

# DIPLOMAS AND THE LABOUR MARKET: THE DEBATE SO FAR <sup>3</sup>

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The aim of this chapter is to reflect the main points raised during the discussions on “Diplomas and the labour-market” and the different viewpoints expressed on them by participants in the AGORA THESSALONIKIS seminar.

The main research results, which are presented at greater length in Louis Mallet’s chapter, show that the distribution of diplomas in the labour-market in all the countries surveyed (**Germany, Spain, France, Italy, The Netherlands and the UK**) does not reflect any specific demand from the professions as is generally claimed by the social partners, researchers and “politicians”.

**The presence of diplomas in the different professions is undergoing a change, showing an almost uniform increase in all professions, along with a simultaneous increase in the number of diplomas within the education system.**

These results which, to use H. Steedman’s words, are provocative in the best sense of the term, raise numerous questions. Discussions during the AGORA seminar were based on the following key questions<sup>4</sup>:

- To what can this increased level and number of diplomas be attributed?
- Can this relatively uniform increase in all professions be interpreted as an indicator of over-education?
- Has there been a change in the content and “signifier” of diplomas?
- What is the relationship between diplomas (what they represent) and the skills which companies require?
- What role do diplomas play in the individual’s training strategy?
- What are the consequences of the answers to the above questions for the future of education and training systems?

### **To what can this increase in diplomas be attributed?**

If this increase in training levels does not correspond to any specific and individualised demand from the different professions, as all sides have claimed, how then can we

<sup>3</sup> This chapter aims at reflecting the discussions which took place during the seminar on “Diplomas and the labour market” in the framework of the CEDEFOP “AGORA THESSALONIKIS” programme, with the participation of researchers, and representatives of employers, employees and public administrations. In order to draft the text I have used the transcriptions of what was actually said during the seminar and in the “heat” of discussions.

<sup>4</sup> During the debate certain methodological questions were raised on basic research (C. Buechtemann, K. Drake and M. Tessaring), but seeing as these were not the object of discussion they have not been systematically included in this “run-down” of the debate.

explain the major efforts made by all parties (individuals, families, the State and companies) to support such a development?

Two types of answers, which are not in any way mutually exclusive, were proposed during discussions:

- Firstly, this virtually uniform spread of diplomas is seen as a reaction to an almost identical global demand for qualifications sparked off by the introduction of new technologies into almost all professions and by the evolution of an economy which is pushing to improve the variety and quality of goods and services.
- Secondly, this widespread increase is seen as reflecting a consensus reached between all parties (individuals, families, the State and companies) based on the common belief that education is a fundamental factor in the economic development of countries and their businesses. Each individual party has additional reasons which contradict one another to some extent (see L. Mallet's chapter).

Is this consensus, which allowed education and training systems to develop in leaps and bounds, now undergoing a crisis? If so, what factors have broken the consensus?

In other words, as K. Schedler states, has the balance - the balance, that is, between the "social demand for education" and the "manpower requirement" - been upset?

During the debate various potential reasons for this crisis were put forward, along with others which aimed to show that the consensus still exists, thus justifying "*mutatis mutandis*" the further development of education in our countries.

Some of the crisis factors mentioned were:

- curbs on (or cuts in ?) public spending;
- increased demands on household budgets;
- social exclusion and its links with education, including unemployment amongst those holding diplomas;
- the drop in education returns for the individual (J. Pasquier);
- the need to strike a new balance between the efforts put into initial training and into life-long learning (L. Frey);
- the risks of "over-education", and therefore under-employment amongst graduates (A. Dumont and J. Pasquier);
- the weakening of the link between diplomas and the skills demanded by firms (A. Dumont).

Amongst the factors which were mentioned as helping to consolidate the consensus on a widespread increase in education levels were:

- the persistence, regardless, of the generally-accepted opinion (based on *de facto* information and popular wisdom) that school education is fundamental to the growth of the economy (J. van Rens);
- the role of diplomas as a fundamental indication of the individual's social and professional standing (J. Tagliaferri);

- the role of an increasingly educated and hence increasingly qualified workforce in company competitiveness, particularly within an economy which is becoming more and more tertiarised (L. Frey);
- evidence of changes in the nature of work due to the presence of diploma holders in professions traditionally occupied by those with no diploma tends to make workers more productive and perform better in terms of new technologies and the demands of production “processes” (H. Steedman and C. Buechtemann);
- the irrationality of a mechanical linkage of initial training and a first job when education is seen as a lifelong process for which initial training should lay the foundations; this explains the interest in providing a broad training which facilitates the development of professional careers: workforce mobility and lifelong learning (O. Lübke);
- and, last but not least, one cannot think about education in purely economic terms, forgetting its cultural role in building citizenship, social cohesion, etc. (O. Lübke, A. Dumont and J. Leenhouts).

