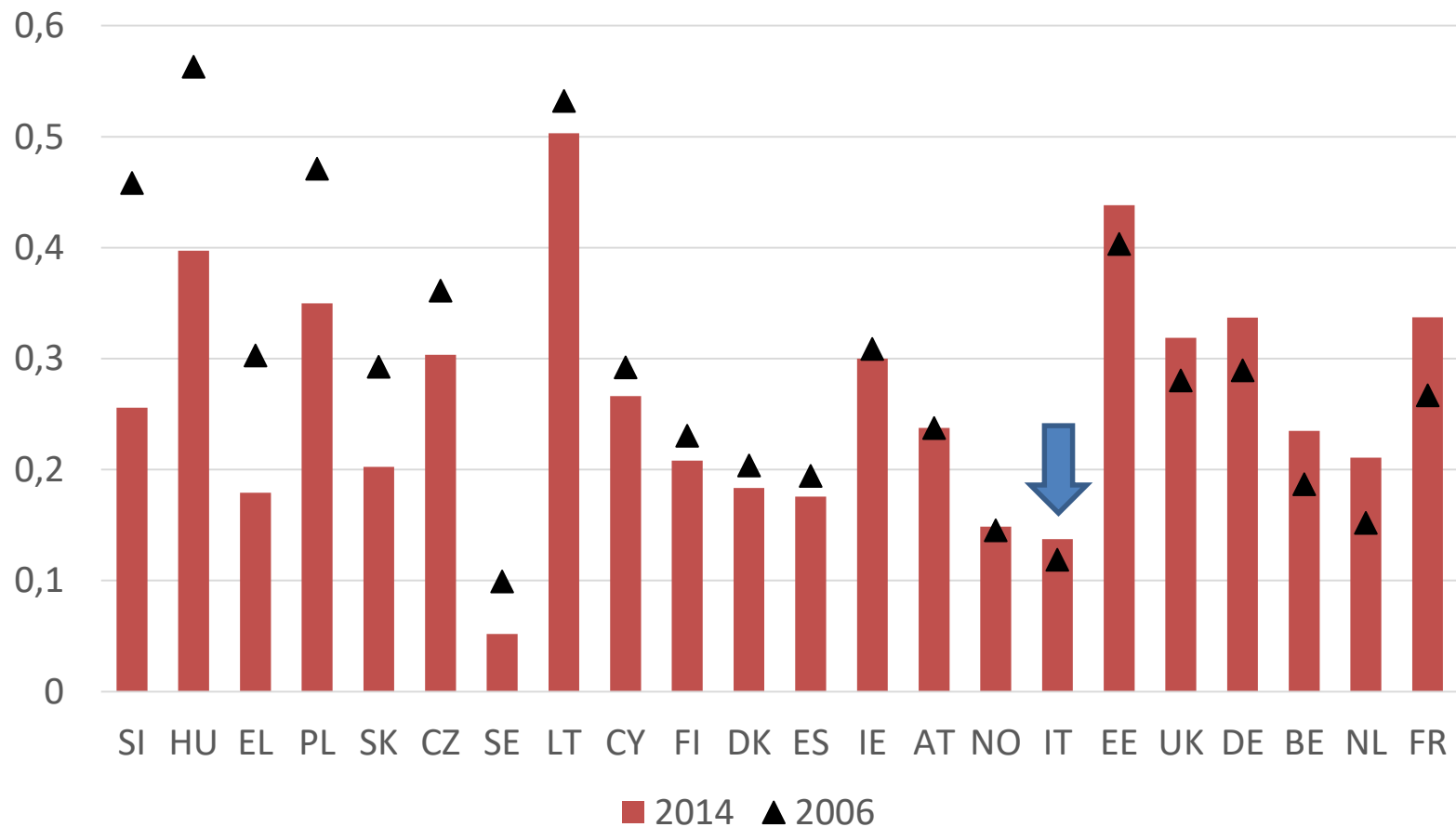
Graduate Wage Trends, in brief

- 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

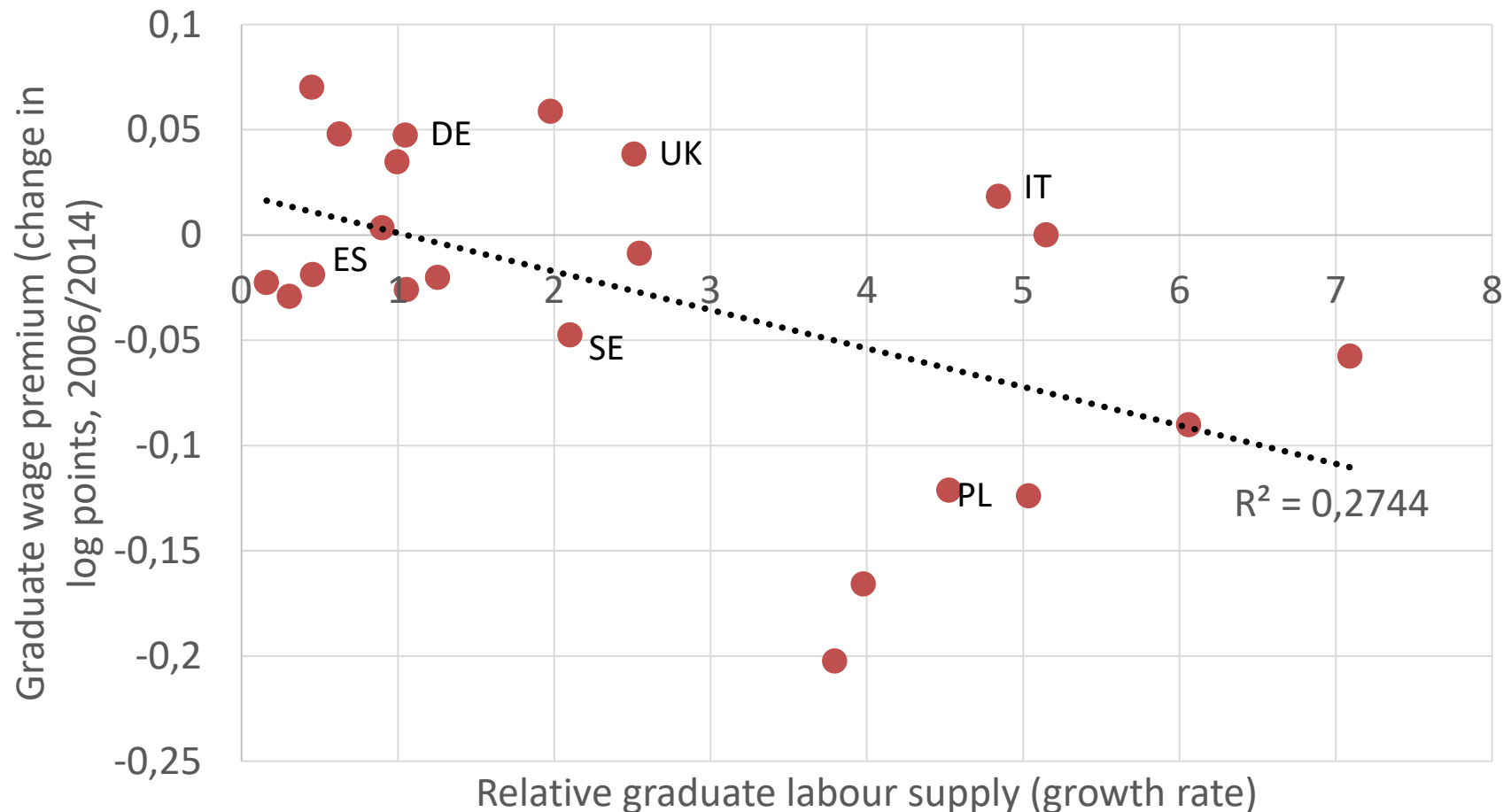
Growth rate of average graduate earning (2006/2014, 25-34 years)



The changing wage differential between tertiary and (upper-) secondary education, 2006 and 2014