**Can this relatively uniform increase in all professions be interpreted as an indication of over-education?**

Despite the fact that the introductory document to the debate (L. Mallet) explicitly rejects any such interpretation, a number of speakers stressed the risk that these results could be interpreted as a sign of over-education and, in particular, that this interpretation could have negative repercussions on educational policy and education-related budget policy.

- The risk with this kind of interpretation stems from the fact that the results contradict the “traditional” way of interpreting the relationship between diplomas and the labour-market, based on a correspondence between training and work (“manpower approach”), and could well be interpreted as a sign of too much education (over-education).
- In any event, C. Buechtemann and H. Steedman have suggested an interpretation of the same results which runs fully counter to the over-education thesis (see C. Buechtemann and H. Steedman’s chapters), and according to which this virtually identical widespread increase in the level of diplomas in all professions is a reaction to a similarly widespread demand for more qualifications in all professions. According to this interpretation, the widespread increase in diplomas is not a reaction to the specific demands of professions, simply because at this level the professions do not in fact have any specific demands. It is rather a general demand amongst all professions. This interpretation of the results of basic research would square with the “reaction to demand from the labour-market” thesis.
- H. Steedman points out that, for companies, assigning more qualified manpower to less qualified jobs means that performance levels can be increased. Graduates tend to express themselves more clearly and have a better grasp of certain aspects of their work.
- In any case, as K. Drake points out, because the framework used for analysing the links between education and employment, and work and productivity is weak on theory, this leaves tremendous scope for value judgements, “opinions” and ideological stances,

without the scientific tools being available to either reject or confirm them in any conclusive manner. The “black box” remains.

In any case, the “supply effect” shows that basic research does not prejudge whether education is correctly or incorrectly used in terms of productivity, but that it creates a link between two types of nomenclature, that of the professions and that of diplomas in each country. Reference research does not take account of productivity aspects which tend to be more related to changes in the content of professions when they are occupied by people with a higher level of diploma, whilst retaining the original job description; neither does it take account of the relationship between diplomas and differences in salary. Other studies have shown (as J. Leenhouts, H. Steedman and C. Buechtemann have stressed) that the content of many occupations is changing without there being any corresponding change in job description, even though these occupations require people with more and more training, which would explain and justify the increase in the level of diplomas amongst those exercising the profession.

In any case, it is plausible that the relationship between occupations and diplomas is not merely the result of diplomas adapting to jobs in each profession, but rather that we are faced with a much more interactive phenomenon.

Summing up, although basic research does not provide any proof to either support or refute the over-education phenomenon, other studies provide clues which would lead us to think that the over-education phenomenon, if it really does exist, is certainly not widespread.

## **Have the content and meaning of diplomas changed?**

What all diplomas have in common is the fact that they are certificates awarded by national education systems indicating the level of education reached, taking initial training as the baseline, and being relatively equivalent or comparable from one country to another. The increase in diplomas is the legal expression of the educational expansion mentioned beforehand.

Despite being basically stable in its legal form, the content and, more particularly, the signification of diplomas have changed and this, according to what was said in the discussions, is due to several factors:

- Firstly, same-level diplomas, corresponding to an equal number of study years, do not necessarily correspond to an equal level of qualification either within a given study channel or when compared with others. Having the same level of diploma has never implied equivalence of available qualifications. The widespread increase in the level of diplomas, as the result of very different approaches to study on the part of students who sometimes continue their studies not out of intrinsic interest but rather because there was no other alternative such as work and on-the-job professional advancement, means that the real result of qualifications “certified” by an equal level of diploma is more diversified than in the past in a context where access to a professional career through work offered a real alternative to study (A. Dumont, J. Pasquier).