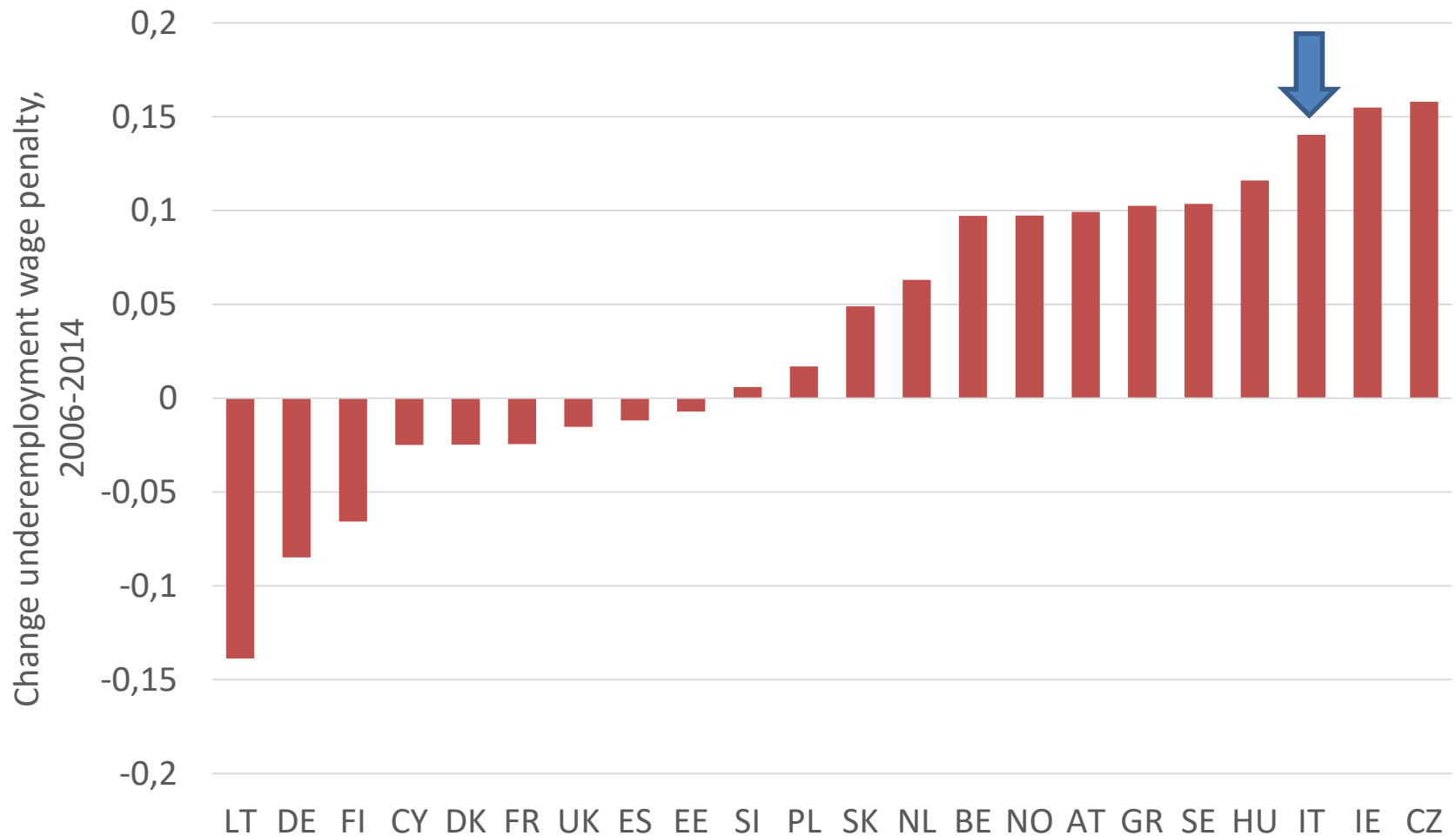
Relation between excess graduate labour supply and the wage premium (25-34 years)



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)



How has wage inequality within graduates evolved? (25-34 years)



Graduate Employment Clouds?

- 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

Green, F. (2013). *Skills and Skilled Work. An Economic and Social Analysis*. Oxford, Oxford University Press. <http://discovery.ucl.ac.uk/1490672/>

Green, F. and G. Henseke (2016a) "[Should governments of OECD countries worry about graduate underemployment?](http://discovery.ucl.ac.uk/1522165/)" *Oxford Review of Economic Policy*. (<http://discovery.ucl.ac.uk/1522165/>).

Green, F. and G. Henseke (2016b). "[The Changing Graduate Labour Market: Analysis Using a New Indicator of Graduate Jobs](http://discovery.ucl.ac.uk/1505789/)". *IZA Journal of Labor Policy*, 5:14. (<http://discovery.ucl.ac.uk/1505789/>)

Green, F. and G. Henseke (2017). "Graduates and 'graduate jobs' in Europe: a picture of growth and diversification". *CGHE Working Paper*, 25.

Henseke, G. and F. Green (2017) "[Cross-national Deployment of "Graduate Jobs": Analysis Using a New Indicator Based on High Skills Use](http://discovery.ucl.ac.uk/1542476/)". *Research In Labor Economics*. (<http://discovery.ucl.ac.uk/1542476/>)

Henseke, G. (2018). "Against the Grain? Assessing Graduate Labour Market Trends in Germany Through a Task-Based Indicator of Graduate Jobs". *Social Indicators Research* (<http://rdcu.be/GJDs>)