- Moreover, C. Buechtemann points out that, over the last 15 years, the curriculum content for same-level diplomas has changed substantially in all European education systems.
- The market value of certificates of study has also changed over recent decades. Their value as a reference has diminished as overall numbers have increased, for market reasons, and there are no longer the same number of guarantees on returns. But this is very much a market unto itself, where diplomas have at the same time increased in value precisely because of their increase in number, as an essential condition of access to work and in particular to certain quality professions. In other words, not having a diploma is becoming more and more of a minus point.
- Subjectively speaking, diplomas are increasingly becoming an investment for those who have them, helping them to improve their market position. Higher unemployment and the difficulties of finding a first “quality” job mean that the diploma has become most valuable as a key to employment. Paradoxically, the diploma-related professional expectations of certificate holders are not being completely satisfied, generating a phenomenon of dissatisfaction or subjective under-employment. To what extent (C. Buechtemann) do these changes in the value of diplomas on the market reflect changes in the “quality of the results produced by education”? To what extent has the increased number of diplomas changed their value as an indication of talent? How has the increase in the number of certificate holders changed the distribution of talent and increased its heterogeneity?
- Finally, as K. Schedler points out for Austria (although this also applies to other European countries), a large percentage of students (50% in Austria) abandon their studies before actually getting a diploma, which means that a large amount of school training is not being expressed in diploma form.

**What is the relationship between certificates (what they represent) and the skills which companies need?**

This question was raised several times, particularly by H. Steedman, J. Pasquier and A. Dumont.

The main issues discussed under this point were:

- General considerations on changes in the nature, content and recognition both of diplomas and also of skills, and associated problems of information.
- The value of diplomas as an indicator of skills.
- The ability of companies to clearly show the skills which they require.
- The complexity of procedures for acquiring skills, and their recognition and legitimatisation on the labour-market.

Certain general considerations were raised on changes in the nature and content of qualifications and skills:

One of the problems with the link between the increase in diplomas and companies' skill requirements (C. Buechtemann) is that the overall spread of new information technology has not only created new occupations, it has also brought with it changes in organisation which means that different skills are being sought throughout the whole employment hierarchy, creating new across-the-board demand for skills which to some degree render obsolete professional profiles as they are traditionally defined, even in statistical nomenclature. This gives rise to major information problems at the "macro" level for both certificates and skills.

The skills of each individual, which it is difficult enough to recognise at the best of times, are not recorded at a statistical level. The question is: are certificates a good indicator of these skills? If not, is there one (or several) indicators which could better identify them?

On diplomas, several ideas were put forward:

- According to what was said during the debate, companies' qualification requirements are expressed in terms of skills, and diplomas are a very weak indicator for identifying them, particularly for adult employees. Adult employees' qualifications are largely made up of experience and continuous training.
- Moreover, (C. Buechtemann), the internal development of distinctions between training channels in European education systems has led to an increase in the heterogeneity of the "talents" and skills which diplomas represent.
- The race for diplomas (A. Dumont, J. Pasquier) has not, according to several participants, improved the situation of young people in companies although, according to others, it has improved the quality of human resources available to the companies which, some participants feel, follow a contradictory line of reasoning - when dealing with people responsible for education systems they demand more and more training, whereas when they are recruiting they systematically question the productive value of such training.
- In spite of all this, J. Tagliaferri felt that, when it comes down to it, despite their limitations diplomas are one of the only guarantees of skills and the capacity to go on acquiring them.

On company requirements:

- H. Steedman asked whether the growing consumption of highly qualified manpower (certificate holders) by companies really stems from a need for skills.
- A. Dumont stressed that companies do not require actual certificates, but rather skills. Covering company needs thus means that we must enter the "logic of professional skills", although given the great diversity of companies it is difficult to associate specific skills with any one occupation.
- According to this logic, firms need to recognise the skills of the individual, and this is impossible purely on the basis of the information provided by the certificate, which tends to be vague and inadequate.
- H. Steedman believes that employers interpret the qualifications which go along with certificates as signs of a capacity to learn rather than as indicators of knowledge acquired. According to this line, the strategy of substituting those with fewer certificates by those with more is part of a policy to cut the cost of learning.

- In any case, as J. Pasquier pointed out, messages laying out company requirements must be improved. Companies give out different messages on what skills and qualifications are required when talking to universities to what they do in a staff recruitment context. In the former case they have a tendency to demand more and higher levels of education, whereas in the latter case they devalue the same levels of education.
- Moreover, the problem of skill requirements should not be tackled purely in terms of adapting to the needs of the moment, but rather in terms of forward-looking human resource management.
- In the messages coming from companies there is a possible contradiction between contracts which are often short-term, and the need to invest in skills which tends to be medium and long term.
- Finally, K. Drake underscored the need to approach the question the other way around: what should be done to ensure that companies are capable of using the skills of their employees? According to available data, we are far from using the full potential.

In terms of skill recognition:

- Although, as was mentioned by J. Tagliaferri, certificates provide only a vague and imperfect indication of skill, they are still one of the only universally recognised identification systems. The difficulties of replacing this system with one which recognises skills are immense, the two major ones being: **recognition/transparency**, and **legitimisation** by the various agents involved: employers, employees and education and training systems.
- In the present context and in the absence of any system of skill recognition, it is likely that, far from losing their value as a signal, certificates will increase in value since more pertinent signals do not exist.
- The creation of a new information system based on skills is becoming more important since skill requirements are changing rapidly and the labour-market is becoming more flexible and external to each company.
- Social dialogue seems essential for the construction of this type of system, although how exactly the different levels of this dialogue (company, sector, national, international, etc.) will swing in with one another is a tricky question.

## □ **What role do diplomas play in the individual's training strategy?**

As L. Frey stresses, the increase in numbers of diplomas is the result of a training strategy (the families', the States', and the companies'), which has poured all its efforts into initial training, indirectly creating a generation gap between those (the youngest), who can be defined by their diploma, and older individuals, who gained their qualifications through experience, usually starting from a low level of schooling.

Thus, the expansion of initial school education is also the result of demand from young people and their families although, as J. Pasquier stresses, this can be due to different reasons and under pressure of unemployment. Raising the level of certificate is therefore

an essential part of the training strategy of young individuals who are aiming at a better first job and a better starting position for their professional career.

K. Schedler asks the question in the following terms: to what extent does a higher level of diploma really open up better career prospects?

Having lost some of their value on the labour-market, certificates have won it back as a necessary albeit inadequate condition of access to well-paid jobs linked to professional careers and providing preferential access to lifelong learning.

Inter-generational competition lurks behind the role of diplomas in the individual's training and recruitment process and their professional career. Certificates are a privileged characteristic of the younger generations, older ones tending to have informal qualifications. There are two reasons for this: firstly the younger the generation, the more it has been affected by the expansion of school systems, and secondly it stands to reason that older generations have more work experience than younger ones.

The key role played by diplomas in recruitment and professional promotion can be a de facto obstacle to the professional career and training of older employees, whilst at the same time it can lead to an inflationist approach in terms of school qualifications amongst younger individuals, who are in competition against the backdrop of high unemployment.

## **□ What are the consequences of the answers to the above questions for the future of education and training systems?**

The first observation came from B. Lutz, who was surprised to note that the phenomenon of distribution following the effect of supply is independent of the highly diverse initial training systems which exist in European countries.

The second observation was made by L. Frey, i.e. that the widespread increase in the delivery of diplomas stems from the common choice made by European countries to concentrate their investment on initial training (academic and for young people), this choice not corresponding to the approach of "lifelong learning for all" (L. Frey).

The majority of skilled workers in France (86%) , adds A. Dumont, have never taken part in continuous training.

According to L. Frey, in the light of these facts we must give priority to the retraining of adults (including older people) at the same time as increasing the level of training amongst young people.

The new demand for training and the new training offers are replacing the role of the school; school systems cannot be asked either to take on board or to organise lifelong learning, nor to provide each and every company with the skills it requires.

In future schools could be seen as constituting a "central" though not unique part of a system made up of sub-systems, most parts of which already exist (school, training institutes, companies, etc.), but which must be organised on the basis of recognition of all

its components, whilst permitting a multi-coded reading - "skills", knowledge, qualifications - of training acquired, wherever and whenever this occurred.

This sort of approach would inevitably have a major effect on the nature and content of all training activity (from school to work experience) and on its financing. What effects are we talking about?

During discussions on the effects on the nature and content of training activity, only a few aspects were mentioned: O. Lübke pointed out that, in a context of rapid change and increased mobility, vocational training should continue to provide for the broadest possible qualifications. A. Dumont stresses that school training should concentrate on and perhaps even limit itself to ensuring that individuals learn what they need in order to integrate socially and provide them with the foundations for building up their skills, whilst it would be up to the companies to pool the knowledge and ability of individuals in order to shape the skills which they require (the discussions were left open on the role of the company in the training process - subject of forthcoming AGORA Seminar).

On financing, the main point centred on the implications of this approach for the allocation of public funds earmarked for training. The difficulties faced by public budgets (L. Frey) mean that it is very difficult to set priorities. A redistribution of funds would either mean increasing the budget or increasing the individual's participation in those areas of initial training which are virtually free of charge.

How would that go down with families and individuals?